What is the Drinking Water State Revolving Fund program, and who can apply?
The Drinking Water State Revolving Fund provides loans at below-market interest rates and principal forgiveness for planning, designing, and constructing water supply infrastructure. Eligible applicants are existing community public water systems, including political subdivisions; nonprofit water supply corporations and privately owned community water systems; nonprofit, noncommunity public water systems; and state agencies. The Drinking Water State Revolving Fund includes mainstream and disadvantaged community funds.

How can Drinking Water State Revolving Fund loans be used?
Loans can be used for planning, designing, and constructing projects to upgrade or replace water supply infrastructure, to correct exceedences of Safe Drinking Water Act drinking water standards, to consolidate water supplies, and to purchase capacity in water systems. Drinking Water State Revolving Fund loan proceeds can also be used to purchase land integral to the project. Under the source water protection program, an applicant may apply for a loan to purchase land or conservation easements if the purpose of the purchase is to protect the source water of a public water system from contamination and to ensure compliance with national primary drinking water regulations. For Fiscal Year 2011, beginning September 1, 2010, and to the extent that sufficient eligible projects apply, not less than 20 percent of the funds available from the State Revolving Fund capitalization grant funds will be for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.

What loan terms will be offered through the Drinking Water State Revolving Fund?
The Drinking Water State Revolving Fund offers net long-term fixed interest rate loans at subsidized interest rates. The maximum repayment period for a Drinking Water State Revolving Fund mainstream loan is 20 years and for a disadvantaged loan is 30 years from the completion of project construction. A cost-recovery loan origination fee of 2.25 percent is imposed to cover administrative costs of operating the Drinking Water State Revolving Fund. Applicants have the option to finance the origination fee in their loan. Individual entities will be limited to funding in an amount not to exceed 15 percent of the total funds available.

Interest rates are locked in at closing:

» Mainstream funds offer a net long-term fixed interest rate of 1.25 percent below market rate for those applicants financing the origination fee.

» Disadvantaged community funds offer an interest rate of 1.25 percent below market rate to eligible communities and principal forgiveness of 70 percent if the community’s adjusted annual median household income is less than or equal to 75 percent and greater than 60 percent of the state adjusted annual median household income. Principal is forgiven at 100 percent if the community’s adjusted annual median household income is less than or equal to 60 percent of the state adjusted annual median household income. A limited amount of funding is available each year to applicants who qualify as disadvantaged communities.
What is the application and approval process?

**Preapplication.** Each year, the Texas Water Development Board (TWDB) notifies all known potential entities of the availability of funding and timelines for the upcoming cycle. Prospective loan applicants are asked to submit project information that describes their existing water facilities, facility needs, the nature of the project being considered, and project cost estimates. The Texas Commission on Environmental Quality rates potential Drinking Water State Revolving Fund loan applicants' projects using information contained in their files. This information is used to rate each proposed project and place prospective projects in priority order on the project priority list in the Intended Use Plan. A fundable projects list is established, and available funds are distributed in accordance with the funding order specified in the Intended Use Plan. All applicants on the fundable projects list will be notified and invited to submit complete applications within three months of the date of the invitation letter. All applicants are encouraged to schedule a preapplication conference that will guide them through the Drinking Water State Revolving Fund application process. The fundable projects list is revised as projects decline or funding becomes available. Invitations are then sent to the next eligible applicant on the list.

**Application and Commitment.** Applications consist of an engineering feasibility report and environmental information and contain certain general, fiscal, and legal information. The time frame for submitting an application is dictated in the invitation to submit funding offered by the TWDB. Applications for loans are considered for approval by the TWDB governing Board at its monthly public meetings.

**Loan Closing Option.** In Fiscal Year 2011, the TWDB will begin offering applicants the opportunity to use a more efficient type of financial assistance that involves funding the planning, acquisition, and/or design portion of projects separately from the construction portion. Beginning with the Fiscal Year 2012 Intended Use Plan, applicants will be required to be ready to advertise for bids or procurement packages at the time a commitment for construction is sought and to have acquired bids prior to closing their loans. The previous predesign funding option will continue to be offered on a limited basis. The predesign funding option allows an applicant to receive a single loan commitment for both the planning, acquisition, and/or design and the construction portions of a project. The TWDB must deem the construction portion of the project ready to proceed before funds for the construction phase are released. This option will only be considered for projects where no significant permitting, social, contractual, environmental, engineering, or financial issues make the funding unavailable.

Are there any special requirements?

» Applicants for loans greater than $500,000 must adopt a water conservation and drought contingency plan, as mandated under the Texas Administrative Code Title 31 § 363, Subchapter A.

» For Fiscal Year 2011, the Safe Drinking Water Act requires that all projects have a National Environmental Policy Act–type environmental review. TWDB staff members are available to assist applicants in determining the scope of investigation required, preparing reports, and coordinating with environmental regulatory agencies.

» The Davis-Bacon Act wage rates must be applied to all assistance agreements made in whole or in part with the Drinking Water State Revolving Fund.

» All Drinking Water State Revolving Fund projects must comply with the TWDB's Disadvantaged Business Enterprise program, which requires applicants and prime contractors to follow six affirmative steps in procurement: (1) include qualified disadvantaged business enterprises on solicitation lists; (2) solicit potential disadvantaged business enterprises whenever they are potential sources; (3) reduce contract size/quantities, when economically feasible, to permit maximum participation of disadvantaged business enterprises; (4) establish delivery schedules to encourage participation by disadvantaged business enterprises; (5) use the services and assistance of the Small Business Administration, the Minority Business Development Agency, and the U.S. Department of Commerce, as appropriate; and (6) require all prime contractors to follow six affirmative steps and subcontracts or subagreements.

» Detailed information and required forms for the Disadvantaged Business Enterprise Program are available online at http://www.twdb.state.tx.us/assistance/financial/fin_infrastructure/dbe.asp.

Where may I get more information?

If you do not have access to the Internet or have specific questions regarding the required procurement steps, please contact Otis Williams at (512) 463-1878. For other information, contact the TWDB at (512) 475-4816. Additional information on the Drinking Water State Revolving Fund and other programs is also available on the TWDB Web site at http://www.twdb.state.tx.us/financial/programs.