

**PART ONE:**

**GRANTS FOR HARDSHIP MUNICIPALITIES**

Sec. 1. 24 V.S.A. chapter 120, subchapter 1 is amended to read:

§ 4752. DEFINITIONS

As used in this chapter:

\* \* \*

(20) "Hardship municipality" means a municipality served by a public community water system that:

(A) has a residential population of 500 or less;

(B) has a household user cost that exceeds \$1,000 or 1.5 percent of the median household income after construction of the water supply improvements project as determined by the Secretary; and

(C) requires improvements to address a public health hazard or a significant public health risk as determined by the Secretary.

§ 4753. REVOLVING LOAN FUNDS; AUTHORITY TO SPEND; REPORT

(a) There is hereby established a series of special funds to be known as:

\* \* \*

(9) The Vermont Drinking Water Revolving Loan Fund, which shall be used to provide grants to a hardship municipality for water supply improvements to a public community water system and loans to a municipality for the design, land acquisition, if necessary, and construction of a potable water supply when a household in the municipality has been disconnected involuntarily from a public water supply system for reasons other than nonpayment of fees.

\* \* \*

Sec. 2. 24 V.S.A. chapter 120, subchapter 2 is amended to read:

§ 4763a. LOANS TO MUNICIPALITIES FOR ~~PRIVATELY OWNED~~ POTABLE WATER SUPPLIES AND GRANTS TO HARDSHIP MUNICIPALITIES

(a) When a household has been involuntarily disconnected from a public water supply system and that disconnection did not occur as a result of nonpayment of fees, a loan may be made to a municipality from the Vermont Drinking Water Revolving Loan Fund, established in section 4753 of this title, for the design, land acquisition if necessary, and construction of a potable water supply, as that term is defined in 10 V.S.A. chapter 64. In such cases, the following conditions shall apply:

(1) Guaranteed repayment of the loan will be based on a municipal bond, but actual repayment may be made with funds from the owner of the potable water supply, as set forth in an agreement between the owner and the municipality.

(2) All conditions and limitations of section 4755 of this title shall apply to loans made under this subsection.

(3) No loan shall be made to a municipality under this subsection nor shall any part of any revolving loan made under this subsection be expended until both of the following take place:

(A) The Secretary certifies to the Bond Bank that the wastewater system and potable water supply permit necessary for the design and construction of the proposed potable water supply to be financed by the loan have been issued to the owner of the supply.

(B) The applicant municipality certifies to the Bond Bank that the owner of the proposed potable water supply has secured all State and federal permits, licenses, and approvals necessary to construct and operate the improvements to be financed by the loan.

(b) Hardship municipalities qualify for a grant of up to 50% of eligible project costs for water supply improvements to a public community water system, provided the following conditions are met:

(1) The municipality has a state approved asset management plan that includes a capital improvement plan.

(2) The proposed type, size, and estimated cost of the project are suitable for its intended purpose.

(3) The applicant municipality has or will obtain all state and federal permits, licenses, and approvals necessary to construct the improvements to be financed by the grant prior to expending funds under the grant.

(c) The Secretary shall establish standards, policies, and procedures as necessary for the implementation of this section.

\* \* \*

**PART TWO:**  
**AUTHORIZING 40 YEAR LOAN TERMS**  
**FOR MUNICIPAL PUBLIC WATER SUPPLY SYSTEMS**

Sec. 3. 24 V.S.A. chapter 120, subchapter 2 is amended to read:

§ 4755. LOAN; LOAN AGREEMENTS; GENERAL PROVISIONS

(a) Except as provided by subsection (c) of this section, the Bond Bank may make loans to municipality on behalf of the State for one or more of the purposes set forth in section 4754 of this chapter. Each of the loans shall be made subject to the following conditions and limitations:

\* \* \*

(3) The loan shall be evidenced by a municipal bond, payable by the municipality over a term not to exceed ~~30~~ 40 years or the projected useful life of the project, whichever is less, except:

(A) there shall be no deferral of payment;

(B) the term of the loan shall not exceed ~~20~~ 30 years when required by section 4763c of this title; and

(C) the loan may be evidenced by any other permitted debt instrument payable as permitted by chapter 53 of this title.

(D) the term of the loan shall not exceed 30 years for clean water projects.

\* \* \*

§ 4763c. LOANS TO MUNICIPALITIES FOR MUNICIPAL PUBLIC WATER SUPPLY SYSTEMS

(a) The Secretary may certify to the Vermont Municipal Bond Bank established by section 4571 of this title the award of a loan to a municipality to assist with a public water supply system project, when the Secretary finds that:

(1) the project is necessary;

(2) the proposed type, size, and estimated cost of the project are suitable for its intended purpose; and

(3) the municipality will have the technical, financial, and managerial ability to operate the facility in compliance with federal and State law.

(b) The certification by the Secretary shall specify the interest rate, and indicate which of the following loan conditions concerning construction loans apply:

(1) The term shall not exceed ~~20~~ 30 years, and the annual interest rate, plus the administrative fee, shall be no more than three percent or less than zero percent, except that when the applicant municipality is disadvantaged as defined by subdivision 4752(12) of this title, the term shall not exceed ~~30~~ 40 years. When the applicant municipality is disadvantaged as defined in subdivision 4752(12), the annual interest rate, plus the administrative fee, shall be no less than minus three percent.

\* \* \*

(3) Loans awarded to a municipality that have not initiated repayment prior to January 1, 2019 may be extended as provided by subsection (b)(1) and (b)(2) of this section.

**PART THREE:**  
**AUTHORIZING ONSITE SEPTIC SYSTEM LOANS FROM THE**  
**CLEAN WATER STATE REVOLVING LOAN FUND**

Sec. 4. 24 V.S.A. § 4753 is amended to read:

§ 4753. REVOLVING LOAN FUNDS; AUTHORITY TO SPEND; REPORT

(a) There is hereby established a series of special funds to be known as:

(1) The Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund, which shall be used, consistent with federal law, to provide loans for planning and construction of clean water projects, including acquisitions of project-related easements, land, options to purchase land, and temporary or permanent rights-of-way, and for implementing related management programs.

\* \* \*

(10) The Vermont Wastewater and Potable Water Revolving Loan Fund, which shall be used to provide loans to individuals, in accordance with section 4763b of this title, for the design and construction of repairs to or replacement of wastewater systems and potable water supplies when the wastewater system or potable water supply is a failed system or supply as defined in 10 V.S.A. § 1972, or when a designer demonstrates that the wastewater system or potable water supply has a high probability of failing. The amount of up to \$275,000.00 from the fees collected pursuant to 3 V.S.A. § 2822(j)(4) shall be deposited into this Fund at the beginning of each fiscal year to ensure a minimum balance of available funds of \$275,000.00 exists for each fiscal year.

\* \* \*

(b) Each of such funds shall be established and held separate and apart from any other funds or monies of the State and shall be used and administered exclusively for the purpose of this chapter with the exception of transferring funds from the Vermont Drinking Water Planning Loan Fund and the Vermont Drinking Water Source Protection Fund to the Vermont Environmental Protection Agency (EPA) Drinking Water State Revolving Fund, and from the Vermont Pollution Control Revolving Fund to the Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund, when authorized by the Secretary.

(c) These funds shall be administered by the Bond Bank on behalf of the State, except that:

(1) the Vermont EPA Drinking Water State Revolving Fund shall be administered by VEDA concerning loans to privately owned public water systems in accordance with subchapter 3 of this chapter under subdivisions (a)(3) and (5) of this section;

(2) the Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund shall be administered by VEDA concerning loans to private entities for clean water projects in accordance with subchapter 4 of this chapter; and

(3) the Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund and the Vermont Wastewater and Potable Water Revolving Loan Fund may be administered by a community development financial institution, as that term is defined in 12 U.S.C. § 4702, that is contracted by the State for the purpose of providing loans to individuals for failed wastewater systems and potable water supplies in accordance with section 4763b of this title under subdivision (a)(1) and (10) of this section.

(d) ~~[Repealed.]~~ The funds shall be invested in the same manner as permitted for investment of funds belonging to the State or held in the Treasury. The funds shall consist of the following:

\* \* \*

Sec. 5. 24 V.S.A. chapter 120, subchapter 2 is amended to read:

Subchapter 2. ~~Municipal~~ Loans to Municipalities and Individuals

\* \* \*

§ 4757 REVOLVING LOAN FUNDS; ADDITIONAL USES

In addition to providing a source of funds from which loans may be made to municipalities under this chapter, each fund created under section 4753 of this chapter may be used for one or more of the following purposes:

\* \* \*

(6) To pay from Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund or the Vermont Wastewater and Potable Water Revolving Loan Fund the costs of administration of loans awarded under subdivision ~~4753(a)(10)~~ 4763b of this title.

\* \* \*

§ 4763b. LOANS TO INDIVIDUALS FOR FAILED WASTEWATER SYSTEMS AND FAILED POTABLE WATER SUPPLIES

(a) Notwithstanding any other provision of law, when the wastewater system or potable water supply serving only single-family and multifamily residences either meets the definition of a failed supply or system in 10 V.S.A. § 1972 or is demonstrated by a designer to have a high probability of failing, the Secretary of Natural Resources may lend monies to an owner of one or more of the residences from the Vermont Wastewater and Potable Water Revolving Loan Fund established in section 4753 of this title. In such cases, the following conditions shall apply:



\* \* \*

(6) all funds from the repayment of loans made under this subsection shall be deposited into the Vermont Wastewater and Potable Water Revolving Loan Fund.

(b) Notwithstanding any other provision of law, when the wastewater system serving only single-family and multifamily residences either meets the definition of a failed system in 10 V.S.A. § 1972 or is demonstrated by a designer to have a high probability of failing, the Secretary of Natural Resources may lend monies to an owner of one or more of the residences from the Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund established in section 4753 of this title, provided that no State funds are used. In such cases, the following conditions shall apply:

(1) a loan may only be made to an owner with a household income equal to or less than 200 percent of the State average median household income;

(2) a loan may only be made to an owner who resides in one of the residences served by the failed system on a year-round basis;

(3) a loan may only be made to an owner who has been denied financing for the repair, replacement, or construction due to involuntary disconnection by at least one other financing entity;

(4) a loan may only be made to an owner who demonstrates sufficient means to pay the principal and interest on the loan;

(5) a loan may only be made for a project that is a clean water project the Secretary has designated as a priority for receipt of financial assistance;

(6) when the failed system also serves residences owned by persons other than the loan applicant, a loan may only be made for an equitable share of the cost to repair or replace the failed system that is determined through agreement of all of the owners of residences served by the failed system;

(7) no construction loan shall be made to an individual under this subsection, nor shall any part of any revolving loan made under this subsection be expended, until all of the following take place:

(A) the Secretary of Natural Resources determines that if a wastewater system and potable water supply permit is necessary for the design and construction of the project to be financed by the loan, the permit has been issued to the owner of the failed system; and

(B) the individual applying for the loan certifies to the Secretary of Natural Resources that the proposed project has secured all State and federal permits, licenses, and approvals necessary to construct and operate the project to be financed by the loan;

(8) loans shall be awarded at or below market interest rates;

(9) no more than \$500,000.00 of the Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund shall be used in each fiscal year to award loans under this subsection; and

(10) all funds from the repayment of loans made under this subsection shall be deposited into the Vermont Environmental Protection Agency (EPA) Pollution Control Revolving Fund.

(d) Loans awarded under this section:

(1) shall include a loan repayment schedule that commences not later than one year after completion of the funded project for which loan funds have been issued; and

(2) shall not be used for the operation and maintenance expenses, or laboratory fees for monitoring, of a wastewater system or potable water supply.

~~(b)~~ (e) The Secretary of Natural Resources shall establish standards, policies, and procedures as necessary for the implementation of this section. The Secretary may establish criteria to extend the payment period of a loan or to waive all or a portion of the loan amount.

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**PART FOUR:**

**MISCELLANEOUS TECHNICAL CORRECTIONS**

24 V.S.A. §4763c(b)(1) should be amended by inserting (A) after 4752(12) in the last sentence. This makes clear that the additional subsidy authorized in that section is only available to those disadvantaged systems that meet the definition in §4752(12)(A), i.e. those systems serving communities with a medium-household income (MHI) below the state average MHI.

24 V.S.A. § 4765. APPLICATION FOR LOANS TO MUNICIPALITIES

24 V.S.A. § 4771(a)(5)(A) needs to reference 24 VSA § 4752(12)(A) instead of 10 V.S.A. § 1571(9)(A). This fix should have been made as part of Act 185.

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**PART FIVE:  
EFFECTIVE DATES**

Sec. 3. EFFECTIVE DATE

This act shall take effect

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