

**STATE OF WISCONSIN  
SAFE DRINKING WATER LOAN PROGRAM  
INTENDED USE PLAN**

**FOR THE SFY 2025 FUNDING CYCLE**



**May 15, 2024**



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**WISCONSIN DEPARTMENT OF NATURAL RESOURCES**  
**SAFE DRINKING WATER LOAN PROGRAM INTENDED USE PLAN**  
**Covering Funding During State Fiscal Year 2025**

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**I. INTRODUCTION**

The Safe Drinking Water Act (SDWA) Amendments of 1996 (Public Law 104-182) were signed into law on August 6, 1996. Section 1452 of this Act authorized the Administrator of the U.S. Environmental Protection Agency (EPA) to establish the Drinking Water State Revolving Fund (DWSRF) program. The DWSRF was established to assist public water systems with financing the costs of infrastructure needed to achieve and maintain compliance with the requirements of the SDWA and address public health needs.

Section 1452(b) of the SDWA requires that each state prepare an annual Intended Use Plan (IUP) that identifies the uses of the funds in the DWSRF and describes how those funds support the goals of the SDWA. This document, along with the SFY 2025 draft Funding List comprise the State of Wisconsin Intended Use Plan for Federal Fiscal Year (FFY) 2024 DWSRF capitalization grant funds and other monies available in the DWSRF. The IUP is part of Wisconsin's Base, Supplemental, Emerging Contaminants, and Lead Service Line capitalization grant agreement package for FFY 2024 and covers anticipated activity during State Fiscal Year (SFY) 2025. The Base and Supplemental capitalization grants jointly fund the Regular SDWLP. Assurances and specific proposals for meeting federal requirements are provided in the Operating Agreement between the State and EPA Region 5.

**II. DESCRIPTION OF THE SAFE DRINKING WATER LOAN PROGRAM (SDWLP)**

The SDWLP operates as a leveraged loan program. Proceeds from revenue bonds issued by the State of Wisconsin provide state match for the capitalization grants received from EPA. The SDWLP is jointly administered by the Wisconsin Department of Natural Resources (DNR) and the Department of Administration (DOA) as a program under the Environmental Improvement Fund (EIF).

Subject to the applicable requirements of ss. 281.59 and 281.61, Wis. Stats., the SDWLP may provide the following types of assistance for an eligible project unless the project has been substantially complete for three years or longer or the applicant already has long-term outstanding debt for a completed or substantially completed project:

- 1) Purchase or refinance the debt obligation of a local governmental unit if the debt was incurred to finance the cost of constructing an eligible project that is located within the State of Wisconsin.
- 2) Guarantee, or purchase insurance for, municipal obligations for the construction of public water systems, if the guarantee or purchase would improve credit market access or reduce interest costs applicable to the obligation.
- 3) Make loans below the market interest rate.

The SDWLP offers loans at a subsidized interest rate of 55% of the state's market rate. Municipalities with populations less than 10,000 and median household incomes (MHIs) less than or equal to 80% of the state's MHI qualify for loans at 33% of the state's market rate. The state's market rate is the effective interest rate, as determined by DOA, that would have been paid if a fixed-rate revenue obligation had been issued on the date financial assistance is awarded. DOA establishes the market rate on a quarterly basis, or more frequently if necessary.

Beginning in SFY 2025, a new taxable bond market rate has been added.

- For loans issued on a tax-exempt basis, at the time of writing, the market rate in effect is 3.90% for loans amortized over 20 years, and 4.10% for loans amortized over a period greater than 20 years and up to 30 years.
- For loans issued on a taxable basis, at the time of writing, the market rate would be 4.38% (tax-exempt rate of 3.90% divided by calendar year 2023's average taxable/tax-exempt ratio of 89%) for a 20-year amortization, and 4.61% (tax-exempt rate of 4.10% divided by 89%) for loans amortized over a period greater than 20 years and up to 30 years.
- This new taxable bond market rate does not apply to lead service line replacement projects, which also require taxable bonds. These loans will still have an interest rate of 0.25%.

To be clear, the criteria described above only determines the interest rate a municipality qualifies for and is not connected to any additional subsidy a municipality may be eligible to receive. A separate set of criteria are used to determine disadvantaged status for principal forgiveness eligibility. See Section XI.A for more details.

New this year, all loans must be supported by an asset cost-weighted analysis to demonstrate that the mean anticipated design life of work funded under the loan equals or exceeds the loan term. Such documentation is not required for projects consisting solely of pipe construction, and pipe projects are considered eligible for a 30-year loan due to their tendency to have longer design lives. Under the analysis, costs for each asset or asset system (HVAC, process equipment, tanks, etc.) are multiplied by the design life of that asset, summed, and divided by the total project cost less any non-asset costs. The resulting number, truncated at the integer, provides the maximum loan term, not to exceed 30 years. Loans will mature not later than 30 years from the date of the Financial Assistance Agreement, or the useful life of the project, whichever is less.

The cost-weighted-average design life should be documented on the [Design Life Calculation Worksheet](#). Asset design life may not exceed the range provided on the worksheet for the relevant category unless asset-specific documentation supports an exception. The "lifespans" table provides recommended asset design lives, but deviations from these values are allowed. The design life of assets should reflect site-specific conditions. For instance, support systems such as HVAC should not be listed with a design life that exceeds the remaining design life of the structure that they serve. Non-asset costs such as demolition, engineering, land, and administration should not be included in the design life calculations. The effective life of those costs is determined by the assets' lifespan. Loans for demolition-only projects will be evaluated on a case-by-case basis.

The DNR prefers that the municipality submit the design life calculation worksheet along with project plans and specifications. The DNR must receive the worksheet no later than nine weeks prior to the anticipated loan closing date.

Interest payments are required semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup> while principal payments are required annually on May 1<sup>st</sup>. The EIF collects a loan service fee of 0.25% on SDWLP loans. This service fee is a component of the interest rate and does not result in an interest rate that is higher than what is described above. The EIF plans to use the funds collected from the loan service fee on administrative costs not covered by the capitalization grants.

### **III. SHORT- AND LONG-TERM GOALS**

Federal regulations require that short- and long-term goals be developed for the program. Progress in meeting these goals is discussed in each year's Annual Report to EPA. Goals for the SDWLP are listed below.

#### **A. Short-Term Goals**

- Provide financial assistance, including principal forgiveness, to disadvantaged communities for the purpose of installing the necessary infrastructure to provide safe drinking water.
- Explore avenues to support pre-apprenticeship, registered apprenticeship, and youth training programs that open pathways to employment.
- Continue to develop and improve strategies, programs, and mechanisms to ensure, improve, and evaluate the ability of public water systems to provide safe drinking water.
- Implement the Lead and Copper Rule and the Lead and Copper Rule Revisions, including conducting inventories and funding lead service line replacement.
- Incentivize public water systems to implement corrosion control study recommendations, develop and maintain asset management plans, and execute partnership agreements.
- Provide financial assistance, including principal forgiveness, to public water systems for addressing emerging or secondary contaminants exceeding state or federal health advisory levels.
- Protect municipal drinking water supplies by facilitating the development and implementation of wellhead protection plans.
- Encourage public water systems to plan for the impacts of extreme weather events and provide funding through the SDWLP for projects that implement sustainability and resiliency.

#### **B. Long-Term Goals**

- Assist public water systems in achieving and maintaining compliance with all applicable State and Federal drinking water requirements.
- Facilitate distribution system materials inventories and the replacement of all remaining lead service lines, in their entirety, in the State of Wisconsin.
- Protect the public health and environmental quality of the State of Wisconsin.
- Manage the state revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity.
- Monitor the progress of state programs and strategies in improving the ability of public water systems to provide safe drinking water.
- Maintain a program for ensuring that all public water systems are constructed, operated, maintained, and monitored properly.

- Protect drinking water supplies by integrating wellhead protection and source water protection efforts with other water and land use programs.
- Develop methods and mechanisms for measuring program effectiveness.

#### IV. SOURCES AND USES OF FUNDS

The table below summarizes the capitalization grant amounts, their respective required state match, and the amount of principal forgiveness that is made available from each grant. The Base and Supplemental capitalization grants jointly fund the Regular SDWLP.

Sources	Amount (\$)
Base cap grant	7,980,000
Supplemental cap grant	39,358,000
Emerging Contaminants cap grant	13,082,000
FFY 2022 Emerging Contaminants reallocation	87,000
Lead Service Line cap grant	83,278,000
FFY 2022 Lead Service Line reallocation	4,148,000
State match for above grants	9,467,600
Carryover funds	192,034,065
Cap grant balances from previous years	99,395,730
Loan repayments	41,830,432
Bond debt service (Nov. 24 and May 25)	(7,992,450)
<b>Total</b>	<b>482,668,377</b>

Uses	Amount (\$)
Estimated loan capacity for SFY 2025	124,000,000
SFY 2024 applications not yet closed	250,704,241
General PF	21,360,220
Emerging Contaminants PF	12,820,326
Lead Service Line loans	29,219,083
Lead Service Line PF	42,838,740
Disbursements to existing loan commitments	34,824,674
Set asides	29,043,780
<b>Total</b>	<b>544,811,064</b>

#### State Match

The required 20% state match for the Base and Supplemental capitalization grants is authorized under state law and will be generated from revenue bonds. All state matching funds will be disbursed to loan recipients before the state makes the first draw of federal funds from the capitalization grants. Thereafter, all draws against the grants will be made at a cash draw ratio of 100% federal funds. No state match is required for the Emerging Contaminants or Lead Service Line capitalization grants.

#### Principal Forgiveness

The DNR is required to award additional subsidy according to two authorities, the Consolidated Appropriations Act, 2024 (PL 118-42), and the Bipartisan Infrastructure Law (BIL), also known as the

Infrastructure Investment and Jobs Act (PL 117-58, November 15, 2021, 135 Stat 429). The FFY 2024 appropriation requires the SDWLP to award 14% of the Base capitalization grant as additional subsidy. Based on a capitalization grant amount of \$7,980,000, \$1,117,200 must be provided as additional subsidy. In addition, the SDWA requires that a minimum of 12% and up to 35% of the Base capitalization grant (\$957,600–\$2,793,000) be awarded as additional subsidy to disadvantaged communities through loan principal forgiveness, or grants. All additional subsidy will be provided in the form of principal forgiveness (PF), which has shown to be the most efficient method of providing additional subsidy and does not involve imposing additional federal grant requirements on recipients. Under the Base capitalization grant, Wisconsin will make \$2,074,800 (\$1,117,200 + \$957,600) in new PF available for SFY 2025.

The BIL mandates that 49% of funds provided through the Supplemental capitalization grant and Lead Service Line capitalization grants must be provided as additional subsidy. Based on grant amounts of \$39,358,000, and \$87,426,000 respectively, \$19,285,420, and \$42,838,740 will be provided as PF under these authorities.

All PF from the FFY 2010 through 2022 capitalization grants has been awarded. The amount of PF still available from FFY 2023 will be listed in the Final IUP.

<b>General PF Authority</b>	<b>Amount (\$)</b>
Consolidated Appropriations Act	1,117,200
SDWA	957,600
Supplemental Capitalization Grant	19,285,420
Rollover from last year	To be determined
<b>Totals</b>	<b>21,360,220</b>

The BIL requires that 100% of the Emerging Contaminants capitalization grant, minus any set-asides, be provided as additional subsidy. Based on an Emerging Contaminants capitalization grant amount of \$13,169,000, less \$348,674 of set-asides, \$12,820,326 of the grant will be available as principal forgiveness. Per the SDWA, 25% of the capitalization grant amount (\$3,292,250) must be provided as PF to municipalities meeting the state’s disadvantaged criteria or public water systems serving fewer than 25,000 persons. The DNR will meet this requirement by providing a minimum of \$3,292,250 to municipalities that qualify for PF according to Section XI.A of this IUP.

**Set-Aside Summary**

The table below summarizes the budgeted amounts from the set-aside authorities under each grant. See Section V for a discussion of set-aside banking and Sections XIII.B, XIV.E, and XV for planned uses of the set-asides.

<b>FFY 2024 Federal Cap Grant</b>	<b>Administration</b>	<b>Small System Technical Assistance</b>	<b>Wellhead Protection &amp; Other State Programs</b>	<b>Local Assistance</b>	<b>State Program Mgmt</b>
Base	\$319,200	\$159,600	\$399,000	\$798,000	\$798,000
Supplemental	\$1,574,320	\$787,160	\$620,049	\$3,935,800	\$3,935,800
Emerging Contaminants	\$0	\$0	\$0	\$0	\$348,674
Lead Service Line	\$433,127	\$0	\$4,371,300	\$8,742,600	\$1,821,150
<b>Totals</b>	<b>\$2,326,647</b>	<b>\$946,760</b>	<b>\$5,390,349</b>	<b>\$13,476,400</b>	<b>\$6,903,624</b>



### Financial Planning and Loan Capacity

Pursuant to a contract with a firm registered with the Municipal Securities Rulemaking Board as a municipal advisor and assumptions from and discussions with DOA, the SDWLP maintains a capacity model. The model demonstrates that (1) the SDWLP maintains a fund balance above the cumulative capitalization grants plus state match minus principal forgiveness and set-asides and (2) debt service on the SDWLP revenue bonds exceeds 120%. Changing market conditions, funding commitments from EPA, and other factors have continuous impacts on this model's balance. The model provides guidance for the long-term financial health of the SDWLP.

The amount of loans and principal forgiveness the SDWLP expects to award in SFY 2025 will exceed the amount of the total FFY 2024 federal grants received by the SDWLP. The SDWLP is part of the State's Environmental Improvement Fund, which provides leveraged financing for the SDWLP. Based on recent modeling making several assumptions, additional bond sales, cap grant awards, and interest rates charged to future borrowers, the SDWLP currently has an estimated capacity of \$124,000,000.

As detailed in Section XII, the SDWLP received Intent to Apply (ITA) submittals in amounts that greatly exceed the Estimated Loans amount shown in the Uses table. Historically, most ITAs did not result in loan applications in the same fiscal year, yet the ITA submissions reflect a funding need that exceeds the amount of loan dollars estimated for this state fiscal year.

### Leveraged Funds

Revenue bonds for the SDWLP are issued under the EIF Revenue Bond Program created by the State in 2015. At the time the EIF Revenue Bond Program was created, the State worked extensively with EPA to ensure the proposed EIF Revenue Bond Program addressed federal requirements for both the SDWLP and the Clean Water Fund Program (CWFP). The Program Resolution for the EIF Revenue Bond Program includes provisions for the issuance of SDWLP revenue bonds and the tracking of those proceeds and repayments.

Revenue bonds are issued for the required state match on the annual capitalization grant for the SDWLP. The State issues additional EIF revenue bonds to fund additional SDWLP projects through the leveraging of loans within the SDWLP, similar to the current structure of the CWFP.

## V. RESERVING SET-ASIDE AUTHORITY

Federal regulations allow unutilized authority for some of the drinking water set-asides (Administrative, Small Systems Technical Assistance, and State Program Management) to be designated for future use from future capitalization grants. Given the narrower eligibilities under the Emerging Contaminants and LSL appropriations, future use of authority reserved under those BIL capitalization grants will be limited to eligible uses under those grants; therefore, three distinct tables track the reserved authority separately. The DNR requests to reserve additional authority in the amounts shown in the tables below.

### Regular SDWLP

	Administration	Small System Technical Assistance	State Program Management
Previously reserved amounts	\$2,761,771	\$2,403,787	\$6,799,207
Base cap grant	\$0	\$0	\$0
Supplemental cap grant	\$0	\$0	\$0
<b>Totals</b>	<b>\$2,761,771</b>	<b>\$2,403,787</b>	<b>\$6,799,207</b>

## Emerging Contaminants

	Administration	Small System Technical Assistance	State Program Management
Previously reserved amounts	\$1,038,360	\$519,180	\$2,401,900
Emerging Contaminants cap grant	\$526,760	\$263,380	\$968,226
<b>Totals</b>	<b>\$1,565,120</b>	<b>\$782,560</b>	<b>\$3,370,126</b>

## Lead Service Line

	Administration	Small System Technical Assistance	State Program Management
Previously reserved amounts	\$4,148,256	\$2,590,440	\$10,277,799
Lead Service Line cap grant	\$3,063,913	\$1,748,520	\$6,921,450
<b>Totals</b>	<b>\$7,212,169</b>	<b>\$4,338,960</b>	<b>\$17,199,249</b>

## VI. TRANSFER OF FUNDS FROM CWSRF TO DWSRF

Federal regulations allow a transfer between the State Revolving Funds of up to 33% of the amount of the Drinking Water capitalization grants. The EIF transferred a total of \$23,596,056 in loan funds from the CWFP to the SDWLP prior to FFY 2002. The EIF is not currently considering transferring SFY 2024 capitalization grant funds but reserves the right to do so in the future.

In addition, the Water Infrastructure Financing Transfer Act (WIFTA), which was passed in October 2019, allowed a one-time transfer of funds, as principal forgiveness, from the CWFP to the SDWLP for the purpose of addressing a threat to public health as a result of heightened exposure to lead in drinking water. WIFTA allowed an amount equal to no more than 5% of the cumulative clean water state revolving fund capitalization grants made to the state to be transferred for this purpose. The EIF transferred the full amount allowable of \$63,809,549 on October 1, 2020. The transferred WIFTA funds were all allocated to lead service line replacement projects in previous years.

## VII. COMPLIANCE WITH FEDERAL REQUIREMENTS

### A. Water Infrastructure Improvements for the Nation (WIIN) Act

The Water Infrastructure Improvements for the Nation Act (P.L. 114-322) was enacted on December 16, 2016. Subtitle A of WIIN pertains to Safe Drinking Water and includes provisions impacting the DWSRFs.

One of the WIIN provisions impacting the DWSRFs was a change in how the allowable amounts of administrative funds are calculated, similar to the changes made to the Clean Water State Revolving Fund (CWSRF) when the Water Resources Reform and Development Act (WRRDA) was passed in June 2014. This change allows the State of Wisconsin to use the greatest of: \$400,000; 1/5 percent of the current valuation of the DWSRF; or an amount equal to four percent of all DWSRF capitalization grant awards to the state.

Based on Wisconsin’s June 30, 2023, financial statements for the EIF, the total net position of the SDWLP is equal to \$512,111,322, yielding allowable administrative funds of \$1,024,223 under the 1/5 percent option. This amount is less than 4% of the capitalization grants [\$319,200 (Base) + \$1,574,320 (Supplemental) + \$526,760 (Emerging Contaminants) + \$3,331,120 (Lead Service Line)] so the 4% of each capitalization grant option will be utilized. The total administrative set-aside budget is \$2,812,944. See Section V for details on banking of unutilized set-aside authority.

**B. Consolidated Appropriations Act of 2024**

The Consolidated Appropriations Act, 2024 Public Law (PL 118-42), contained additional requirements beyond what is included in the federal regulations governing the DWSRF. The requirements for FFY 2024 included the provision that 14% of the amount of the DWSRF Base capitalization grant must be utilized to provide additional subsidization in the form of grants, principal forgiveness, or negative interest rate loans. Projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities are still eligible for funding, but there is no requirement to spend a specific percentage of the capitalization grant funds on green projects.

**C. Davis-Bacon and Related Acts Wage Rate Requirements**

Davis-Bacon Act requirements are listed in SDWA §1452(a)(5). Compliance guidance on Davis-Bacon requirements is available on the [program website](#). All projects receiving funding are required to certify their weekly payrolls on their disbursement request forms. Compliance is further verified during field inspections of projects and an additional certification that the requirements were met is required as part of project closeout.

**D. Bipartisan Infrastructure Law**

President Biden signed the Bipartisan Infrastructure Law on November 15, 2021 (P.L. 117-58). It included \$50 billion for the EPA to strengthen the nation’s drinking water and wastewater systems – the single largest investment in water infrastructure that the federal government has ever made.

The BIL provides three appropriations for the DWSRF for each federal fiscal year 2022 through 2026 (see the table below). The Base capitalization grant amount is set through the annual congressional appropriations process and is therefore not included in the table.

Funds	Annual Estimated Funding
Drinking Water SRF Supplemental	\$30–\$41 million
Drinking Water Emerging Contaminants	\$13 million
Drinking Water LSL Replacement	\$48–\$84 million

- **SRF Supplemental** – All DWSRF-eligible projects may be funded from this appropriation. Forty-nine percent of the appropriation is required to be provided to disadvantaged communities as additional subsidy. DWSRF supplemental grant requirements mirror the base DWSRF grant requirements.
- **Lead Service Line Replacement** – The BIL provides a separate appropriation for LSL identification and replacement. No state match is required for this grant. Forty-nine percent of

the grant is required to be awarded to disadvantaged communities as additional subsidy. Go to Section XIII for more information about the LSL Replacement Program.

- **Emerging Contaminants** – The BIL provides a separate appropriation to address emerging contaminants in drinking water with a focus on perfluoroalkyl and polyfluoroalkyl substances. There is no state match requirement, and all funding is required to be awarded as additional subsidy (principal forgiveness). Go to Section XIV for more information about the Emerging Contaminants Program.
- **Base Capitalization Grant Additional Subsidy Amendment** –The BIL amended SDWA requirements related to additional subsidization. States are required to use at least 12% (an increase from 6%), but no more than 35%, of the capitalization grant amount for additional subsidy to Disadvantaged Communities.
- **American Iron and Steel (AIS)** – AIS is required for all DWSRF-funded projects. Information on the use of American Iron and Steel has been detailed in the Environmental Loans Newsletter and on the program website. The Financial Assistance Agreements include language describing this requirement. All municipalities must certify that they will meet the requirement before closing on their loan and certify that the requirement was met as part of project closeout. Compliance is also verified during field inspections of projects. The certification form and more information on the requirement are available on our [program website](#).
- **Build America, Buy America** – The BIL established the Build America, Buy America (BABA) Act which introduces new domestic sourcing requirements for federally-funded infrastructure projects. Pursuant to Section 70914(c) of the BABA Act, EPA may waive the Buy America preference in cases where EPA finds that applying the domestic content procurement preference would be inconsistent with the public interest.

The BABA Act requires that infrastructure projects that receive federal funding be built with iron, steel, construction materials and manufactured products that are produced in America, which is defined as:

- **Iron and Steel:** all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- **Construction Materials:** all manufacturing processes for the construction material occurred in the United States.
- **Manufactured Products:** the manufactured product is manufactured in the United States and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product.

Go to the [program website](#) for more information about BABA requirements, waivers, and how to comply.

- **BIL Signage** – Certain projects are required to place a physical sign to identify the project as funded by the Bipartisan Infrastructure Law. To see which projects are required to comply with this requirement and how to comply, go to the [BIL Signage webpage](#).

## E. Green Project Reserve

The Consolidated Appropriations Act of 2024, Public Law (PL 118-42), did not reinstate the requirement to fund projects under the Green Project Reserve (GPR). The FFY 2024 appropriation instead stated that DWSRF capitalization grant funds may, at the discretion of the State, be used for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. The DNR encourages SDWLP applicants to complete the [GPR form \(8700-357\)](#). Any GPR projects that receive funding will be reported to EPA in the Annual Report and the Office of Water State Revolving Fund (OWSRF) database.

## F. Federal Equivalency

The EPA requires States to designate projects in an amount equal to each year's capitalization grant (minus the set-asides) to meet some additional federal requirements. These projects are referred to as Federal Equivalency projects.

**For SFY 2025, all SDWLP projects in municipalities with a population of 15,000 or greater are designated as federal equivalency.** All Emerging Contaminants and Lead Service Line projects, regardless of the municipality's size, will be designated as federal equivalency. In cases in which a municipality with a population between 15,000 and less than 20,000 will be jointly funding a CWFP and SDWLP project that is being bid under the same construction contract in the same fiscal year, the project will be exempt from the federal equivalency requirements. Any potential exemption is contingent on the municipality closing the CWFP loan for the project that will be jointly funded with the SDWLP loan. This exemption aims to simplify jointly funded projects that would otherwise need to comply with federal equivalency requirements for the SDWLP but not the CWFP. This exemption does not apply to Lead Service Line or Emerging Contaminants projects. To confirm whether your project has been designated as federal equivalency, refer to the SDWLP [Project Priority List](#).

Federal equivalency projects are required to meet additional requirements, as applicable. These requirements are detailed on our [program website](#).

## G. Data Reporting

All projects funded by the SDWLP will be reported in the OWSRF database on an ongoing basis, as required by EPA. In addition, Wisconsin will meet the reporting requirements set forth by the Federal Funding Accountability and Transparency Act (FFATA) and will report annually into the National Information Management System (NIMS) database, which is included in the OWSRF database.

## VIII. POLICY CHANGES IMPLEMENTED DURING SFY 2019

Several policy changes were implemented starting in SFY 2019. These changes are still in effect for SFY 2025. The changes are briefly described below.

### A. Online Application Submittal and Elimination of Grace Period

All SDWLP applications are required to be submitted through the online application system. Information on accessing and using the online application system is [available on our website](#).

Since the system includes prompts whenever attachments are required, there is no longer a grace period for missing items. **All required information must be included with the application, by the application deadline, for the project to be eligible to receive PF.** Any application that is incomplete as of the application deadline will be added to the list as a supplemental application once the missing information is received and will not be eligible to receive PF. Please note that plans and specifications need to be submitted to the Bureau of Drinking Water and Groundwater in addition to being uploaded as part of the SDWLP application.

## **B. Elimination of Non-Core Costs**

During SFYs 2016–2018, the SDWLP allowed applicants to request a limited amount of funding for items and activities that fell outside of the core scope of the project being funded. These costs were described as *non-core costs*. Administration of the non-core costs turned out to be burdensome, so starting with SFY 2019, non-core costs were no longer allowed to be included in financial assistance applications. Note that costs for development of asset management plans are eligible to be included in SDWLP applications despite being system-related costs rather than project-related.

## **C. Median Household Income (MHI) Cutoff Clarification**

All MHI calculations used to determine the subsidized interest rate will be rounded to the third place after the decimal. This policy is truer to language in sections of the CWFPP and SDWLP statutes that read XX% or less. (e.g., 80.0001% would be equal to 80.000%; 80.0005% would be equal to 80.001% and considered greater than 80.000%.)

## **D. Priority Evaluation and Ranking Formula (PERF)**

Potential loan applicants must prepare and submit their projects' Intent to Apply form (ITA) and PERF for SFY 2026 by October 31, 2024, using the online system. The DNR will evaluate ITAs and PERFs solely for project eligibility, and eligible projects will be listed on the Project Priority List reflecting the self-scores as submitted by potential loan applicants. The DNR will review, verify and/or modify the self-scores of eligible projects, as appropriate, for which complete applications are received by June 30, 2025.

## **IX. PROJECT PRIORITY SCORING**

The priority evaluation and ranking system for the Regular SDWLP is detailed in Subchapter III of ch. NR 166, Wis. Adm. Code. The purpose of the priority evaluation and ranking criteria is to establish a prioritized list of eligible projects to be funded in a manner that is in accordance with the federal requirements of the SDWA. The SDWA requires, to the maximum extent practicable, that priority ranking be given to projects that: 1) address the most serious risk to human health; 2) are necessary to ensure compliance with the requirements of the SDWA (including requirements for filtration); and 3) assist systems most in need on a per household basis according to state affordability criteria.

The Regular SDWLP's priority evaluation and ranking criteria give priority to acute public health risks, particularly those related to microbiological organisms, and second priority to situations that pose chronic and longer-term health risks to consumers, such as organic chemical contamination. The scoring criteria also consider issues that are related to infrastructure upgrading or replacement, to address those projects (or portions of a project) that are eligible for funding but not included in the first two sections.

The DNR will determine a project priority score based on information provided to the DNR that is no more than five years old based on the most recent PERF submittal deadline.

Projects that meet the application deadline are listed on the Funding List in priority order. The fundable range is established in priority order, except when ranking projects in priority order does not result in at least 15% of the funds being allocated to small systems serving less than 10,000 people. In this case, systems serving less than 10,000 people are given priority until the 15% funding allocation requirement is met.

In the event of a disaster, as declared by the state or federal government, project priorities may be adjusted to ensure protection of public health and the environment.

### **PERF Score Objections and Reevaluations**

Applicants may request a priority score reevaluation within 30 days after the application submittal deadline of July 1. After the draft Funding List is posted, applicants have 30 days to object to the PERF score determination.

## **X. CHANGES TO THE REGULAR PERF SCORING CRITERIA**

Section NR 166.23(8), Wis. Adm. Code allows the addition or modification of scoring criteria through the annual Intended Use Plan. The following modifications are in effect:

Municipalities financial need priority score will be associated with the PF allocation methodology specified in Section XI.A of this IUP. Fifteen percent of the sum of a given municipality's score in Tables 1-6 of Section XI.A will be added to the PERF score for the municipality's project. For example, if a municipality scores a total of 100 points in Tables 1-6, 15 points will be added to the PERF score for each of the municipality's projects. When comparing projects of a similar type, this change will increase the likelihood that projects from disadvantaged communities will be prioritized.

Section III (Secondary Contaminant Violation and System Compliance), of the PERF question shall have the following addition:

- 4 points will be awarded under question SC7 if the project includes replacement of lead joints or replacement of LSLs where the LSLs constitute less than 40% of the service lines being replaced.

Section IV (System and Consolidated System Capacity Points) of the PERF shall have the following addition:

- 10 points will be granted if at least 50% of the members of the water utility's governing body have taken all of the online training modules available at the time of application (see Section XVI). Training must be completed and certified online by June 30 of each year in conjunction with a SDWLP application.
- 20 points will be granted for projects including the replacement of LSLs where the LSLs constitute at least 40% of the service lines being replaced. This also includes galvanized material that is downstream of lead goosenecks or services. Service line material documentation must be submitted with the application in order to be awarded points. Note that a municipality does not need to be in receipt of an ALE to receive these points.

- 20 points will be granted for projects implementing the approved recommendations from a corrosion control study. Eligibility will be determined by the DNR’s Drinking Water Program.
- 20 points will be granted for projects where the applicant has submitted a new Asset Management Plan for its drinking water utility. Minimum criteria for the Asset Management Plans is available on the [program website](#). Plans must be submitted by June 30 of each year in conjunction with a SDWLP application. The DNR’s Drinking Water Program reviews and approves all Asset Management Plans.
- 15 points will be granted for projects where the applicant has submitted a revised/updated Asset Management Plan for its drinking water utility. Updated plans must be submitted by June 30 of each year in conjunction with a SDWLP application. The DNR’s Drinking Water Program reviews and approves all Asset Management Plans. Criteria for updated plans is available on the [program website](#). Criteria and approval will be the same as for new Asset Management Plans (above).
- 10 points will be granted for projects where the applicant has executed a new agreement between two or more water systems to improve technical, managerial, and financial capacity. The municipality must submit required materials by June 30 of each year in conjunction with a SDWLP application. The DNR’s Drinking Water Program will review these materials to determine point eligibility. Criteria for awarding public water system partnership points is available on our [program website](#).

Starting in SFY 2024, projects to address PFAS contamination will receive points based on the Department of Health Services’ Hazard Index (HI). The HI will be multiplied by 100 (maximum points of 300). If the EPA or the Wisconsin Department of Health Services issues a revised health advisory level for any PFAS compound, this scoring may be modified.

In the event of a tie on the funding list, the municipality with the smaller population will be ranked above the municipality with the larger population. If a tie remains, the municipality with the smaller MHI figure will be ranked above the municipality with the larger MHI figure.

## **XI. DISADVANTAGED COMMUNITIES PROGRAM AND PRINCIPAL FORGIVENESS (PF)**

### **A. Disadvantaged Communities and the Methodology for Distribution of General PF**

The general SDWLP PF allocation methodology is structured to allocate PF funds to the highest priority projects in municipalities with the greatest financial need. For SFY 2025, Wisconsin plans to make at least \$21,360,220 (see the General PF Authority table in Section IV) of general PF available to municipalities that qualify according to the methodology detailed in this section. Applications submitted by July 1, 2024, will be ranked in priority score order, and the PF score will be calculated using the tables below. General SDWLP PF will first be allocated to any disadvantaged communities with Emerging Contaminants projects that do not receive a full allocation of Emerging Contaminants PF (based on the methodology described in Section XIV.B) in an amount sufficient to make their Emerging Contaminants PF allocation full.

EPA’s BIL Implementation memorandum dated March 8, 2022, describes a key priority of BIL as “[ensuring] that disadvantaged communities benefit equitably from the historic investment in water infrastructure.” Additionally, EPA expects states to, “Evaluate and revise, as needed, the DWSRF disadvantaged community definition.” To meet this expectation, Wisconsin reviewed numerous



potential criteria and other policy changes. As a result of this work, a mostly new methodology was proposed in SFY 2023. See tables and descriptions below.

Points	Population
0	≥10,000
10	8,500–9,999
20	5,000–8,499
30	3,000–4,999
40	2,000–2,999
50	1,500–1,999
60	1,000–1,499
70	500–999
80	250–499
100	0-249

Points	MHI Percent
0	126%+
5	116% to <126%
10	106% to <116%
15	101% to <106%
20	96% to <101%
25	91% to <96%
30	86% to <91%
40	81% to <86%
50	76% to <81%
60	71% to <76%
70	66% to <71%
85	61% to <66%
100	<61%

Points	Family Poverty Percentage
0	<8%
5	8% to <12%
10	12% to <16%
20	16% to <20%
30	20% to <24%
40	24% to <28%
50	28% to <32%
65	32% to <36%
80	36% to <40%
100	40%+

Points	Population Trend
5	Projected to lose 5% to less than 10% of population over 20 years
10	Projected to lose 10% to less than 15% of population over 20 years
15	Projected to lose 15% or greater of population over 20 years

Points	County Unemployment Rate
10	County unemployment rate is greater than the state's rate by less than one percentage point
20	County unemployment rate is greater than the state's rate by one to less than two percentage points
25	County unemployment rate is greater than the state's rate by two percentage points or greater

Points	Lowest Quintile Household Income Upper Limit (LQI)
10	Municipal LQI 70% to less than 80% of Wisconsin LQI
15	Municipal LQI 60% to less than 70% of Wisconsin LQI
20	Municipal LQI less than 60% of Wisconsin LQI

Points Received in Tables 1–6	Qualified PF Percentage
0–59	No PF
60–69	10%
70–79	15%
80–94	20%
95–109	25%
110–124	30%
125–139	35%
140–154	40%
155–169	45%
170–184	50%
185–199	55%
200–249	60%
250–360	65%

- **Table 1** – Population points are awarded with the highest points given to the smallest populations. Data for this criterion comes from the DOA’s Demographic Service Center.
- **Table 2** – Median Household Income (MHI) points are awarded based on the municipality’s MHI as a percent of the state mean MHI with the highest points assigned to the lowest MHI percentages. This criterion uses 5-year estimates from the American Community Survey, table ID B19013 from data.census.gov. More details regarding this criterion can be found [here](#).
- **Table 3** – Family poverty percentage points are awarded based on the percentage of families in a municipality with incomes below 200% of the federal poverty level. This criterion uses 5-year estimates from the American Community Survey, table ID S1702 from data.census.gov.
- **Table 4** – Population trend points are awarded to municipalities that are projected to lose 5% or greater of their population over 20 years. Data for this criterion comes from the DOA’s Demographic Service Center. Currently, DOA’s Demographic Service Center only has municipal population projections available as far as 2040; therefore, population trend is calculated using 2020 population estimates in comparison to 2040 projections.
- **Table 5** – Unemployment points are awarded based on county unemployment rates in relation to the average state unemployment rate. Data for this criterion comes from the [Wisconsin Department of Workforce Development](#). County unemployment rates are calculated by averaging not seasonally adjusted, final unemployment rates from the most recent 12 months of data.
- **Table 6** – Lowest quintile household income (LQI) points are awarded based on the municipality’s LQI as a percent of the state mean LQI with the highest points assigned to the lowest LQI percentages. This criterion uses 5-year estimates from the American Community Survey, table ID B19080 from data.census.gov.

To calculate the LQI in B19080, the ACS groups all household incomes for a given place into five equal parts. The first quintile upper limit (or lowest quintile) is the value that defines the upper limit of the lowest one-fifth of the cases. For example, if there are a total of 10 households sampled in a community, the lowest two household incomes make up the lowest quintile. Of those two households, if one has an income of \$20,000 and the other has an income of \$25,000, then upper limit of the lowest quintile would be \$25,000.

- **Table 7** – To calculate a value in Table 7, a municipality’s scores from Tables 1 through 6 are summed. The summed value determines the percentage of PF the municipality qualifies for in Table 7. Municipalities that qualify for PF meet the state’s Disadvantaged Communities definition.
- **Green Tier** – Projects in municipalities that are [Green Tier Legacy Communities](#) are eligible for an additional 10% PF on top of the percentage determined by Table 7, with the caveat that no municipality can receive PF for more than 70% of total project costs. The municipality must have signed the Green Tier Charter prior to the application deadline date. A minimum score of 60 points in Table 7 is required in order to qualify for the additional 10% PF.
- **Providing Disinfection** – Projects in municipalities that are providing disinfection where it was not provided previously are eligible for an additional 10% PF on top of the percentage determined by Table 7, with the caveat that no municipality can receive PF for more than 70% of total project costs. A minimum score of 60 points in Table 7 is required in order to qualify for the additional 10% PF.
- **General PF Cap** – The amount of general PF any municipality can receive in one SFY is capped at \$1,600,000. The cap is the same as last year because preliminary indications

suggest it will be a competitive year of principal forgiveness allocations. A single project cannot receive more than one full PF allocation (based on the eligible PF percentage and/or the cap) even if that project is funded from two or more SFYs. The maximum lifetime PF allocation for a single scored project funded over multiple state fiscal years will be based on the PF cap of the earliest SFY for which the project was allocated funding.

- **Data Sources** – Data for all tables will use the most recent data available around the start of the SFY. Go to the [program website](#) for more details and to access a spreadsheet containing the data used for PF scores.

## B. Other Policies Regarding Principal Forgiveness

- **Calculation order for more than one type of PF** – When calculating PF amounts for a project that will be allocated more than one type of PF, EC PF is calculated first, then general PF. The eligible project costs used to calculate EC PF will be subtracted from the total project costs before calculating general PF.
- **No general PF-only awards** – As a revolving loan program, fiscal prudence dictates that the SDWLP only award PF for projects for which loan funds are also awarded. This results in a continuation of fund integrity while providing some funding in the form of PF, helping disadvantaged municipalities offset some costs of their infrastructure improvements. This restriction does not apply to lead service line replacement projects.
- **No PF on costs covered by other funding sources** – When calculating project costs that are eligible for PF, only amounts that are financed through the SDWLP will be included in the PF calculation. Internal funds as well as other sources of funding such as loan or grant, will be deducted before calculating PF.
- **Limitation on PF Provided to Projects Receiving an EPA Community Grant** – The amount of PF awarded to any SDWLP applicant that has also been allocated [EPA Community Grant funding, also referred to as Congressional Directed Spending](#), will be reduced by an amount equal to the amount of the EPA Community Grant award. If the amount of the EPA Community Grant allocation for the project is greater than the amount of SDWLP PF that would have been allocated to the project, then no additional SDWLP PF will be allocated. This policy applies to General, LSL, and Emerging Contaminant PF. SDWLP applicants that have been allocated EPA Community Grant funding are still eligible for SDWLP loan dollars.

For example, a project that (1) has a total eligible cost of \$1,000,000, (2) qualifies for 25% PF from the SDWLP including general PF and Emerging Contaminants PF, and (3) receives an EPA Community Grant of \$50,000, would qualify for \$200,000 of SDWLP PF under this policy. Although the project would have been eligible for a total of \$250,000 PF, the other \$50,000 is funded by the EPA Community Grant.

- **Jointly-funded Financial Hardship Scenarios** – If a municipality is in dire financial hardship and cannot fund a project while complying with the policies above, the SDWLP may collaborate with other long-term, affordable funding sources on a case-by-case basis to consider available options to meet the financial needs of the municipality's project.
- **Disbursement of PF** – PF funds are disbursed as a percentage of each disbursement request. The percentage is the percentage of PF that the municipality is eligible for, up to the cap, if applicable. The proportional disbursement of PF is a more fair and equitable way to distribute these funds and results in a more accurate payment of PF to each municipality. This policy reduces potential overpayments of PF and ensures that PF funds are distributed as widely as possible to eligible municipalities based on actual costs rather than anticipated costs.

- **No PF “roll-down”** – PF amounts may shift between projects within the fundable range on the *Final Funding List*. If any PF remains after all projects in the fundable range have closed their loans, this PF will be moved forward to the next year’s funding list. No PF will roll down past the last project identified in the fundable range for PF on the Final SFY 2025 Funding List.
- **PF restrictions on refinancing** – Due to restrictions contained in the FFY 2024 Consolidated Appropriations Act, PF authorized by the Appropriations Act is not allowed to be used to refinance costs paid by debt incurred prior to March 9, 2024, the date the Appropriations Act was enacted. This restriction only applies to the PF required by the Appropriations Act (14% of the capitalization grant), not to any additional PF that is provided under other authorities.

## **XII. APPLICATION DEADLINE, LOAN CLOSING DEADLINE, AND FUNDING LIST**

The SDWLP received 590 ITAs and PERFs totaling \$1,477,132,194 in estimated project costs by the October 31, 2023, deadline. Of those ITAs, 25 were for Emerging Contaminants projects with an estimated total of \$240,455,245 in costs, and 81 were for Lead Service Line projects with an estimated total of \$159,923,923 in costs. The projects were subsequently scored and placed on the Project Priority List (PPL) in priority score order. Projects included on the PPL are eligible to apply for funding during SFY 2025. The PPL may be revised during the year with updated project information or to correct any errors. Revision dates will be noted on the header of the PPL. The SFY 2025 PPL was published on May 6, 2024.

The application deadline for SFY 2025 Principal Forgiveness funding is July 1, 2024; this includes Emerging Contaminants and Lead Service Line applications. Base program and Emerging Contaminants applications received after this date are not eligible for PF; Lead Service Line applications received after this date will be evaluated to determine if PF is available. We anticipate that the funding list will be posted on the program website in September. Loans for SFY 2025 applicants must close by September 24, 2025. Applications submitted on January 1, 2025, or later will have the same loan closing deadline as SFY 2026 projects.

## **XIII. LEAD SERVICE LINES**

**The SDWLP will not provide funding for individual service line replacements that do not result in complete removal of all lead components of water service lines from the watermain to the water meter or other connection point inside each property.** Galvanized service lines that are currently or have previously been downstream of lead components, brass service lines, and lead goosenecks are also considered LSLs for the purposes of this policy. This policy reflects the fact that partial lead service line replacements, or watermain replacements where the entire or a portion of the lead service line is left intact, can result in elevated lead levels at the tap for extended periods of time, creating a public health hazard. If a lead service line is discovered during construction of a watermain replacement project, and the complete lead service line is not replaced from the watermain to the meter inside the building, the SDWLP will not provide funding for the public side of the service line.

When lead service lines are discovered during a watermain replacement project funded by the SDWLP, or a project consists of both public and private side LSL replacements, and the private side of the lead service line is not able to be replaced at the same time as the public side, it is recommended that the private side replacement occur within 45 days of the public side replacement but there should be no more than 90 days between replacements unless unique circumstances make this impossible. Funding

disbursements should not be requested until the entire line has been replaced. Given the potential for elevated lead levels, the water utility is also required to provide the customer with point-of-use filtration during the time period between the public and private side replacements, and enough filters for six months of use following the full LSL replacement. Filters should be models that have been tested and certified to NSF/ANSI 53 for the reduction of lead. Pitcher filters with the proper certification qualify as point-of-use filtration.

## **A. BIL Funding for LSL Replacements and Inventories**

BIL funding is available for both public and private LSL replacements as well as inventory work. The application process for this funding has been integrated with the Regular SDWLP. **In a change from SFY 2024, LSL projects will not be competing for general PF but will only be eligible for LSL PF.**

### **Intent to Apply Submittal**

Since the LSL program was integrated with the Regular SDWLP, applicants must submit an Intent to Apply (ITA) and PERF in order to be eligible to apply. The ITA/PERF deadline for SFY 2025 funding was October 31, 2023, but we are accepting requests to waive the ITA/PERF deadline for SFY 2025. These requests should be submitted by May 31, 2024 in order to allow enough time for processing.

For SFY 2025, a separate ITA and regular SDWLP PERF should be submitted for all LSL projects, even replacements that will occur as part of a watermain replacement project. **If not submitted as a separate project, the LSL replacement work will not be eligible for LSL PF or for the 0.25% interest rate available for LSL projects.** DNR will not work with municipalities like we did in SFY 2024 to separate LSL costs from watermain replacement applications. LSL funding will also be awarded in a separate Financial Assistance Agreement. Loans must close by September 24, 2025.

### **Available LSL Funding**

As shown in the Sources and Uses section, the DNR will receive \$87,426,000 in LSL funds. This includes \$83,278,000 from the FFY 2024 LSL capitalization grant, and \$4,148,000 from reallocated FFY 2022 funds. BIL requires that 49% (\$42,838,740) of the LSL capitalization grants be awarded as PF, and all the PF is required to be awarded to municipalities meeting the state's disadvantaged criteria or for projects taking place in disadvantaged census tracts. Of the remaining funds, \$29,219,083, will be utilized for loans and \$15,368,177 for set-asides. In addition to the FFY 2024 LSL capitalization grant and reallocated funds, there is approximately \$20 million in LSL PF and \$14 million in LSL loan funding remaining from SFY 2024 that will be available.

### **Project and Cost Eligibility**

The LSL Replacement Program is open to any municipality, but due to restrictions in the BIL, PF can only be awarded to municipalities that qualify as disadvantaged according to the state's criteria, or to applicants submitting a project targeting replacements within a disadvantaged census tract or tracts. All other applicants will be eligible for loan funds only. A modified version of the disadvantaged methodology, that removes the population and population trends criteria, will be utilized for allocating private side PF. For projects requesting that the DNR consider data from disadvantaged census tract(s), all scoring criteria will be derived at the census tract level except for county unemployment rate. This option is not available in instances where the census tract is larger than the municipal boundaries.

Unlike the previous WIFTA-funded Private LSL Replacement Program, all project costs can be included for funding; this includes associated engineering and administration costs, the filters required to be provided for six months following LSL replacements, as well as the cost of developing a mandatory

replacement ordinance, costs for Cultural Resources Management services, bond counsel costs, and other costs directly related to the project. **Private side PF will only be allocated on private side construction and filtration costs (pitcher filters or point-of-use devices).** Both public and private side replacements are eligible for funding, as well as inventory work. Projects that include inventory work must have a capital component – either LSL replacements or the purchase of a major piece of equipment. Additional assistance for inventory work is being provided through the set-asides (see Section XIII.B below).

In SFY 2024, customer outreach costs were allowed to be included in the private side PF calculation. Since DNR is now offering grants for community-based outreach from set-aside funds (see Section XIII.B below), these costs will no longer be included in the PF calculation but will be eligible for loan funding.

All LSLs are eligible for removal, not just residential LSLs or those serving schools or childcare centers. This includes commercial and business-owned properties. This is a change from the pre-BIL versions of the LSL Replacement Program.

In municipalities where the entire LSL is owned by the customer, private side funding will be available for the entire LSL, not just the portion between the curb stop and the home as in pre-BIL versions of the LSL Replacement Program.

For private LSL replacements, municipalities will still be free to choose whether to develop a list of prequalified plumbers/contractors for property owners to contract with directly, or whether to bid a municipal contract for the work.

In pre-BIL versions of the LSL Replacement Program, construction had to be completed in one calendar year. This restriction no longer applies, though for any project utilizing a prequalified list, we will not provide more than two years of funding at a time. Project substantial completion will be considered to be December 31<sup>st</sup> following the second construction season. In subsequent years, when utilizing a prequalified list for private LSL replacements, a new award will not be made unless at least 75% of any previous award has been expended. The two-year restriction does not apply to municipal contracts.

### **Federal Requirements**

As with any federal funding, the LSL funding involves federal requirements. All applicants receiving funds from the LSL capitalization grant will be treated as federal equivalency projects and will have to comply with the additional federal requirements detailed on our [website](#), as applicable, including compliance with the Single Audit Act. In addition to these requirements, all LSL projects will be required to:

- Complete an [environmental review](#).
- Solicit for [disadvantaged businesses](#).
- Comply with [Davis-Bacon and Related Acts](#) (federal wage rates), as applicable.
- Erect appropriate [BIL signage](#).
- Comply with [Build America, Buy America \(BABA\) Act](#) procurement requirements as applicable, (see below).
- Implement best practices for risk mitigation (see below following BABA section).

## **BABA Compliance**

When BABA applies:

- BABA applies to public side replacements when the total of the Financial Assistance Agreement is \$250,000 or greater.
- BABA applies to private side replacements when the loan is secured by a water revenue pledge and the total of the Financial Assistance Agreement is \$250,000 or greater. ([Public Service Commission approval](#) is required for private side replacements utilizing a water revenue pledge.)
- BABA applies to private side work if it is included in a larger contract where BABA is required, unless the total of the Financial Assistance Agreement is less than \$250,000 (see immediately below).
- BABA applies to non-residential private side replacements regardless of pledge type unless the Financial Assistance Agreement is for less than \$250,000.

When BABA does not apply:

- BABA does not apply to public or private side replacements when the total of the Financial Assistance Agreement is less than \$250,000 (exempt under the [Small Projects Waiver](#)).
- BABA does not apply to residential private side replacements when the loan is secured by a general obligation note pledge or the new alternative revenue pledge (see Loan Funding & Pledge Options for LSL Replacements below). This is based on Q8.3 in EPA's [Supplemental Questions and Answers for Build America, Buy America Act Implementation Procedures for Office of Water Federal Financial Assistance Programs](#). EPA further clarified that utilizing a water revenue pledge constitutes "financial assistance from the water system".
- BABA does not apply to residential private side replacements that receive a 100% principal forgiveness award.

Any project that is exempt from BABA would instead be required to comply with [American Iron and Steel](#) procurement requirements.

## **Best Practices for Risk Mitigation**

- **Notice and Public Education**: Provide notice to the owner of the affected service line as well as non-owner resident(s) served by the affected service line within 24 hours of completion of the replacement. The notice must include all the following information, in accordance with §141.85(a) of the Lead and Copper Rule Revisions (LCRR).
  - Explain that consumers may experience a temporary increase of lead levels in their drinking water due to the replacement.
  - Provide information about the health effects of lead.
  - Provide information about actions consumers can take to minimize their exposure to lead in drinking water.
- **Flushing Information**: Provide information about service line flushing before the replaced service line is returned to service.
- **Filters**: Provide the consumer(s) with a pitcher filter or point-of-use device certified by an American National Standards Institute accredited certifier to NSF/ANSI 53 for the reduction of lead, six months of replacement cartridges, and instructions for use before the replaced service line is returned to service.
- **Replacement Timing**: if the public and private sides of a lead service line cannot be replaced at the same time, it is recommended that the replacements occur within 45 days of each other. Full replacement should not take more than 90 days.

## Federal Income Tax Implications

Pursuant to the Internal Revenue Service's [Announcement 2024-10, Replacement of Lead Service Lines Under Certain Governmental Programs](#), when a state DWSRF program subsidizes replacement of the customer-owned portion of an LSL, it does not result in income to the residential property owner. Accordingly, municipalities receiving LSL funding for private side LSL replacements are not required to file information returns or furnish payee statements. In other words, residential customer-owned LSL replacement funded by the SDWLP is exempt from income taxation.

## LSL Priority Scoring

LSL projects are subject to two types of scoring:

- LSL-specific scoring (form 8700-383, submitted as part of the SDWLP application and described immediately below).
- Modified disadvantaged criteria scoring (as described in the Allocation of Funds section below).

Note that the regular SDWLP PERF was submitted as part of the ITA/PERF process. Since that time the decision was made to not integrate the LSL projects into the regular SDWLP funding list and not allow these projects to compete for general PF. This is a change from SFY 2024.

Scoring and ranking of LSL projects for the purpose of allocating BIL LSL funding will be based on the criteria described below. The LSL-specific PERF ([form 8700-383](#)) must be submitted with the application.

When submitting a targeted project taking place in more than one census tract, weighting of the census tract level data may be done utilizing the number of LSLs to be replaced in each tract or by the tract population. Applicants will be allowed to choose the method that is most advantageous to them. In order to be weighted by the number of LSLs in a census tract, locations and numbers of the LSLs to be replaced must be known at the time of application.

- **Project type:** Projects can receive points under either or both categories.
  - LSL Replacements = 150 points
  - Inventory work = 10 points
- **Family Poverty Percentage:** Using data from the American Community Survey (ACS), the percentage of families in a municipality with incomes below 200% of the federal poverty level will generate points equal to the percentage, adjusted to the nearest whole number. This criterion uses 5-year estimates from the American Community Survey, table ID S1702 from [data.census.gov](#).
- **Lowest Quintile Income:** Lowest quintile household income (LQI) points are awarded based on the municipality's LQI as a percent of the state LQI, with the highest points assigned to the lowest LQI percentages. This criterion uses 5-year estimates from the ACS, table ID B19080 from [data.census.gov](#).
  - 80% to less than 90% of Wisconsin LQI = 5 points
  - 70% to less than 80% of Wisconsin LQI = 10 points
  - 60% to less than 70% of Wisconsin LQI = 15 points
  - Less than 60% of Wisconsin LQI = 20 points



- **Percent of Population Under Age 5:** Using data from the ACS, table ID DP05 from data.census.gov, the percent of a municipality's population under the age of five will generate points as follows:
  - Up to 2.5% = 10 points
  - Greater than 2.5% up to 5% = 15 points
  - Greater than 5% up to 7.5% = 20 points
  - Greater than 7.5% up to 10% = 25 points
  - Greater than 10% = 30 points
  
- **Mandatory Replacement Ordinance:** Municipalities will receive 10 points for having enacted an ordinance that requires each owner of a property that is serviced by a customer-side water service line containing lead to replace that customer-side water service line under certain conditions. Municipalities must provide documentation to demonstrate that a mandatory ordinance has been enacted.
  
- **Lead Sampling Results or Large System Optimization:** There are two ways to receive points in this category. If an applicant scores in more than one of the subcategories described below, the applicant will receive points for the highest scoring subcategory, not additive points for each subcategory they score in. The most that one applicant may score in this category is 50 points. For municipalities without their own water system, data for the municipality they receive their water from will be used for this section.
  - **90<sup>th</sup> Percentile Lead Levels:** Water systems whose 90<sup>th</sup> percentile result is 5 µg/L or greater are eligible for points in this category. Data for the last ten years will be provided by the DNR's Drinking and Groundwater Program. This report will be provided at the same time data for the other metrics is obtained. The breakdowns are as follows:
    - Greater than 15 µg/L = 50 points (Greater than 15 µg/L is a lead action level exceedance.)
    - Greater than 10 µg/L up to 15 µg/L = 35 points
    - 5 µg/L up to 10 µg/L = 20 points
  - **Systems with Large Service Populations:** Water systems that serve a population of greater than 50,000 individuals are eligible for 35 points. Service population data will be provided by the DNR's Drinking and Groundwater Program.
  
- **Whether all remaining LSLs can be removed by the submitted project:** Municipalities that are positioned to remove all their remaining LSLs with the submitted project will be awarded 20 points. This metric will be evaluated using the following criteria:
  - Whether a mandatory LSL replacement ordinance has been adopted.
  - The status of inventory efforts and reporting of inventory to the Public Service Commission (PSC).
  - The municipality's detailed plan for removing all LSLs.
  
- **Matching grants for residential replacements:** Points in this section will be awarded for projects where grant funds are being provided by the municipality to cover a portion of the private LSL replacement cost. These matching funds can come from the municipality, or from utility ratepayer funds (with prior approval from the PSC). **These matching grant funds would be in addition to any PF that is awarded.**
  - Covering 45-50% of private side cost with grant funds = 15 points
  - Covering 35-44% of private side cost with grant funds = 10 points
  - Covering 25-34% of private side cost with grant funds = 5 points

- **Municipal Population:** This will be used as a tiebreaker only, with the lower population receiving priority.

### **Allocation of Funds**

The LSL capitalization grant requires exactly 49% of the funding to be awarded as PF with the remaining 51% of the funds to be utilized for set-asides and loans. Due to this need to balance the PF and loan/set-aside funding, we cannot guarantee an exact percentage of PF that will be awarded until the Funding List is published.

Since the majority of the LSL PF will be utilized for private side LSL replacements, and these are costs that are generally not borne by all the ratepayers in a municipality, a modified version of our disadvantaged criteria that removes population and population trends is being utilized to allocate private side PF in the LSL Replacement Program. Based on the total points a municipality or census tract(s) receives in Tables 2, 3, 5, and 6 of the PF allocation methodology described in Section XI.A of this IUP, the following tiers specify the maximum private side LSL PF an applicant qualifies for. Points will be calculated either for the entire municipality or for designated census tracts in the case of targeted projects.

- Municipalities/projects that receive 135–245 points will be eligible to receive up to 100% LSL PF for private side replacements.
- Municipalities/projects that receive 105–134 points will be eligible to receive up to 75% LSL PF for private side replacements.
- Municipalities/projects that receive 65–104 points will be eligible to receive up to 50% LSL PF for private side replacements.
- Municipalities/projects that receive 40–64 points will be eligible to receive up to 25% LSL PF for private side replacements.

LSL PF for private side replacements will be allocated first, utilizing the percentages above and the LSL-specific priority score ranking. If any LSL PF remains after this initial allocation, and depending on the ratio of PF to loan, we will go back to the top of the ranked LSL list and allocate additional PF for public side LSL replacements. When allocating PF for public side replacements, the percentage of PF that a municipality qualifies for under Table 7 (with all six criteria included) in Section XI.A of this IUP will be utilized.

LSL projects are not eligible for general PF. This is a change from SFY 2024. The LSL PF is not subject to, or included in, the general SDWLP PF cap. Once all LSL PF is allocated, the LSL loan funds will be allocated for costs not covered by PF using the LSL score ranking.

### **Loan Funding and Pledge Options for LSL Replacements**

Unlike previous versions of the LSL Replacement Program, very few applicants will receive 100% PF for their private side replacements. This means applicants should be prepared to cover some portion of private side replacement costs with loan funding. The only instance in which a 100% PF award will be made is if a project consists entirely of private side replacements and 100% PF has been allocated for those replacements.

LSL loans can be prepaid, but any prepayments will only be accepted by DOA on the normal payment dates of May 1<sup>st</sup> and November 1<sup>st</sup>.

**All loan funding from the LSL capitalization grant will be made available at 0.25% interest for all eligible project costs.** If loan funds beyond what is available from the LSL capitalization grants are

needed, these funds will come from the regular SDWLP and the interest rate on those funds will be the normal SDWLP subsidized interest rate (either 55% or 33% of the market rate).

Municipalities receiving LSL awards have three pledge options for repayment of the loan portion: a water revenue pledge; a general obligation note pledge; or an alternative revenue pledge. Projects that are awarded 100% PF (private side only) do not need a loan repayment pledge. Under all these scenarios, when private LSL replacements are included, the bonds are considered taxable due to the private activity. Advantages of this are that an initial disbursement is not required at loan closing, reimbursement resolutions are not needed, and the [18-month rule](#) for reimbursements does not apply.

**Water Revenue Pledge** – this option requires the municipality to apply to the [Public Service Commission \(PSC\) for approval](#) under Wis. Stat. § 196.372 if the project includes private LSL replacements. A mandatory replacement ordinance is required and all customers in a class must be treated equally. This approval would also be required for any municipality intending to provide grant funding (in addition to PF awarded through the LSL Replacement Program) that originates from water utility ratepayer funds. If grants are provided using ratepayer funds, no more than 50% of the replacement cost can be granted (this restriction does not apply to PF from the SDWLP). Loan funds for public side replacements, inventory work, and related project costs such as engineering can be repaid with utility ratepayer funds without being subject to the restrictions of Wis. Stat. § 196.372. Any questions regarding this should be directed to the PSC. These loans can be amortized over a maximum of 20 years.

**General Obligation Note Pledge** – this is the only pledge option that does not require a mandatory replacement ordinance. These loans are normally for up to 10 years but can be amortized over 20 years if requested.

**Alternative Revenue Pledge** – this option can only be used to cover private side replacement costs. Wis. Stat. § 66.0627(8)(ag) permits a municipality to establish a loan program for property owners to replace private LSLs. Repayments of property owner loans are secured by placing a special charge on the property owner's tax bill. This option requires adoption of two municipal ordinances – an ordinance establishing the loan program and a mandatory replacement ordinance. The property owner loan program must be established and administered by the municipality, not the water utility, unless the utility receives PSC approval to operate the program. Revenues from this property owner loan program are then pledged as security for the SDWLP loan. Property owner loans can be made for a maximum of 10 years with an interest rate of up to 4%. The SDWLP loan can be amortized over a maximum of 12 years with an interest rate of 0.25%.

## **B. Lead Service Line Grant Set-Asides**

### **Administration**

The Safe Drinking Water Act allows up to 4% of the capitalization grant to be used for administration. DNR is requesting \$433,127 from the FFY 2024 LSL capitalization grant. The remaining \$3,063,913 of administrative authority is being reserved for future use as described in Section V.

### **Local Assistance and Other State Programs to Water Systems**

A state may provide assistance to a public water system as part of a capacity development strategy under Section 1420(c) of the SDWA. Fifteen percent of total capitalization grant funds may be requested for Local Assistance and Other State Programs as long as no more than 10% is used for any one activity. DNR is requesting \$13,113,900 from the FFY 2024 LSL capitalization grant.

- **Local Assistance: Lead Service Line Inventory.** The DNR is requesting \$8,742,600 to contract with consultants to complete the following tasks related to lead service line inventory and replacement:
  - Develop initial service line inventories for small and medium size public water systems consistent with Lead and Copper Rule Revisions (LCRR) requirements.
  - Provide technical assistance to systems to that receive an LSL inventory treatment technique violation to help them come into compliance with the LCRR.
  - Provide technical assistance to systems in the development of their base lead service line replacement plans including field investigations, consistent with Lead and Copper Rule Improvement (LCRI) requirements.
  - Provide technical assistance to systems in the development of service line replacement plans consistent with LCRI requirements and timelines.
  - Provide technical assistance to water systems in the development of updated monitoring site plans in accordance with LCRI requirements and timelines.
  - Develop outreach informational materials pertaining to the topics above for different target audiences.
- **Other State Programs to Water Systems: Community-based Outreach.** The DNR is requesting \$4,371,300 for a grant program to local community-based organizations that partner with public water systems to provide on-the-ground community outreach in support of lead service line replacements. The organization will provide managerial technical assistance to the public water systems and act as a third-party liaison with its customers and provide needed outreach.

### **State Program Management**

The SDWA provides that a state may request up to 10% of the capitalization grants for State Program Management activities. DNR is requesting \$1,821,150 from the FFY 2024 LSL capitalization grant for State Program Management. The remaining \$6,921,450 of state program management authority is being reserved for future use as described in Section V.

#### *DNR Staff*

In SFY 2025 at least 11.0 FTE and 6.0 LTE positions will be supported from State Program Management funds. \$1,821,150 will be used for these efforts. This figure includes salary, fringe benefits, and travel costs incurred to perform work tasks, professional development, supplies, materials information technology, and support.

Work activities include:

- Coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA.
- Evaluating public water system materials for sources of lead and copper; proper monitoring site types, location, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy.
- Corrective actions to maintain compliance with the applicable statutes and administrative rules; interpretation of federal regulations and direct translation of federal rules into state codes; and statewide and interdepartmental coordination of program activities.

- Oversee state rulemaking needed to update Wisconsin Administrative Code to be consistent with Federal LCRR and the anticipated LCRI, and to establish and maintain state primacy under the new federal regulations.
- Administering new Tier 1 Lead ALE requirements.
- Administering anticipated new LCRI requirements including the following: temporary health protection measures for systems with multiple ALEs; monitoring in schools and childcare facilities; mandatory full lead service line replacement; and small system CCT compliance options.

#### **XIV. EMERGING CONTAMINANTS PROGRAM**

The BIL includes a capitalization grant for emerging contaminants (\$13,169,000 in FFY 2024). Emerging contaminants (EC) are defined by the EPA as perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants. The SDWLP will be targeting all the municipal EC funding to PFAS projects. The BIL requires that 100% of the Emerging Contaminants capitalization grant, net of any set-asides taken, be provided as additional subsidy. Based on an Emerging Contaminants capitalization grant amount of \$13,169,000, less \$348,674 of set-asides, \$12,820,326 of the grant will be available as principal forgiveness. Per the SDWA, 25% of the capitalization grant amount (\$3,292,250) must be provided as PF to municipalities meeting the state’s disadvantaged criteria or public water systems serving fewer than 25,000 persons. The DNR will meet this requirement by providing a minimum of \$3,292,250 to municipalities that qualify for PF according to Section XI.A of this IUP.

In addition to the EC principal forgiveness, the BIL also appropriated grant funding under section 1459A of the Safe Drinking Water Act for the Emerging Contaminants in Small and Disadvantaged Communities (EC-SDC) grant program. The DNR will apply for a total of \$13,224,000 in FFY 2024 EC-SDC funding, a portion of which will be combined with BIL EC funding, integrated into the SDWLP, and made available to municipalities meeting the state’s disadvantaged criteria or with a population of less than 10,000. The exact amount of FFY 2024 EC-SDC funding that will be made available for municipal EC projects will be described in the final IUP. There is no separate application for municipal EC-SDC funding, however, there are municipal reporting requirements for systems that receive EC-SDC grant funding. The DNR will allocate EC-SDC funding to the largest eligible applicants to reduce the administrative burden on smaller communities.

#### **Grant Breakdowns**

<b>Emerging Contaminants Cap Grant</b>	
Budgeted set-asides	\$348,674
PF for disadvantaged communities	At least \$3,292,250
Unrestricted PF	Up to \$9,528,076
<b>Total</b>	<b>\$13,169,000</b>

<b>EC-SDC Grant</b>	
Non-SDWLP Grant Program(s)	TBD
PF for disadvantaged communities or less than 10,000 population	TBD
Administration	TBD
<b>Total</b>	<b>\$13,224,000</b>

Based on the direction given by federal authorities and the limited available funds, the program will focus funding on projects related to PFAS contamination. DNR staff from the Environmental Loans

program along with staff from the Bureaus of Drinking Water and Groundwater, Water Quality, and Remediation and Redevelopment, worked together to develop this funding program.

The EC PF and EC-SDC funding will be integrated into the Regular SDWLP since the PF funding for EC projects will not be sufficient to cover the anticipated needs. This will allow applicants to compete for general SDWLP PF, the EC PF, and the EC-SDC grant funding mentioned above, with the remainder of a project being covered by Regular SDWLP loan funding.

### **Project Eligibility**

Water system projects that will reduce/eliminate any detectable levels of any PFAS contaminant compound included in any recommended Wisconsin DHS standards and/or Wisconsin DNR maximum contaminant levels in the water system would be considered eligible for funding through the Regular SDWLP and BIL EC programs. In April 2024, EPA announced new enforceable federal standards for PFAS in drinking water. The DNR is evaluating how the new standards will impact eligibility and priority scoring for the next state fiscal year.

### **A. Priority Scoring for Emerging Contaminants Projects**

Points for PFAS projects have been added to the Regular SDWLP PERF (see Section X of this IUP for more information). The score from the regular SDWLP PERF will be used to rank EC projects on the funding list and for the purpose of allocating general PF and loan funding. A separate EC PERF ([form 8700-399](#)) has been developed with a priority scoring system for ranking EC projects and this ranking will be used for allocating EC PF. The points awarded for EC priority scoring will utilize the Wisconsin Department of Health Services PFAS hazard index (H.I.). The hazard index is calculated by taking the ratio of the concentration of each PFAS recommended groundwater standard (currently there are 13 PFAS recommended groundwater standards) and dividing it by the corresponding groundwater standard then adding all these ratios together to get the hazard index.

The methodology to determine EC project priority score sums three components: Risk to Human Health + Financial Need + System Capacity Affected.

- **Risk to Human Health (maximum points 250):** The score would be determined based on the following:
  - for H.I. greater than 0 to 1: H.I. times 100
  - for H.I. greater than 1: (H.I. – 1) times 20 and add 100 points
- **Financial Need (maximum points 180):** the sum of the points from Tables 1–6 in Section XI.A of this IUP multiplied by 0.5.
- **System Capacity Affected (maximum points 40):** 40 points multiplied by the percentage of the system affected. Newly created water system or expansion of an existing water system to serve private wells would be considered 100% system capacity affected. Firm system capacity would be utilized to determine percentage of the system in lieu of system specific information.
- Tiebreaker for priority score will be largest system first and continue in descending order.

### **B. Emerging Contaminants Principal Forgiveness Allocation for SFY 2025**

The sources and amounts of available new EC PF include, \$12,820,326 of EC PF (capitalization grant amount minus set-asides taken), and a yet to be determined amount from the FFY 2024 EC-SDC grant.

An estimated \$14,998,919 of rollover PF from previous years (BIL EC and EC-SDC) will also be available. Any unallocated or unused EC PF from SFY 2025 will be rolled over into SFY 2026.

Once all projects eligible for EC funding are scored and ranked utilizing the EC-specific priority scoring, EC PF will be allocated using a two-pass process, starting at the top of the scored list.

- Pass 1 - Water systems receive 50% of total project costs as EC PF up to a cap of \$500,000, per water system. Once all eligible projects are awarded the first-round allocation, additional EC funding will be allocated in Pass 2, in EC priority score order, to all projects that did not reach 50% of total project costs in Pass 1.
- Pass 2 - EC PF allocated for 50% of remaining eligible project costs (total project costs minus Pass 1 principal forgiveness allocated), up to a total EC PF cap per water system of \$3,500,000 or 50% of total EC project costs, whichever is less. A single project cannot receive more than one full PF allocation even if that project is funded from two or more SFYs. Interim and final treatment projects are considered to be separate projects for the purposes of this policy.
- Exception: For any water systems that qualifies for more than 50% of general PF, the general PF percentage will be used during Pass 1 and 2.
- A lifetime EC PF cap may be imposed later.

### **Split projects**

If a project removes PFAS contamination in addition to other contaminants, the entire project may be considered eligible for EC PF. This determination will be made by the DNR. If the entirety of a project is not related to PFAS contamination removal, then only the PFAS-related portions of the project would be eligible for EC PF, (i.e. parallel cost percentage).

The EC PF is only calculated on the PFAS contamination removal-related costs of the project. The overall PFAS contamination removal-related costs will be calculated by totaling the difference in capital costs with the PFAS removal components included versus the capital costs of the project without the PFAS removal components.

## **C. Eligible Project Types**

Eligible project types include all of the following:

- Construction of a new treatment facility or upgrade to an existing treatment facility.
  - Costs associated with interim solutions/temporary/portable PFAS treatment systems might only be eligible if included with a funding request for a long-term solution. Rental or lease costs are eligible.
- Development of a new source (i.e., new/replacement well or intake for a public water system).
- Consolidation with another water system that does not have emerging contaminants present or has removal capability.
- Creation of a new community water system or extension of a distribution system to address unsafe drinking water provided by individual (i.e., privately-owned) wells or surface water sources.

- Costs for planning, design and associated pre-project costs.
  - Eligible costs can include an alternatives analysis and non-routine sampling associated with project planning.
  - Costs are eligible as part of a funding request for a project that provides a long-term solution, not as stand-alone costs.
- Infrastructure related to pilot testing for treatment alternatives.
  - Costs are eligible as part of a funding request for a project that provides a long-term solution, not as stand-alone costs.
- Rental Costs will be determined on a case-by-case basis.
- Bottled water is not an eligible expense per federal program rules. Point-of-use treatment devices (i.e. filters) are only eligible if the device is the compliance treatment technology and the devices are owned and maintained by the public water system.

## D. Application Process

Applicants interested in applying for EC funding in SFY 2025 must have submitted a notice of Intent to Apply (ITA) through our online portal. An EC-specific PERF ([form 8700-399](#)) will be required to be submitted along with the application. The application deadline for SFY 2025 is July 1, 2024. Biddable and approvable plans and specifications must also be submitted to the Bureau of Drinking Water and Groundwater by the application deadline. The loan closing deadline for SFY 2025 applicants is September 24, 2025.

### Federal Requirements

As with any federal funding, the EC funding involves additional federal requirements. All applicants receiving EC PF funds will be treated as federal equivalency projects and will have to comply with the additional federal requirements detailed on our [website](#). In addition to these requirements, all EC projects will be required to:

- Solicit for [disadvantaged businesses](#).
- Comply with [Davis-Bacon and Related Acts](#) (federal wage rates).
- Comply with [Build America, Buy America \(BABA\) Act](#) procurement requirements (see [Small Projects Waiver](#)). Note that any project that is exempt from BABA under the Small Projects Waiver would instead be required to comply with [American Iron and Steel](#) procurement requirements.
- Erect appropriate [BIL signage](#).

## E. Emerging Contaminants Grant Set Asides

### State Program Management

The SDWA provides that a state may request up to 10% of the capitalization grants for State Program Management (SPM) activities. The DNR is requesting \$348,674 for State Program Management.

#### *DNR Staff*

In SFY 2025 at least 2.0 FTE positions will be supported from SPM funds. \$348,674 includes salary, fringe benefits, and travel costs incurred to perform work tasks, professional development, supplies, materials information technology, and support.



Work activities include:

- Complex policy development and implementation for the Environmental Management Division.
- Emerging contaminants policy formulation, development, and implementation and monitoring of program initiatives that have significant impact on the agency and state's resources.
- Policy issues may include, but are not limited to, state and/or federal legislation and rulemakings, special projects assigned by the Division Administrator or Deputy Division Administrators and other emerging issues.
- Development of risk communication and outreach plans for emerging contaminants.

## **XV. BASE AND SUPPLEMENTAL GRANT SET-ASIDES**

### **A. Small Systems Technical Assistance**

The SDWA allows up to 2% of the capitalization grants to be requested every year for small systems technical assistance. The DNR is requesting a total of \$946,760 to fund the technical assistance activities described below. \$159,600 is budgeted to the Base capitalization grant and \$787,160 is budgeted to the Supplemental capitalization grant.

#### *DNR Staff*

In SFY 2025 at least 3.0 FTE will be supported from small systems technical assistance. \$512,593 will be used for these efforts. This figure includes salary, fringe benefits, and travel costs incurred to perform work tasks, professional development, supplies, materials information technology, and support.

Work activities include:

- Provide technical assistance to small water systems with populations of fewer than 10,000 persons for reviewing engineering plans, specifications, and reports for proposed water system improvement projects including water mains, wells, well pumps, pumphouses, reservoirs, corrosion control, chemical addition, groundwater treatment facilities, and rehabilitation of wells and elevated tanks to determine compliance with statutes and applicable administrative rules.
- Offer professional engineering assistance to water system owners and public water supply staff regarding contamination incidents, potential impacts, and possible remedial actions.
- Provide grant and funding assistance to improve water system technical, managerial, and financial capacity.

Other program expenses are as follows:

- The DNR will contract for delivery of a technical assistance program for other-than-municipal (OTM) community and non-transient non-community (NTNC) public water systems. The two types of technical assistance are delivered under this contract.
  - The contractor will conduct approximately 700 site visits per year at OTM and NTNC water systems around Wisconsin and provide on-site technical assistance.
  - The contractor will deliver quarterly monitoring reminders to all the OTM and NTNC water systems in Wisconsin, for a total of approximately 5,300 contacts per year (\$434,167.)

The total cost of the activities is:

3.0 FTE positions	\$512,593
Technical assistance contract for OTM and NTNC systems	\$434,167
<b>Total</b>	<b>\$946,760</b>

## **B. Wellhead Protection and Other State Programs**

The SDWA allows up to 15% of the capitalization grants to be requested for Local Assistance and Other State Programs, with the stipulation that not more than 10% of the capitalization grant can be used for any one activity. One of the eligible uses is to support the establishment and implementation of wellhead protection (WHP) programs under Section 1428 of the SDWA.

The DNR is requesting an additional \$1,019,049 from the FFY 2024 capitalization grants to fund the following WHP activities. Of that, \$399,000 is budgeted to the Base capitalization grant and \$620,049 is budgeted to the Supplemental capitalization grant.

### *DNR Staff*

In SFY 2025 at least 4.0 FTE positions will be supported from WHP funds. \$544,049 will be used for these efforts. This figure includes salary, fringe benefits, and travel costs incurred to perform work tasks, professional development, supplies, materials information technology, and support.

Work activities include:

- Contract implementation of community watershed decision support tools for source water protection.
- Prevention of MCLs to protect drinking water systems in priority geographic areas.

Other program expenses are as follows:

- Sponsorship of two in-person workshops to provide training to teachers on use of the groundwater sand tank model and associated outreach to promote source water protection based on increased local awareness (\$40,000).
- Maintenance and redesign of data management and mapping applications used to track contaminant sources, public wells, wellhead protection planning and implementation, other high-capacity wells, well construction reports, and groundwater quality (\$230,000).
- Decision Support Tools for Source Water Protection / Prevention of Nitrate Maximum Contaminant Levels (MCL): Development of new groundwater source water assessment tools and nitrogen fertilizer decision support tools to implement new source water protection approaches and reduce the frequency of violations of the drinking water standard for nitrate at public wells (prior WHP awards will be used for funding.)
- Comprehensive Source Water Protection – Enhancement of Source Water Protection (SWP) capacity through program development, updating source water assessments, leveraging groundwater spatial datasets and models, cross-program integration, coordination of state and federal partners, outreach to municipal and county partners, leveraging of partner funding sources and capabilities, and piloting SWP interventions and methods where public water systems need technical and financial assistance (prior WHP awards will be used for funding.)

- Source Water Protection Research Project Allotment –The intent of these research studies is to identify appropriate management practices to reduce the risk from potential sources of contamination. This allocation is solely for research relating to issues affecting public water supplies and source water protection projects to develop source water protection, water use management tools, and identify emerging contaminants of concern to public water systems (\$200,000).
- Nitrate project– Estimate of 15 water samples sent to UW-Stevens Point Water & Environmental Analysis Laboratory. This is a Statewide project and will identify potential sources of contamination with a goal of improving source water protection (\$5,000).

The total cost of the activities is:

4.0 FTE positions	\$544,049
Groundwater teacher workshops	\$40,000
Data management and mapping applications	\$230,000
Comprehensive Public Water Source Protection	\$200,000
Nitrate project	\$5,000
<b>Total</b>	<b>\$1,019,049</b>

### C. Local Assistance to Water Systems as Part of a State Capacity Development Strategy

A state may provide assistance to a public water system as part of a capacity development strategy under Section 1420(c) of the SDWA. Fifteen percent of total capitalization grant funds may be requested for local assistance (LA) and other state programs as long as no more than 10% is used for any one activity. The DNR is requesting an additional \$4,733,800 from the FFY 2024 capitalization grants to fund the local assistance activities described below. \$798,000 is budgeted to the Base capitalization grant and \$3,935,800 is budgeted to the Supplemental capitalization grant.

#### *DNR Staff*

In SFY 2025 at least 6.0 FTE and 4.0 LTE positions will be supported from LA funds. \$933,942 will be used for these efforts. This figure includes salary, fringe benefits, and travel costs incurred to perform work tasks, professional development, supplies, materials information technology, and support.

Work activities include:

- Communication with local governments regarding technical assistance, reports, and public water system corrections.
- Reviewing local government inspections, sanitary surveys, level 2 assessments, and annual site visits.
- Monitoring needs to track coliform bacteria and nitrate samples.
- Assistance with annual reviews, quarterly updates, and regional trainings.
- Work with local health agencies on Transient Non-Community system inspection services.

Other program expenses are as follows:

- Funding contracts with county and local health agencies for Transient Non-Community (TNC) system inspection services. These services include: conducting annual site visits, collecting

drinking water quality samples, and conducting inspections (sanitary surveys) at least once every five years.

- There are approximately 9,140 TNC systems in Wisconsin. By having county health employees conduct yearly site visits and collect drinking water quality samples, monitoring and reporting violations are greatly reduced and systems are more likely to meet SDWA requirements (\$3,758,858).
- Emergency Sampling Kit – Purchase 40 new sampling kits and replace components for 150 existing kits. These emergency sampling kits are utilized in response to suspected contamination of community water systems. The kits include the necessary bottles, sampling equipment and personal protective equipment for samplers to quickly collect water quality samples for laboratory analysis. The emergency sampling kits are essential for a fast turnaround of laboratory water quality results following suspected contamination events. The existing emergency sampling kits were assembled in the mid 2000's and the contents of the existing sampling kits need replacement. The majority of the existing sampling coolers are located at DNR service centers and at municipal water systems. The new sampling kits will be located at DNR state service centers and state hazmat response centers (\$41,000).

The total cost of these activities is:

6 FTE and 4.0 LTE positions	\$933,942
County and local health department contracts	\$3,758,858
Emergency sampling kits	\$41,000
<b>Total</b>	<b>\$4,733,800</b>

#### D. State Program Management

The SDWA provides that a state may request up to 10% of the capitalization grants for State Program Management (SPM) activities. The DNR is requesting a total of \$4,733,800 for SPM. Of that, \$798,000 is budgeted to the Base capitalization grant and \$3,935,800 is budgeted to the Supplemental capitalization grant.

##### *DNR Staff*

In SFY 2025 at least 23.5 FTE and 11.0 LTE positions will be supported from SPM funds. \$3,996,325 will be used for these efforts. This figure includes salary, fringe benefits, and travel costs incurred to perform work tasks, professional development, supplies, materials, information technology, and support.

Work activities include:

- Implementation of additional SDWA requirements such as the Lead and Copper Rule Revisions, Revised Total Coliform rule, Groundwater rule, Enhanced Surface Water Treatment rule, Disinfection/Disinfection Byproducts rule, Capacity Development requirements, Operator Certification requirements, as well as revised standards for arsenic and radionuclides.
- Development and implementation of public water supply program objectives, preparation of annual program plans and progress reports, interpretation of federal regulations and direct translation of federal rules into state codes, statewide coordination of Safe Drinking Water

Program monitoring requirements, and review of Safe Drinking Water Program required water quality data.

- Administration of capacity development objectives, coordination of the water system and waterworks operator certification program, administration of the small system technical assistance program, preparation of program plan and progress reports, and interpretation of federal regulations.
- Coordinating the review of technical documents, developing informational material, developing roll out plans, coordinating media responses, and assisting the program in proactively conveying new policy initiatives, data, reports, and other messaging to the public, regulated community, and other interested parties.
- Implementing the SDWA program for community, OTM, NTNC, and TNC systems. This includes conducting sanitary surveys, preparing survey reports, enforcement activities, monitoring sample submissions and reports from these systems, operation and maintenance assistance, limited plan review, investigative sampling, providing public education, and training of system operators/samplers.
- Performing engineering duties in the water program for municipal, OTM, and NTNC water systems. This includes performing sanitary surveys, annual inspections, operation and maintenance assistance, consulting with systems and engineers on plan review and system design, monitoring water quality, contamination response, witnessing and monitoring of new construction, and enforcement activities.
- Providing first-line public contact for health and safety related activities and enforcement with public water systems, laboratories, local government officials and other state agencies.
- Ensuring funding metrics are met and preparing annual funding budgets and workplans utilizing programmatic and technical expertise.

Other programmatic expenses are as follows:

- Large volume source water assessment monitoring under the Revised Total Coliform Rule – The DNR will contract with the Wisconsin State Laboratory of Hygiene (WSLH) for two years to implement a 100-liter microbial analysis for use with the Revised Total Coliform Rule unsafe follow-up assessments (\$80,000).
- Public Water Supply Data Management and Customer Support – The DNR is contracting with the WSLH to coordinate monitoring data exchange - including facility names, locations, monitoring requirements, and monitoring results - between the DNR and WSLH relative to Public Water Systems. The WSLH will also provide customer service to public water systems related to SDWA-required monitoring (\$20,000).
- Continuing education for OTM and NTNC water system operators - Certified operators of OTM and NTNC public water systems are required to obtain six hours of continuing education credits per three-year renewal cycle. The DNR contracts for delivery of approximately 55 three-hour courses annually that are targeted and designed specifically for OTM and NTNC water systems, and that cover regulatory and operational topics identified as critical for maintaining compliance with drinking water regulations (\$68,712).
- OTM & NTNC Exam Preparation and Review Courses - The DNR contracts for delivery of 6 exam preparation courses annually that are designed to help individuals prepare for taking the Wisconsin Non-Municipal Water System Operator Certification Exam. The exam preparation training sessions are four hours long and are offered throughout the year as preparation for

certification exams. The course is designed around the Wisconsin Small Water System Operator Certification Manual (\$8,763).

- Technical School Education Program – The DNR contracts with Moraine Park Technical College (MPTC) for delivery of courses designed for certified Municipal Waterworks operators (at municipal water systems). These courses provide opportunities for Municipal Waterworks operators to earn continuing education credits and work towards an Associate Degree in Water Quality Technology. MPTC also provides courses to help operators and individuals seeking to become operators, prepare for certification exams (\$50,000).
- Online Training in Utility Management, Asset Management, and Financial Management for Utility Governing Bodies – The DNR is currently contracting with MPTC for three online training courses comprised of four unique learning modules. These online modules are management trainings intended for government bodies (city councils and village/town boards) as well as other utility governing boards (utility commissions) and professionals with decision making authority as it pertains to drinking water utilities (see Section XVI). Annual cost of continued webhosting (\$5,000).
- Data system programming associated with the Drinking Water System, the Lab Data Entry System, the Environmental Licensing and Certification Database, and digitization document management (\$500,000).
- Record storage costs for plan approval decisions (\$5,000).

The total cost of these activities is:

23.5 FTE and 11.0 LTE positions	\$3,996,325
Large volume water assessments WSLH	\$80,000
Data management and customer support WSLH	\$20,000
Continuing education for OTM and NTNC operators	\$68,712
OTM & NTNC exam preparation and review courses	\$8,763
Technical school education program	\$50,000
Online training for drinking water utilities	\$5,000
Data system management	\$500,000
Record storage	\$5,000
<b>Total</b>	<b>\$4,733,800</b>

## XVI. ONLINE TRAINING COURSES

The DNR’s Bureau of Drinking Water and Groundwater contracted for the creation of three [online training courses](#), comprised of four learning modules. These online modules are management trainings intended for government bodies (village/town boards and city councils) as well as other utility governing boards (utility commissions) and professionals with decision making authority as it pertains to drinking water utilities. All four learning modules are available online at the DNR’s [Capacity Development webpage](#). These training modules are titled *Utility Management – Part A*; *Utility Management – Part B*; *Asset Management*; and *Financial Management*, respectively.

The overarching theme of all four learning modules is to aid governing bodies in developing and maintaining technical, managerial, and financial (TMF) capacity of a water utility - capacity

development. The purpose of the training is to educate the governing bodies of water utilities on how to effectively manage their utility, their utility's assets, and their utility's finances. Although these trainings are specifically intended for governing bodies and other professionals with decision making authority, the content of all four modules is highly relevant to waterworks operators certified by the DNR. Therefore, certified waterworks (municipal) operators are eligible to enroll in all four modules and earn one continuing-education credit for each successfully completed module. This is also beneficial, as operators play a vital role in informing utility managers and boards of utility needs, repairs, and improvements.

There is no cost to take the learning modules, and they are available on-demand virtually. Each module takes approximately one hour to complete.

For SDWLP applicants, as stated in Section X, ten priority points will be granted if at least 50% of the members of the water utility's governing body have taken all of the online training modules available at the time of application . Training must be completed and certified online by June 30 of each year in conjunction with a SDWLP application.

## **XVII. PUBLIC PARTICIPATION PROCESS**

The draft IUP is being posted for a public comment period on May 15, 2024. The draft IUP is available on the Environmental Loans [Project Lists and IUPs](#) webpage. An email notification was sent to a distribution list of approximately 2,400 recipients.

DNR is hosting a webinar on June 5, 2024, at 11 a.m., to discuss changes in this IUP and respond to questions from attendees. Further information about the webinar is available on the [program website](#). Written comments on the draft IUP will be taken through June 12, 2024. Please send comments to Noah Balgooyen at [noah.balgooyen@wisconsin.gov](mailto:noah.balgooyen@wisconsin.gov). The final SFY 2025 SDWLP IUP will be published on the Environmental Loans Project Lists and IUPs webpage.

## APPENDIX 1: SUMMARY OF CHANGES

- Changed appropriate Wisconsin Administrative Code references due to new version of NR 166, Wis. Adm. Code being published in November 2023.
- The Design Life Calculation Worksheet is now required for all projects (even 20-year loan terms) unless the project consists solely of installation or replacement of pipeline and associated appurtenances.
- Removed a short-term goal about researching methods to provide additional assistance. Results of that work were described in the SFY 2023 Annual Report.
- Added detail to the Sources and Uses tables.
- Market rate on taxable bonds added to Section II.
- Added clarifications in Section IX regarding PERF score objections, reevaluations, and the age of information used to determine PERF scores.
- Updated Section X to reflect any changes that were incorporated into the new version of NR 166, Wis. Adm. Code.
- Addressed a discrepancy between Section X and Section XVI regarding the percentage of members of the water utility's governing body that must take online training modules to be awarded PERF points.
- Restricted the amount of PF provided to projects receiving an EPA Community Grant.
- Listed the application deadline for Principal Forgiveness funding as July 1, 2024 because June 30, 2024 falls on a Sunday.
- Updated Section XIII relating to Lead Service Lines.
  - LSL projects are now eligible only for LSL PF.
  - Extended the ITA/PERF deadline.
  - Private side PF is available for private side construction and filtration costs. Customer outreach costs are not eligible to include in the private side PF calculation.
  - Incorporated policy changes stemming from EPA's May 1, 2024 *Implementing Lead Service Line Replacement Projects Funded by the Drinking Water State Revolving Fund* memo.
  - Clarified pledge options to cover the loan portion.
- Updated set aside plans in Section XII.B, XIV.E, and XV.
- A portion of FFY 2024 EC-SDC funding is expected to be available for municipalities meeting the state's disadvantaged criteria or with a population less than 10,000. The exact amount will be listed in the final IUP.
- The new enforceable federal standards for PFAS in drinking water may impact eligibility and priority scoring of EC projects for SFY 2026.