



DEQ POLICY STATEMENT PS23-08

POLICY FOR DETERMINING INTEREST RATE ON LOANS FROM THE WATER POLLUTION CONTROL AND DRINKING WATER LOAN ACCOUNTS

PURPOSE

To establish a method for determining the rate of interest to be charged on loans from the Water Pollution Control, Wastewater Facility Loan Account, and Drinking Water Loan Accounts.

BACKGROUND

In accordance with Idaho Code § 39-7601 and § 39-3626, the Idaho Department of Environmental Quality (DEQ) is granted the authority to maintain the purchasing power of the loan programs over time and to set interest rates at or below-market rates. Interest rates need to address inflation as well as be attractive enough to lend all of the funds as provided for in the operating agreements with the US Environmental Protection Agency. DEQ also considers the need to offset loans to disadvantaged communities.

STATEMENT OF POLICY

The interest rate for loans awarded for water pollution control and drinking water projects will be determined as follows:

- **Clean Water Loans.** The interest rates for 20-year Clean Water Loans will range between 2.50% and 1.50%. Interest rates will be reduced below the 2.50% ceiling for disadvantaged communities. For 30-year extended term financing to Clean Water recipients, the interest rate shall be 0.25% higher than a comparable 20-year loan.
- **Drinking Water Loans.** This rate excludes Lead Service Line Loans through the Bipartisan Infrastructure Law, which will be set through the Drinking Water Intended Use Plan.

The interest rates for 20-year Drinking Water Loans will range between 2.50% and 1.50%. Interest rates will be reduced below the 2.50% ceiling for disadvantaged communities. For 30-year extended term financing to Drinking Water recipients, the interest rate shall be 0.25% higher than a comparable 20-year loan.

The actual loan rate will be determined at the time the loan is awarded. Rates are subject to available funds and may be adjusted if it is determined that the rate of inflation is higher than the interest rate charged, thereby causing the loan funds to lose purchasing power.

A loan fee of 1.00% may be assessed on the declining balance of new loans issued. To the extent that fees are assessed, the interest rate will be reduced by the same percentage. For example, a loan with a 2.50% interest rate and a 1.00% fee will have the interest rate reduced by 1.00% to 1.50% and the fee of 1.00% for a total rate of 2.50%.

RESPONSIBILITY

DEQ's Grants and Loans Bureau Chief is responsible for maintaining this policy.

IMPLEMENTATION

This policy is effective beginning with loans entered into for the state fiscal year 2024 beginning July 1, 2023, and will remain in effect for 5 years unless amended, replaced, or rescinded prior to expiration.

Dated this _____ day of _____, 2023

Jess Byrne
Director, Idaho Department of Environmental Quality