

**STATE OF WISCONSIN SAFE DRINKING WATER LOAN PROGRAM INTENDED USE PLAN for FFY 2008
FUNDS for the SFY 2009 FUNDING CYCLE**

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 to protect public health.

Section 1452(b) of the SDWA requires that each state prepare an annual Intended Use Plan (IUP) which identifies the uses of the funds in the DWSRF and describes how those funds support the goals of the Act. This document and its attachments comprise the State of Wisconsin Intended Use Plan for Federal Fiscal Year (FFY) 2008 DWSRF Capitalization Grant funds. Assurances and specific proposals for meeting Federal requirements are provided in the Operating Agreement between the State and EPA Region 5. The IUP is part of Wisconsin's capitalization grant application package for FFY 2008 funds.

II. DESCRIPTION OF THE INTENDED USE PLAN

This IUP provides a description of the short- and long-term goals of the Safe Drinking Water Loan Program (SDWLP), including how the uses of the various set-aside accounts contribute to reaching those goals. It includes the criteria and methods established for the distribution of funds, details on the activities that are being funded from the set-aside accounts, and the financial status of the fund. Attachments to the IUP include the list of projects that applied for funding for State Fiscal Year (SFY) 2009, and a list of all projects with valid Notice of Intent to Apply (ITA) forms, in priority order.

III. DESCRIPTION OF THE SAFE DRINKING WATER LOAN PROGRAM

The SDWLP operates as a direct loan program, similar to the Federal SRF which comprises a portion of the Clean Water Fund Program. Proceeds from general obligation bonds issued by the State provide the state match (equal to 20% of the capitalization grant). The program is jointly administered by the 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:

- 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 and has not been substantially complete for more than three years.
- 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 rates 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. Loans to disadvantaged communities are at 33% of the State's market rate. The State's market rate is the effective interest rate, as determined by DOA, of a revenue obligation issued by the State to fund loans under the EIF. The current market rate for the EIF is 4.300%. SDWLP loans must mature no more than 20 years from the date of the first loan disbursement to the community. Interest payments are required semi-annually on May 1st and November 1st while principal payments are required annually on May 1st.

A local governmental unit may receive financial assistance for projects with the following purposes:

- 1) Address SDWA health standards that have been exceeded or to prevent future violations of health standards and regulations contained in ch. NR 809, Wis. Adm. Code. This includes projects to maintain compliance with existing regulations for contaminants with acute health effects and regulations for contaminants with chronic health effects.
- 2) Replace infrastructure if necessary to maintain compliance or further the public health protection goals of the SDWA. This includes projects with any of the following purposes:
 - a. To rehabilitate or develop sources, excluding reservoirs, dams, dam rehabilitation and water rights, to replace contaminated sources;
 - b. To install or upgrade treatment facilities if, in the department's opinion, the project would improve the quality of drinking water to comply with primary or secondary drinking water standards;
 - c. To install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the public water system;
 - d. To install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels.
- 3) Consolidate existing community water systems that have technical, financial or managerial difficulties. Projects for consolidating existing systems shall be limited in scope to the service area of the systems being consolidated.
- 4) Purchase a portion of another public water system's capacity if it is the most cost effective solution.
- 5) Restructure a public water system that is in noncompliance with the SDWA requirements or lacks the technical, managerial and financial capability to maintain the system if the assistance will ensure that the system will return to and maintain compliance with the SDWA requirements.
- 6) Create a new community water system or expand an existing community water system that, upon completion, will address existing public health problems with serious risks caused by unsafe drinking water provided by individual wells or surface water sources. Projects to address existing public health problems associated with individual wells or surface water sources shall be limited in scope to the specific geographic area affected by contamination. These would include projects where the MCL for microbiological, nitrate/nitrite or a chronic contaminant is exceeded by 50% or more of the individual wells or surface water sources within the affected area.

IV. SHORT- AND LONG-TERM GOALS

A. Short-Term Goals:

- Direct funds to the State's most urgent SDWA compliance and public health needs;
- Develop strategies, programs, and mechanisms to ensure, improve and evaluate the ability of public water systems to provide safe drinking water;
- Develop effective partnerships with other State and Federal financing sources to coordinate funding and promote efficiency for both the agencies and the applicants;
- Initiate efficient delineation and assessment of public water supply source water areas;
- Implement Wisconsin's Source Water Assessment Program Plan.

B. Long-Term Goals:

- Assist public water systems in achieving and maintaining compliance with all applicable State and Federal drinking water requirements;
- Protect the public health and environmental quality of the State;
- Manage the revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity;
- Provide economic assistance, in the form of reduced interest rate loans, to public water supply systems for the purposes of installing the necessary infrastructure to provide an adequate quantity of safe drinking water;
- Evaluate 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 operated properly;
- Use source water area assessments as a basis for protecting public water supplies.

V. FINANCIAL STATUS OF DWSRF

Funds available during SFY 2009 and their intended uses include the following:

FFY 2008 Capitalization Grant	\$15,770,000
State Match	\$3,139,404
Set-aside Funds Returned to Loans	\$1,244,280
Other Funds Available in the SRF	<u>\$17,514,952</u>
Total Amount for SFY 2009	\$37,668,636

Set-aside Amounts:

Administration	\$630,800
Wellhead Protection	\$155,475
Technical Assistance	\$315,400
Capacity Development	\$0
Operator Certification	\$0
State Program Mgmt.	<u>\$1,577,000</u>
Total Amount of Set-asides	\$2,678,675

Loan Fund	\$34,989,961
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Notice of Intent to Apply (ITA) forms for SFY 2009 funding were due by December 31, 2007. The project priority list for SFY 2009 funding totals \$111,867,853 for 84 projects. Applications for SFY 2009 funds were due by April 30, 2008. The DNR received 23 applications totaling \$30,159,262 in project needs. The project priority list of all projects with a valid ITA form is Attachment A to this IUP. The draft funding list of all applicants that met the April 30th application deadline is Attachment B to this IUP. Any funds not used during SFY 2009 will be added to the SFY 2010 or 2011 funding list.

VI. BANKING OF SET-ASIDE FUNDS

The State has previously banked \$1,932,204 in Administration funds and \$4,334,686 in State Program Management funds for a total of \$6,266,890 of banked set-aside funds. This consists of Administration funds of \$657,712 from the FFY 2004 grant, \$637,252 from the FFY 2006 grant, and \$637,240 from the FFY 2007 grant, as well as State Program Management funds of \$2,131,218 from the FFY 2002 grant, \$1,244,280 from the FFY 2004 grant, \$796,565 from the FFY 2006 grant, and \$162,623 from the FFY 2007 grant. No additional set-aside funds are requested for banking in the current IUP. These banked funds are available for possible designation from a future capitalization grant.

VII. TRANSFER OF FUNDS FROM CWSRF TO DWSRF

The State transferred a total of \$23,596,056 in funds from the Clean Water Fund Program to the SDWLP prior to FFY 2002. Federal regulations allowed a transfer of up to 33% of the Drinking Water Capitalization Grants. As of the date of this IUP, all transferred funds have been disbursed.

VIII. METHOD AND CRITERIA FOR DISTRIBUTION OF FUNDS

The priority scoring and ranking system for the SDWLP is detailed in Subchapter III of ch. NR 166, Wis. Adm. Code. The purpose of the priority scoring criteria is to establish a list of eligible projects to be funded in a manner that is in accordance with the Federal requirements of the 1996 SDWA reauthorization. The act 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.

Wisconsin's priority scoring and ranking criteria gives first 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 considers 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.

Projects are granted additional points if the project is associated with a system considered most in need of financial assistance on a per household basis. A public water system must have a population less than 10,000 and a median household income (MHI) less than or equal to 80% of the State's MHI to qualify for any points related to financial need.

The DNR maintains a project priority list that ranks the projects for which a priority score has been determined, (Attachment A to this IUP). The projects are ranked in order of descending priority with the highest ranked project first. In case of two or more projects having the same priority score, the project serving the largest population shall have highest priority. An annual funding list is developed consisting of all projects that submit complete applications by the April 30th application deadline, (Attachment B to this IUP). Projects 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.

Once the fundable range of the funding list is established, loans may be made to any project in that range in any order. Projects on the funding list may be removed from the funding list, upon written notice by the DNR, if any of the following situations occur:

- a) requirements of s. NR 166.10, Wis. Adm. Code, are not met;
- b) a project is canceled or the funding request is withdrawn by the applicant;
- c) the DNR determines that the applicant is unable to proceed with construction of the project in the fiscal year in which funds are requested;
- d) the project failed to meet the engineering review requirements or does not have DNR approval;
- e) the applicant has reached the 25% biennial present value subsidy cap (in any biennium, no local governmental unit may receive more than 25% of the present value subsidy approved for that biennium);
- f) the DOA is not satisfied that the local governmental unit has the financial capacity, as described in ch. Adm 35, Wis. Adm. Code, to assure sufficient revenues to operate and maintain the project for its useful life and to pay the debt service on the obligations it would issue for the project;
- g) Federal or State refinancing or reimbursement restrictions prevent funding.

IX. OUTPUTS AND OUTCOMES

The State is meeting the Outputs and Outcomes requirement by participating in the pilot of the new Drinking Water Benefits Reporting system. Information will be entered into the benefits reporting database starting with projects funded during SFY 2008 and continuing into the future.

X. SET-ASIDE ACTIVITIES

1) Source Water Assessment Program (SWAP)

Wisconsin set aside 10% of the FFY 1997 Capitalization Grant, \$4,154,640, for source water area delineations and assessments. In November 1999, EPA approved Wisconsin's SWAP plan, which included a request for an 18-month extension giving a completion deadline of May 6, 2003. Subsequently, the DNR worked with EPA to revise its timeline, giving Wisconsin until December 31, 2004 to complete the SWAP. DNR completed the SWAP by that date.

A total of \$263,040 of SWAP funds was unspent as of April 25, 2003, the end date for SWAP funding. These funds were transferred to the Wellhead Protection (WHP) set-aside account and used to continue SWAP and WHP efforts. WHP set-aside awards from SFYs 2003 and 2004 were added to this account and used to help

complete source water assessments and concurrent WHP work. Since the SWAP was completed, annual requests for funds for continuing WHP work have been made under the WHP section of the IUP.

2) Wellhead Protection

It is projected that there will be approximately \$21,000 available from previously requested funds for WHP work in SFY 2009. We are requesting an additional \$155,475 for SFY 2009 to fund the following WHP activities:

- Sponsorship of at least three additional workshops to provide training to teachers on use of the groundwater sand tank model. The DNR will work with the UW-Stevens Point Center for Watershed Science and Education and Wisconsin Geological and Natural History Survey (WGNHS) to provide these educational tools and the training to use them.
- One wellhead protection project will be funded through the State’s joint solicitation process:
Human Viruses as Tracers of Wastewater Pathways into Deep Municipal Wells by WGNHS.
- Establish a Comprehensive Wisconsin K-12 Water Education Program to enhance, develop, and sustain water education efforts in Wisconsin K-12 schools so as to increase the water literacy of our citizens and engage them in sustainable water resource practices.

The total cost of these activities is itemized below.

Item	Total
Groundwater education programs	\$117,000
Contract for <i>Human Viruses as Tracers of Wastewater Pathways into Deep Municipal Wells</i> (1st year of project)	\$59,843
Total Cost	\$176,843
Carry Over from SFY 2007	\$21,684
Total cost minus carry-over	\$155,159

3) Technical Assistance

A. Background

Up to 2% of the capitalization grant every year can be used for technical assistance to small communities. From the beginning of the program through SFY 2007 Wisconsin has requested \$3,368,992 in set-aside funds for this purpose.

B. Current Technical Assistance Contracts

During SFY 2007/2008 two projects were continued using the 2% technical assistance set-aside.

- One-On-One Assistance to Other-Than-Municipal Community (OTM) Systems and Non-transient Non-Community (NTNC) Systems.
- Targeted Technical Assistance to Small Systems.

The One-On-One Assistance contract was awarded through competitive bidding to the Wisconsin Rural Water Association in March 2007. The contract was for one year with two possible renewals. The first year of the contract ended March 21, 2008 and the DNR is in the process of extending the contract through March 21, 2009.

The Targeted Technical Assistance contract was awarded through competitive bidding to the Wisconsin Rural Water Association in March 2007. The contract was for one year with two possible renewals. The first year

of the contract ended March 31, 2008 and the DNR is in the process of extending the contract for another year through March 31, 2009.

We are requesting \$315,400 for the One-On-One Assistance and the Targeted Technical Assistance contracts from FFY 2008 funds.

One-On-One Assistance to OTM Systems

One-On-One Assistance to NTNC Systems

The Wisconsin Rural Water Association is making one-on-one visits with OTM and NTNC water systems to discuss drinking water issues vital to each system. Topics being covered are Training on Access to DNR website and navigation, Self Inspection, Operator Handbook Upkeep, Vulnerability Assessment Letters, Plan Review, Certified Operators, Monitoring Assistance, Violation Follow-up, Monitoring Site Plans, Arsenic, and General Information Updates.

Discussions for 2008-2009 will be aimed at producing the following outputs: Fewer monitoring and reporting violations, fewer MCL violations, fewer public notice violations, preparation of monitoring site plans and greater knowledge of regulations.

Targeted Technical Assistance to Small Systems

The Wisconsin Rural Water Association is holding targeted technical assistance sessions for small groups of municipal community, OTM and NTNC public water system operators on new and existing drinking water regulations and topics and on drinking water treatment optimization.

The technical assistance is provided to small groups of operators and emphasizes hands-on assistance tailored to the specific challenges and needs of the operators attending. Technical assistance sessions are targeted to groups of operators based on regional location, water system characteristics or the treatment utilized by the water system.

Topics for SFY 2009 include Monitoring Site Plans, Arsenic Treatment, Chlorination, and Corrosion Control. Operators attending the Targeted Technical Assistance sessions receive continuing education credits towards their certified operator requirements.

Revision of Transient Non-Community (TN) and NTNC Operator Handbooks

Efforts to revise the TN and NTNC Operator Handbooks were began SFY 2006 and should be completed in SFY 2009.

4) Capacity Development

Since the beginning of the program, \$400,000 has been requested from past capitalization grants for Capacity Development. At the end of SFY 2005 there was a balance of \$38,286 in unexpended Capacity Development funds which was transferred to the state program management set-aside. The state program management set-aside is being used to cover capacity development set-aside needs incurred after SFY 2005.

5) Operator Certification

Since the beginning of the program, \$500,000 has been requested from past capitalization grants for Operator Certification. At the end of SFY 2005, there was a balance of \$291,506 in unexpended Operator Certification funds which was transferred to the state program management set-aside. The Federal Operator Certification Expense Reimbursement Grant and the state program management set-aside are being used to cover operator certification set-aside needs incurred after SFY 2005.

6) State Program Management

An additional \$1,577,000 is being requested from FFY 2008 capitalization grant funds for State Program Management activities. This set-aside contains a dollar-for-dollar state match requirement. This state match is being met through state overmatch funds from the Public Water System Supervision grant.

As a result of implementation of additional SDWA requirements (such as the 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), additional staff is necessary to meet basic program needs for new SDWA initiatives as well as existing program requirement changes (such as sanitary surveys being required every 3 years instead of every 5 years for some system types). Seven positions are currently assigned to these tasks. The activities are similar to existing staff positions for Water Supply Specialists and engineers. The state program management set-aside is being utilized to fund these activities.

- Engineering position (1) (Currently staffed): Responsible for 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, consultation with systems and engineers on plan review and system design, monitoring water quality, contamination response, witnessing and monitoring of new construction, and enforcement activities. The position corresponds with municipal officials, consulting engineers, waterworks operators, state and local health officials, the media, politicians, and others regarding these systems. The time breakdown of activities is as follows:
 - 65% Engineering surveillance of municipal, OTM, and NTNC water systems.
 - 15% Provision of technical assistance to municipal, OTM, and NTNC water systems.
 - 10% Enforcement activities for municipal, OTM, and NTNC water systems.
 - 10% Provision of training and information to public water system owners/operators, DNR staff and other agencies.

- Engineering position (1) (Currently staffed): Responsible for review of plans and specifications for community water systems for compliance with construction requirements of Chapter NR 811, Wisc. Adm. Code, review of sanitary survey inspections conducted at municipal water systems, coordinating regional engineering review of water system improvements, and coordinating regional review of existing water supply facilities. The time breakdown of activities is as follows:
 - 55% Review plans and specifications for improvements to community water systems.
 - 10% Review sanitary surveys conducted by regional inspectors for consistency and completeness.
 - 15% Coordinate regional review of water system improvements.
 - 20% Support water systems efforts to assure safe drinking water.

- Water supply/program specialist positions (4) (Currently staffed): Responsible for 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. The time breakdown of activities is as follows:
 - 65% Surveillance of OTM, NTNC, and TNC water systems.
 - 10% Enforcement activities for OTM, NTNC, and TNC water systems.
 - 15% Provision of technical assistance to systems owners/operators.
 - 10% Provision of training and information to public water system owners/operators, DNR staff and other agencies.

- Capacity Development Water Supply Specialist position (1) (Currently staffed): Responsible for directing the capacity development portion of the state safe drinking water program. This includes development and implementation of capacity development objectives, preparation of program plan and progress reports, interpretation of federal regulations, statewide coordination of capacity development activities, and review of water system capacity evaluations. Additionally this position is responsible for review of sanitary surveys of

public water systems and coordinating the electronic sanitary survey efforts. The time breakdown of activities is as follows:

- 30% Capacity Development Program implementation and coordination.
- 30% Coordination of regional inspection of community water system improvements.
- 25% Evaluation of inspection of public water systems.
- 10% Evaluation of existing facilities and operational procedures to assure safe and adequate water systems.
- 5% Other Duties as assigned.

The approximate staff budget for the seven positions is \$745,680 per year.

- Computer replacement and upgrades: Total cost \$20,000.
- Review of plans and specifications and plan review record keeping (2 LTEs) (Currently staffed): Total cost per year \$41,300. All of the plan review activities are related to the review of plans and specifications for water main extensions.
- Administrative rule writing and communications (1 LTE) (Proposed new hire): Total cost per year \$27,540. Responsible for providing engineering, rule drafting and communication support to revisions to chapters NR 809, NR 810, and NR 811 Wisc. Adm. Code to incorporate the Groundwater Rule, revisions to the Lead and Copper Rule, Stage 2 Disinfectants and Disinfection Byproducts Rule, and Long-Term 2 Enhanced Surface Water Treatment Rule. In addition the position will develop communications materials related to virus occurrence in groundwater.
- Contractual program management activities: In addition to the realignment of positions, other budgetary shifts will be necessary to continue core program activities. These include funding of additional county inspection contracts for the inspection of non-community water systems, funding a contract with the DNR's Bureau of Integrated Science Services for support to administer the water system operator certification program and funding the record storage for plan approval decisions, data entry, data system programming, and funding of a limited term employee to complete reviews of non-complex water facilities including water mains. The annual costs for these activities are anticipated to be:

County inspection contracts	\$652,250
Administer Operator Certification Program	\$54,230
Record storage	\$17,000
Data system programming	\$19,000

The total cost for all activities funded under this set-aside will be \$1,577,000. These funds will be expended across the year following expenditure of the FFY 2007 set-aside.

XI. DISADVANTAGED COMMUNITIES

The SDWLP offers a lower interest rate to local governmental units that meet two eligibility criteria. This rate is 33% of the State's market rate. Local governmental units that do not meet the two criteria receive loans at 55% of the State's market rate. The two eligibility criteria are:

- 1) the local governmental unit's population must be less than 10,000; and
- 2) the local governmental unit's MHI must be 80% or less of the State's MHI.

Although Federal regulations allow for up to 30% of the Capitalization Grant to be used for principal subsidies, Wisconsin will not be making subsidies below a further reduced interest rate in order to preserve as much of the loan monies as possible to meet the high demand for assistance. As Wisconsin's disadvantaged communities program is not offering principal subsidies, there is no limit on how many communities may qualify.

XII. PUBLIC PARTICIPATION PROCESS

Public participation in the set-aside activities is as described in Section X above. This IUP is being distributed to the public in the publication *Loan Interests*, no. 155, in July 2008. The IUP is also accessible through the Environmental Loans Section's newsletter web page at www.dnr.wi.gov/org/caer/cfa/EL/section/newsletters/newsletters.html. A public hearing covering the SDWLP funding list and funding policies, as well as other items, was held on June 10, 2008 at 11:00 a.m. in room 408 of the GEF 2 building, 101 South Webster Street, in Madison.