

State Fiscal Year 2011 Update #1

Friday, July 16, 2010

PRINCIPAL FORGIVENESS DISTRIBUTION METHODOLOGY

Wisconsin's Clean Water Fund Program (CWFP) and Safe Drinking Water Loan Program (SDWLP) are required to provide additional subsidization (in the forms of grants, principal forgiveness or negative interest rate loans) out of the capitalization grants DNR receives from EPA for the next round of loans (State Fiscal Year 2011). The amounts of federal funding Wisconsin will receive and the associated amounts we expect to provide in principal forgiveness are as follows:

SDWLP SFY 2011 capitalization grant = \$23,399,000
Total principal forgiveness amount = \$7,019,700

CWFP SFY 2011 capitalization grant = \$55,083,000
Total principal forgiveness amount = \$8,249,685

This is a new requirement that recently came through the federal appropriations bill that provides the funding for the State Revolving Fund (SRF) capitalization grants. We are still determining some of the details of how we will implement this provision, but the basic policy is as follows:

- ◆ Determine principal forgiveness amount for applicants in rank order based on population and median household income (MHI) criteria. See attached flow chart and "Explanation of Flow Chart" below.
- ◆ Offer loan funding at regular subsidized rates for that portion of a project that will not be covered by principal forgiveness funds.
- ◆ Provide no more than 10% of the total principal forgiveness amount available to any one community (i.e., no more than \$701,970 to any one SDWLP applicant or \$824,968 to any one CWFP applicant).
- ◆ If DNR does not receive enough applications by the application deadline to fully utilize all available principal forgiveness funds, allocate the balance of principal forgiveness funds on a first-come/first-served basis to municipalities that submit eligible applications after the deadline date.

Explanation of Flow Chart

- If a municipality's population is greater than or equal to 10,000, or its Median Household Income (MHI) is greater than the state's MHI (\$55,527), the SRF will provide principal forgiveness for 10% of the project costs eligible for SRF assistance.
- If a municipality's population is less than 10,000 and its MHI is less than or equal to the state's MHI, Loans staff would calculate an Assistance Level Score that is the sum of population points + MHI points, as follows:

<u>Population</u>	<u>Points</u>	<u>Median Household Income</u>	<u>Points</u>
0 - 499	30	81% - 100%	0
500 - 999	25	75% - 80%	5
1000 - 1999	20	70% - 74%	10
2000 - 2999	15	65% - 69%	15
3000 - 4999	10	60% - 64%	20
5000 - 9999	5	< 60%	25

- If the Assistance Level Score is 30 points or less, the SRF will provide principal forgiveness for 30% of the project costs eligible for SRF assistance.
- If the Assistance Level Score is greater than or equal to 35 points, the SRF will provide principal forgiveness for 50% of the project costs eligible for assistance.
- The above percentages of principal forgiveness are subject to the 10% cap that limits the maximum amount of principal forgiveness subsidy any one municipality may receive.

"GREEN" PROJECTS

Each state must use no less than 20% of its SDWLP capitalization grant and 20% of its CWFPP capitalization grant to finance projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. EPA calls this 20% of a capitalization grant the Green Project Reserve (GPR).

We are still working on policies for the implementation of GPR requirements and will provide detailed information soon. However, we do know that we will use bypass procedures when allocating SDWLP funds on the State Fiscal Year (SFY) 2011 SDWLP Funding List. This means, if we must jump over a project to get to a project on the list that includes GPR-eligible activities and costs, we will do so until the 20% minimum green dollars are allocated.

EPA issued "GPR Guidance for Determining Project Eligibility". Please refer to this document, posted on our *News, Dates & Events* web page, to determine whether your project includes GPR components that Wisconsin can count toward its GPR. The State will lose federal funding if we cannot meet the GPR requirement.

DNR's Environmental Loans Section will prepare a form on which to collect information from municipalities regarding any GPR-eligible activities in their projects. We will post the form on the web when it is ready for use. Please be prepared to provide information regarding water and energy savings in terms of gallons of water or kilowatt hours saved per day, month or year, and the related estimated dollar savings. Also, be prepared to document what is environmentally innovative about your project or why it should be considered green infrastructure if you claim a project includes activities under one of those categories.

Many GPR-eligible activities need a written business case in order for Wisconsin to be able to count the cost of those activities toward the 20% GPR requirement. We will publish a template for municipalities and engineers to use when drafting a business case for submittal. EPA is requiring that States post all GPR business cases on the web during the calendar quarter within which the project receives GPR funding.

Please take a look at the other green documents on the *News, Dates & Events* web page and watch for further information over the next several weeks.

Contact Becky Scott at rebecca.scott@wi.gov or 608-267-7584 if you have questions regarding the CWFP GPR or Jeanne Cargill at jeanne.cargill@wi.gov or 608-267-7587 if you have questions regarding the SDWLP GPR.

APPLICATION DEADLINES

SDWLP - In order to compete for principal forgiveness funds and/or regular loan funds from the SDWLP in SFY 2011, you must submit a complete application (including plans and specifications) to DNR postmarked, shipped or hand-delivered by August 31, 2010. Also by August 31, you must have received DNR approval on the engineering report for your project.

Every municipality allocated funding on the SFY 2011 SDWLP Funding List (to be published at a later date) must close a loan for its project(s) by June 30, 2011. This means each municipality that needs a rate increase in order to collect enough revenues to be able to pay back the SDWLP loan will need to complete the Public Service Commission (PSC) water rate increase process by about April 15, 2011. In order to make sure you can complete the PSC process early enough, your municipality should very soon be working on getting the initial rate increase application ready to submit to the PSC.

CWFP - In order to compete for principal forgiveness funds from the CWFP in SFY 2011, you must submit a complete application (including plans and specifications) to DNR postmarked, shipped or hand-delivered by November 15, 2010. Also by November 15, you must have received DNR approval on the facilities plan for your project. There is no application deadline for regular CWFP loan funds.

See our *Forms & Publications* web page for copies of all CWFP and SDWLP forms.

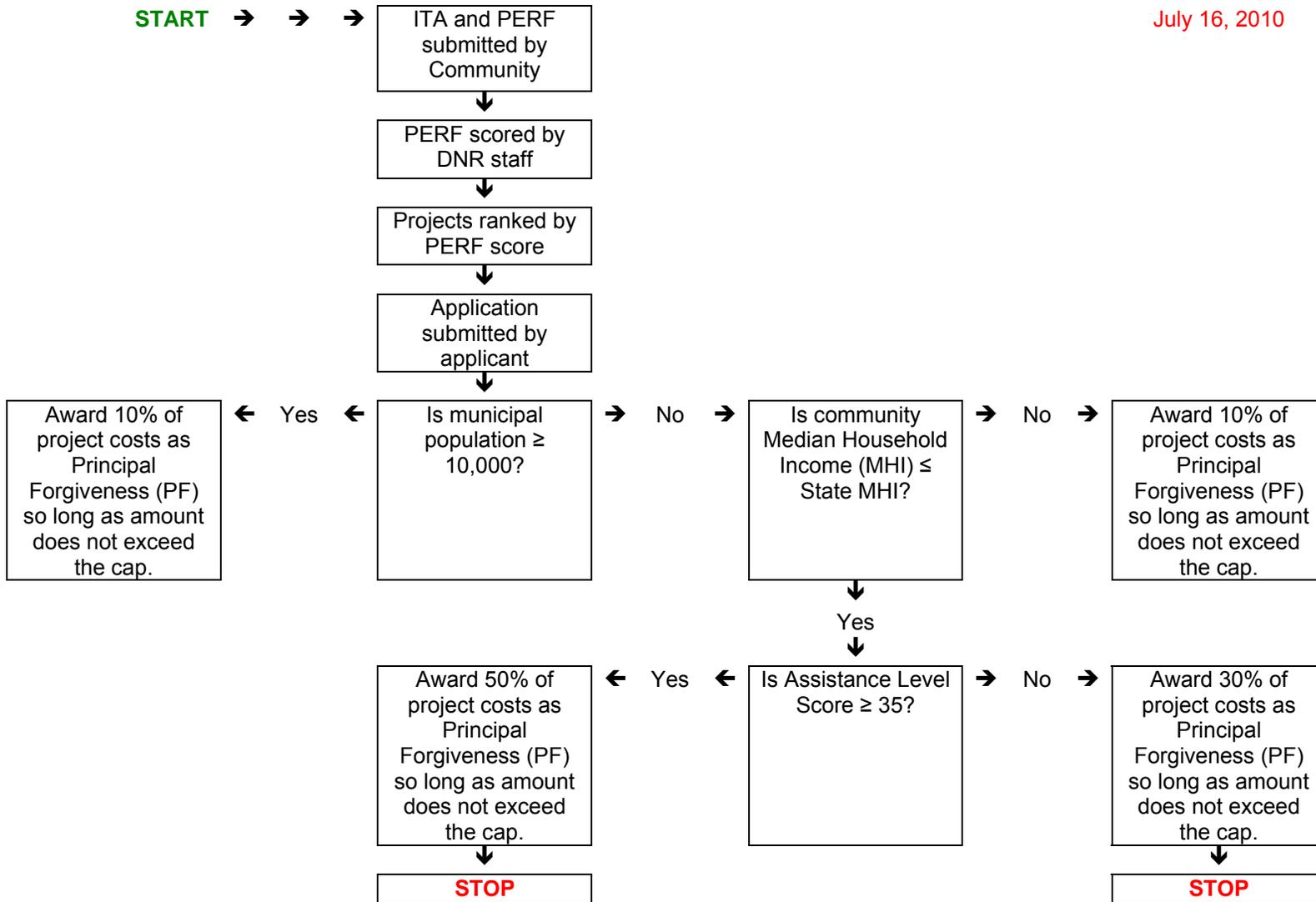
OTHER REQUIREMENTS

- Please be aware that Davis-Bacon wage rates must be paid on all projects financed through the CWFP and the SDWLP. We will soon publish the language EPA requires be put into all project contracts along with other Davis-Bacon information.
- When ordering supplies, purchasing equipment or hiring contractors for a CWFP- or SDWLP-financed project, municipalities must solicit Disadvantaged Business Enterprises (DBEs) for bids. When soliciting bids from DBEs: 1) place an advertisement that encourages DBEs to submit bids, or 2) make contacts to DBEs that are on the DOT Unified Certification Program list, available on the web at: <https://www.triconsultants.com/wisdot/Reports/WisDotUCPDirectory.aspx>.

We are currently working towards implementation of EPA's new Davis-Bacon and DBE requirements. We will try to keep you informed through frequent Updates.

FLOW CHART

LAST REVISED:
July 16, 2010



For CWFP projects, total principal forgiveness available = \$8,249,685 x 10% = \$824,968 cap.
 For SDWLP projects, total principal forgiveness available = \$7,019,700 x 10% = \$701,970 cap.