



MICHIGAN DEPARTMENT OF  
ENVIRONMENTAL QUALITY

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# Drinking Water Revolving Fund

## Purpose

The Michigan Department of Environmental Quality's (DEQ's) Drinking Water Revolving Fund (DWRF) is a low-interest loan program designed to assist Michigan water suppliers meet the requirements of the Safe Drinking Water Act (SDWA). Qualified water suppliers may apply to borrow funds to plan, design, and construct eligible drinking water projects.

## Program background

On August 2, 1996, Congress reauthorized the SDWA and included provisions to establish the DWRF. This project is modeled after the Clean Water State Revolving Fund for wastewater projects. To implement its DWRF, Michigan adopted legislation to add Part 54 to the Natural Resources and Environmental Protection Act, P.A. 451 of 1994.

Each state must operate its DWRF in accordance with federal and state laws and regulations. Eligibility requirements, rates of interest, prioritization for funding, and application procedures are among the areas of flexibility afforded to the states.

The federal government has authorized DWRF capitalization funds since Fiscal Year 1998 and Michigan anticipates continued capitalization from EPA. The state must provide a 20-percent match to receive these federal funds.

## Who qualifies for a loan?

Either a community water supply, or a non-community water supply that operates as a non-profit entity can qualify to receive DWRF assistance.

## How can we apply?

Eligible water suppliers must first submit a project plan to be ranked on the state's annual Project Priority List (PPL).

A project plan must document an environmental and/or public health problem. It must also include an analysis of alternatives and an evaluation of environmental impacts.

*Please contact the Revolving Loan Section for a project manager to be assigned to assist the applicant in identifying applicable planning requirements and developing the project plan.*



## What types of projects qualify?

Public water supply projects will consist of facilities through which water is obtained, stored, treated or distributed, including any of the following:

- Full lead/galvanized service line replacement
- Wells and well structures
- Intake structures and cribs
- Pumping stations
- Treatment plants
- Storage tanks
- Pipelines and appurtenances

## What is the process to receive a loan?

Based on the funding available each year, the DEQ develops a Project Priority List of water suppliers eligible to receive assistance. The DEQ will notify each supplier as funds become available. A project manager and the water supplier then negotiate a milestone schedule designed to accomplish each step in the application process. The specific date for loan closing depends upon this schedule. Generally, loan closings are scheduled for December, March, June, and September.

The loan is handled as a municipal bond issued by the applicant community. The bond must have an investment-grade rating, and is subject to all applicable state and federal requirements associated with municipal finance/debt activity. A bond attorney must be involved, and communities typically retain a financial advisor to assist them through the financing process.

## When is a project ranked on the ppl?

May 1 of each year is the annual cut-off date for submission of new project plans. Those water suppliers that satisfactorily complete plans are ranked on the PPL that will go into effect the following October 1. The PPL is derived from criteria identified in PA 451 of 1994, and ranks projects using the following factors:

- Drinking water quality
- System reliability as outlined in Act 399
- Population
- Disadvantaged community status
- Consolidation with a regional system

# DWRF advantages

Financing projects through the DWRF program has several key advantages:

- Interest rate is set below market rates
- Loans have a 20-year repayment period (may be extended to 30 years of disadvantaged communities)
- The DWRF can provide a one-stop source of funding for eligible projects.
- Quick turn-around reviews by DEQ and MFA staff.
- The DWRF provides loans to cover planning costs, which may be forgiven for qualifying disadvantaged communities.
- Project management staff are assigned to work with each potential borrower early in the project planning stage.
- Nonpoint Source Pollution Control
- Stormwater Treatment Facilities

## Program contacts

Administration of the DWRF Program Requires a partnership between various state agencies. Program administrators, technical staff, and finance specialists must all work together to manage Michigan's resources and protect public health.

### Administrative Issues:

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