

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

FOR THE SFY 2024 FUNDING CYCLE



October 25, 2023



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WISCONSIN DEPARTMENT OF NATURAL RESOURCES
SAFE DRINKING WATER LOAN PROGRAM INTENDED USE PLAN
Covering Funding During State Fiscal Year 2024

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 draft Funding List that was published on October 23, 2023, comprise the State of Wisconsin Intended Use Plan for Federal Fiscal Year (FFY) 2023 DWSRF capitalization grant funds and other monies available in the DWSRF. The IUP is part of Wisconsin's Base, Supplemental, and Emerging Contaminants capitalization grant agreement package for FFY 2023 and covers anticipated activity during State Fiscal Year (SFY) 2024. In addition, the IUP is part of Wisconsin's Lead Service Line capitalization grant agreement package for FFY 2022 and FFY 2023 and covers anticipated activity for SFY 2024. 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).

Under ch. NR 166, Wis. Adm. Code, 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 DNR'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 non-compliance with 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 SDWA requirements.
- 6) Create a new community water system or expand an existing community water system that, upon completion, will address an existing public health threat from contaminated drinking water provided by individual wells or surface water sources. Projects to address existing public health threats associated with individual wells or surface water sources shall be limited in scope to the specific geographic area affected by contamination and shall be a cost-effective solution to resolve the problem threatening public health. These types of projects must meet all of the following criteria:
 - a. The municipality submits documentation, such as well sampling results, showing that the maximum contaminant limit (MCL) for a microbiological, nitrate or nitrite, or chronic contaminant is exceeded by 40% or more of the individual wells or surface water sources within the affected area; or other documentation that indicates contamination is imminent.
 - b. The DNR determines that a community water system is a necessary and appropriate response to the contamination.

Please see Section XIII regarding eligibility of watermain replacements in the presence of lead service lines.

DNR is in the midst of revising ch. NR 166, Wis. Adm. Code, with changes expected to be effective during SFY 2024. More details regarding the revisions, including information about how revisions will be implemented, will be available closer to the effective date of the revisions.

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.

Loans will mature not later than 30 years from the expected date of project completion, or the useful life of the project, whichever is less. Projects with requested loan terms exceeding 20 years and not exceeding 30 years will be reviewed on a case-by-case basis by DOA and engineers in the DNR's Drinking Water program.

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. 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. DOA establishes the market rate on a quarterly basis, or more frequently if necessary.

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

Loan terms greater than 20 years 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.

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.

If a municipality desires a loan term greater than 20 years, DNR prefers that the municipality submit the design life calculation worksheet along with project plans and specifications. 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 1st and November 1st while principal payments are required annually on May 1st. Effective beginning with the May 1, 2022 loan repayment cycle, the DNR and DOA began collecting a loan service fee of 0.25% on SDWLP loans that have originated since July 1, 2017. 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. 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.
- Research methods to provide additional assistance to water systems with programs that assist low-income rate payers.
- 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 (\$)
<i>Base Cap Grant</i>	8,455,000
<i>Supplemental Cap Grant</i>	36,053,000
<i>Emerging Contaminants Cap Grant</i>	13,082,000
<i>Lead Service Line (FFY 2022) Cap Grant</i>	48,319,000
<i>Lead Service Line (FFY 2023) Cap Grant</i>	81,203,000
<i>State Match for above grants</i>	5,296,300
<i>Carryover funds</i>	168,898,997
<i>Loan repayments</i>	41,113,251
<i>Bond Debt Service</i>	(5,231,000)
Totals	397,189,548

Uses	Amount (\$)
<i>Estimated Loans</i>	87,535,730
<i>Regular PF</i>	27,069,463
<i>Emerging Contaminants PF</i>	12,888,000
<i>Lead Service Line Loans</i>	45,336,844
<i>Lead Service Line PF</i>	63,465,780
<i>Set-Asides</i>	30,000,196
Totals	266,296,013

State Match

The required 20% state match for the Base capitalization grant and 10% for the Supplemental capitalization grant 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 and Lead Service Line capitalization grants.

Principal Forgiveness

DNR is required to award additional subsidy according to two authorities, the Consolidated Appropriations Act, 2023 Public Law (PL 117-328) 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 2023 appropriation requires the SDWLP to award 14% of the Base capitalization grant as additional subsidy. Based on a capitalization grant amount of \$8,455,000, \$1,183,700 must be provided as additional subsidy. In addition, BIL amended the SDWA to require a minimum of 12% and up to 35% of the Base capitalization grant (\$1,014,600–\$2,959,250) 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 \$2,198,300 (\$1,183,700 + \$1,014,600) in new PF available for SFY 2024.

The BIL mandates that 49% of funds provided through the DWSRF Supplemental capitalization grant and the FFY 2022 and FFY 2023 Lead Service Line capitalization grants must be provided as additional subsidy. Based on grant amounts of \$36,053,000, \$48,319,000, and \$81,203,000

respectively, \$17,665,970, \$23,676,310, and \$39,789,470 will be provided as PF under these authorities.

All PF from the FFY 2010 through 2021 capitalization grants has been awarded. \$7,205,193 of PF from FFY 2022 is being rolled forward to SFY 2024.

Regular PF Authority	Amount (\$)
<i>Consolidated Appropriations Act</i>	1,183,700
<i>SDWA</i>	1,014,600
<i>Supplemental Capitalization Grant</i>	17,665,970
<i>Rollover from Last Year</i>	7,205,193
Totals	27,069,463

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 \$13,082,000, less \$194,000 of set-asides, \$12,888,000 of the grant will be available as principal forgiveness. Per SDWA, 25% of the capitalization grant amount (\$3,270,500) 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 \$3,270,500 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 Section XII.B, XIV.E, and XV for planned uses of the set-asides.

FFY 2023 Federal Cap Grant	Administration	Small System Technical Assistance	Wellhead Protection & Other State Programs	Local Assistance	State Program Management
<i>Base</i>	\$338,200	\$169,100	\$422,750	\$845,500	\$845,500
<i>Supplemental</i>	\$1,442,120	\$65,985	\$520,874	\$831,491	\$3,605,300
<i>Emerging Contaminants</i>	\$0	\$0	\$0	\$0	\$194,000
<i>LSL (FFY 2022)</i>	\$428,389	\$0	\$0	\$4,831,900	\$1,320,909
<i>LSL (FFY 2023)</i>	\$604,235	\$0	\$4,060,150	\$8,120,300	\$1,353,492
Totals	\$2,812,944	\$235,085	\$5,003,774	\$14,629,191	\$7,319,201

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 2024 will exceed the amount of the total FFY 2023 federal grants received by the SDWLP. The SDWLP is part of the

State’s Environmental Improvement Fund, which provides leveraged financing for the SDWLP. As a result, Wisconsin issues loans in total that exceed the annual federal capitalization grants. 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 \$140,000,000.

As detailed in Section XII, the SDWLP received Intents to Apply (ITA) in amounts that greatly exceed the Estimated Loans amount shown in the Uses table. In recent years, most ITAs did not result in loan applications in the same fiscal year, but the ITA submissions reflect a funding need that exceeds the amount of loan dollars estimated for this state fiscal year. The DNR is striving to make improvements to the SDWLP that will result in more applications and loan commitments.

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, the three distinct tables track the reserved authority separately. DNR requests to reserve additional authority in the amounts shown in the tables below.

The Regular SDWLP’s Previously Reserved Amounts row is higher than what was shown in last year’s IUP because DNR applied for reallocated FFY 2021 DWSRF funds and reserved additional set-aside authority. In addition, \$145,859 of unrequested authority from FFY 2022 was mistakenly excluded from the SFY 2023 IUP and is now included in the Previously Reserve Amounts row. No set-asides were requested from the reallocated allocation; instead, DNR reserved the authority.

Regular SDWLP

	Administration	Small System Technical Assistance	State Program Management
<i>Previously Reserved Amounts</i>	\$2,761,771	\$1,748,712	\$6,799,207
<i>Base Cap Grant</i>	\$0	\$0	\$0
<i>Supplemental Cap Grant</i>	\$0	\$655,075	\$0
Totals	\$2,761,771	\$2,403,787	\$6,799,207

Emerging Contaminants

	Administration	Small System Technical Assistance	State Program Management
<i>Previously Reserved Amounts</i>	\$515,080	\$257,540	\$1,287,700
<i>Emerging Contaminants Cap Grant</i>	\$523,280	\$261,640	\$1,114,200
Totals	\$1,038,360	\$519,180	\$2,401,900

LSL

	Administration	Small System Technical Assistance	State Program Management
<i>Previously Reserved Amounts</i>	\$0	\$0	\$0
<i>Lead Service Line Cap Grant (FFY 2022)</i>	\$1,504,371	\$966,380	\$3,510,991
<i>Lead Service Line Cap Grant (FFY 2023)</i>	\$2,643,885	\$1,624,060	\$6,766,808
Totals	\$4,148,256	\$2,590,440	\$10,277,799

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 State transferred a total of \$23,596,056 in loan funds from the CWFP to the SDWLP prior to FFY 2002. DNR 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 State transferred the full amount allowable of \$63,809,549 on October 1, 2020.

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 capitalization grant awards to the fund.

Based on Wisconsin’s June 30, 2022, financial statements for the EIF, the total net position of the SDWLP is equal to \$522,614,167, yielding allowable administrative funds of \$1,045,228 under the 1/5 percent option. This amount is less than 4% of the capitalization grants [\$338,200 (Base) + \$1,442,120 (Supplemental) + \$523,280 (Emerging Contaminants) + \$1,932,760 (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 2023

The Consolidated Appropriations Act, 2023 Public Law (PL 117-328), contained additional requirements beyond what is included in the federal regulations governing the DWSRF. The requirements for FFY 2023 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 the 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 (BIL) also known as the “Infrastructure Investment and Jobs Act of 2021”, 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–\$81 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 now permanent for all DWSRF-funded projects. Information on the use of American Iron and Steel has been detailed in the Environmental Loans E-Bulletin 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. 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 programs. 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 2023, Public Law (PL 117-328), did not reinstate the requirement to fund projects under the Green Project Reserve (GPR). The FFY 2023 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. 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.

As of SFY 2024, all SDWLP projects in municipalities with a population of 15,000 or greater are designated as federal equivalency. Any 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. 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 a number of 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 Office of Water State Revolving Fund (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 2024. 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 new 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 2025 by October 31, 2023, 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, 2024.

E. PERF Score Objections

With streamlining the PERF scoring review process as described above, ss. NR 166.24 (7) and (8), Wis. Adm. Code, relating to objections to PERF score changes will no longer be relevant since scores will no longer be modified by the DNR at the time of ITA/PERF submittal. Instead, a loan applicant may request a score reevaluation no later than 30 days after the application deadline of June 30.

F. Potential Extra Points for Lead ALEs

Municipalities that experience a lead action level exceedance (ALE) and are required to replace lead service lines (LSLs) under the Lead and Copper Rule, may qualify for "Risk to Human Health" priority score points for inorganic contaminants (IOCs) under Section I, question HH1 d. in the SDWLP PERF. In order to receive points in water main replacement projects, or portions of a project, at least 40% of the service lines being replaced must be lead. This also includes galvanized material that is downstream of lead goosenecks or services.

IX. METHOD AND CRITERIA FOR DISTRIBUTION OF LOAN FUNDS

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 list of eligible projects to be funded in a manner that is in accordance with the federal requirements of the 1996 SDWA reauthorization. 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.

Projects that meet the application deadline are listed on the Funding List in priority order (by project score). 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.

X. CHANGES TO THE REGULAR PERF SCORING CRITERIA

Section NR 166.23(7), Wis. Adm. Code allows the addition or modification of scoring criteria through the annual Intended Use Plan. The following modifications are in effect:

As of SFY 2023, Section II (Financial Need) points are no longer limited to municipalities with a population less than 10,000 and a median household income (MHI) less than or equal to 80% of the state's MHI. Instead, municipalities will be scored according to 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. It will also award financial need points to disadvantaged communities with populations greater than 10,000 and/or an MHI greater than 80% of the state's MHI.

Section IV (System and Consolidated System Capacity Points) of the PERF shall be as follows:

- 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. 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. 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. 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](#).

Under Section III (Secondary Contaminant Violation and System Compliance), question SC7 shall be as follows:

- 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.

The following points apply to lead service line replacement projects and to watermain replacement projects that are associated with a private LSL replacement project:

- If at least 200 private LSLs are being removed as part of the project – 30 points
- If at least 100 private LSLs but less than 200 are being removed as part of the project – 25 points
- If at least 50 private LSLs but less than 100 are being removed as part of the project – 20 points
- If at least 25 private LSLs but less than 50 are being removed as part of the project – 15 points
- If at least 15 private LSLs but less than 25 are being removed as part of the project – 10 points
- If less than 15 private LSLs are being removed as part of the project – 4 points
- If project will remove all remaining private LSLs in the municipality – 10 additional points

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 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 2024, Wisconsin plans to make \$27,069,463 of PF available to municipalities that qualify according to the methodology detailed in this section. Applications that were submitted by June 30, 2023, 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 the tables and further description below.

Table 1	
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

Table 2	
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%

Table 3	
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%+

Table 4	
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

Table 5	
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

Table 6	
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

Table 7	
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 \$100,000 higher than the previous fiscal year in recognition of inflation in the water sector. 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.
- **Data Sources** – Starting in SFY 2024, 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 SFY 2024 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 or LSL PF is calculated first, then general PF. The eligible project costs used to calculate EC and LSL PF will be subtracted from the total project costs before calculating general PF.
- **No Regular 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.

- **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.
- **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 2024 Funding List.
- **PF restrictions on refinancing** – Due to restrictions contained in the FFY 2023 Consolidated Appropriations Act, PF authorized by the Appropriations Act is not allowed to be used to refinance costs paid by debt incurred prior to December 29, 2022, 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 543 ITAs and PERFs totaling \$1,421,867,196 in estimated project costs by the October 31, 2022, deadline. Of those ITAs, 37 were for Emerging Contaminants projects with an estimated total of \$405,912,990 in costs, and 123 were for Lead Service Line projects with an estimated total of \$296,306,090 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 2024. 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 2024 PPL was published on May 12, 2023.

The application deadline for SFY 2024 Principal Forgiveness funding was June 30, 2023; this includes Emerging Contaminants and Lead Service Line applications. Applications received after this date are not eligible for PF. The SDWLP received 171 applications totaling \$419,012,182 in requested project costs. Of those applications, 11 were for Emerging Contaminants projects requesting \$94,391,845, and 40 were for Lead Service Line projects requesting \$73,377,800. The draft Funding List was posted on the program website on October 23, 2023. Loans for SFY 2024 applicants have closed by September 25, 2024. Applications submitted on January 1, 2024, or later will have the same loan closing deadline as SFY 2025 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, and the private side of a 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 is required that it occur within 90 days in order to be eligible for SDWLP funding. Funding disbursements should not be requested until the entire line has been replaced. 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 LSL replacement. Filters should be models that have been tested and certified to NSF/ANSI 53 for the reduction of lead.

A. BIL Funding for LSL Inventories and Replacements

BIL funding for LSL replacements (both public and private) and inventory work is available starting in SFY 2024. This funding has been integrated with the Regular SDWLP, which allows applicants to compete for general PF along with LSL PF.

Intent to Apply Submittal

Since the LSL program was integrated with the Regular SDWLP, applicants must have submitted an Intent to Apply (ITA) and PERF in order to be eligible to apply by June 30, 2023, for SFY 2024 funding. Loans must close by September 25, 2024. Requests to waive the normal October 31 deadline to submit an ITA and PERF were accepted through May 31, 2023. This flexibility only applied to SFY 2024 funding.

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.** LSL funding will also be awarded in a separate Financial Assistance Agreement.

Available LSL Funding

We applied for and were awarded the first two years of BIL LSL funding. The FFY 2022 capitalization grant totals \$48,319,000, and the FFY 2023 capitalization grant totals \$81,203,000. BIL requires that 49% (\$63,465,780) of the LSL capitalization grants be awarded as PF (\$23,676,310 and \$39,789,470 respectively), 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, \$45,336,845 will be utilized for loans and \$20,719,375 for set-asides. Unutilized WIFTA funds in

the amount of \$1,798,078 were released as CY 2022 LSL awards were closed out. These funds will be added to the LSL PF amount bringing total LSL PF available to \$65,263,858.

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, and other costs directly related to the project. Private side PF will be allocated on private side construction and outreach costs. Both public and private side replacements are eligible for funding, as well as inventory work. Stand-alone inventory projects are eligible but will only receive loan funding. Additional assistance for inventory work will be provided through the set-asides (see below).

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 previous 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 previous 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 homeowners to contract with directly, or whether to bid a municipal contract for the work.

In previous 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. 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](#). In addition to these requirements, all LSL 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 [Adjustment Period Waiver for State Revolving Funds](#) and [Small Projects Waiver](#)). For private LSL replacements, each agreement between homeowners and contractors using a prequalified list is considered a separate project for the purposes of determining whether a project qualifies for the small project waiver. Note that any project that is exempt from BABA under the Adjustment Period or Small Projects waivers would instead be required to comply with [American Iron and Steel](#) procurement requirements.
- Erect appropriate [BIL signage](#)

LSL Priority Scoring

LSL projects are subject to three 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).
- Regular SDWLP PERF scoring (submitted as part of the ITA/PERF process).

Scoring and ranking of LSL projects for the purposes 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. In addition, all LSL projects will be scored using the Regular SDWLP priority scoring system and will be ranked on the SDWLP Funding List utilizing that score. This ranking on the SDWLP Funding List will impact the allocation of general SDWLP PF, which will be allocated after the LSL PF.

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 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.
 - **90th Percentile Lead Levels:** Water systems whose 90th 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 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 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).
 - 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.

Following the allocation of LSL PF, projects that scored high enough under the Regular SDWLP scoring and ranking, and where the municipality qualifies as disadvantaged under the SDWLP criteria, will be eligible for general PF on project costs that are not being covered by LSL PF. PF allocated from the Regular SDWLP will follow the policies in Section XI of this IUP. The LSL PF is not subject to, or included in, the general SDWLP PF cap. Once all PF is allocated, both LSL and general, the LSL loan funds will be allocated for costs not covered by PF using the LSL score ranking.

Loan Funding 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 1st and November 1st.

For any applicant wishing to repay the loan portion of private side replacement funding with a water revenue pledge (water utility ratepayer funds), [prior approval from the PSC](#) is necessary. This funding must comply with *2017 Wisconsin Act 137* (§ 196.372, Wis. Stats.). 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. Any questions regarding this should be directed to the PSC.

Another option for loan funding for private side replacements is to make a general obligation note pledge; this option does not need PSC approval, but the municipality must ensure that utility revenues are not subsequently used to repay the loan.

In addition to a water revenue pledge or a general obligation note pledge, another revenue pledge option that would not require PSC approval is under development. This option may be available in instances where the municipality provides loan funding to homeowners to cover the portion of the private side replacement that was not covered by PF. More information on this option will be provided to LSL applicants and through our newsletter in the near future.

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 Act 137. 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 interest rate (either 55% or 33% of the market rate).

B. Lead Service Line Grant Set-Asides

Administration

The Safe Drinking Water Act allows up to 4% of the capitalization grants to be used for administration. DNR is requesting \$428,389 from FFY 2022 LSL capitalization grant and \$604,235 from the FFY 2023 LSL capitalization grant. The remaining \$4,148,256 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 \$4,831,900 from the FFY 2022 LSL capitalization grant and \$12,180,450 from the FFY 2023 LSL capitalization grant.

FFY 2022

Local Assistance: Lead Service Line Inventory. The DNR is requesting \$4,831,900 to contract with consultants to develop a service line inventory for public water systems. The contract will provide technical assistance to systems to complete this task and stay in compliance with the Lead and Copper Rule Revisions.

FFY 2023

- Local Assistance: Lead Service Line Inventory. The DNR is requesting \$8,120,300 to contract with consultants to complete the following tasks related to lead service line inventory and replacement:

- Develop service line inventories for small, medium, and large public water systems, including records review and priority field investigations.
 - Develop database with a geographic component for tracking lead service line inventories. The database will have a web-interface so that systems that elect to make their inventories publicly accessible via the statewide database can do so.
 - Develop lead service line replacement plans consistent with Lead and Copper Rule Revisions (LCRR) and Lead and Copper Rule Improvements (LCRI) plan requirements and timelines.
 - Provide technical expertise and technical assistance to systems to complete this task and stay in compliance with the LCRR.
 - 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 \$4,060,150 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 (SPM) activities. DNR is requesting \$1,320,909 from the FFY 2022 LSL capitalization grant and \$1,353,492 from the FFY 2023 LSL capitalization grant for State Program Management.

FFY 2022

- Natural Resource Program Manager: Responsible for management and supervision of the Lead and Copper Rule Section. The section manager is responsible for setting program policies and processes to properly and effectively implement the Lead and Copper Rule. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.
- Lead Engineer (2): Responsible for coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA. Activities include: 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. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.
- Lead Water Supply Specialist (3): Responsible for coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA. Activities include: 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. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.

The approximate staff budget for the 6 permanent positions is \$957,890 per year. Other program expenses are as follows:

- Four half-time limited term employees: Assisting permanent staff with the implementation of the Lead and Copper Rule. Only time spent on lead activities will be charged to the LSL State Program Management set-aside. Total \$113,019
- Local Health Department Outreach: The WDNR is contracting with local health departments to conduct outreach at local government events, schools, and daycares. The goal is to gain momentum to replace lead service lines with local governments by using a local voice (health departments) to share the benefits of lead service line removal. Total: \$250,000

FFY 2023

- Natural Resource Program Manager (1): Responsible for management and supervision of the Lead and Copper Rule Section. The section manager is responsible for setting program policies and processes to implement the Lead and Copper Rule properly and effectively. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.
- Lead Engineer (1): Responsible for coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA. Activities include: 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. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.
- Lead Water Supply Specialist (3): Responsible for coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA. Activities include: 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. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.
- Program and Policy Analyst (1): The principal function of this position is to manage and direct the implementation of the Lead and Copper Rule Section of the SDWA. This position will have the primary duty for overseeing state rulemaking needed to update Wisconsin Administrative Code to be consistent with Federal Lead and Copper Rule Revisions (LCRR) and the anticipated Lead and Copper Rule Improvements (LCRI), and to establish and maintain state primacy under the new federal regulations. This position will also be tasked with the development of procedures, processes and guidance needed for implementation and administration of the LCRR and LCRI. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.
- Data Project Manager (1): Facilitates and supports the development, enhancement, and use of automated business systems to meet the objectives of the Lead and Copper Rule under the SDWA. Evaluates the business needs of end users including department staff, regulated public

water systems, EPA, partner government agencies, and the general public when developing automated systems. Only time spent on lead activities will be charged to the LSL State Program Management set-aside.

The approximate staff budget for the 7 positions is \$969,076 per year. Other program expenses are as follows:

- Four half-time limited term employees: Assisting permanent staff with the implementation of the Lead and Copper Rule. Only time spent on lead activities will be charged to the LSL State Program Management set-aside. Total \$115,416
- Contractual activities: Data system programming associated with the database enhancements. Annual cost: \$19,000
- Local Health Department Outreach: The WDNR is contracting with local health departments to conduct outreach at local government events, schools, and daycares. The goal is to gain momentum to replace lead service lines with local governments by using a local voice (health departments) to share the benefits of lead service line removal. Total: \$250,000

XIV. EMERGING CONTAMINANTS PROGRAM

The BIL includes a capitalization grant for emerging contaminants (\$13,082,000 in FFY 2023). Emerging contaminants (EC) are defined by the EPA as perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants. 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 \$13,082,000, less \$194,000 of set-asides, \$12,888,000 of the grant will be available as principal forgiveness. Per SDWA, 25% of the capitalization grant amount (\$3,270,500) 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 \$3,270,500 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 Small and Disadvantaged Communities (EC-SDC) program for emerging contaminants projects. The combined FFY 2022 and FFY 2023 EC-SDC allotment for Wisconsin is \$25,267,000. Of the \$25,267,000 of available EC-SDC funding, \$21,036,767 will be available to municipalities meeting the state's disadvantaged criteria or with a population of less than 10,000. DNR's administrative budget for the new grant program is \$230,233 to fund two positions.

EPA released guidance on this additional grant funding in February 2023. Beginning in SFY 2024, this grant funding will be integrated with funding available through the SDWLP. There is no separate application for EC-SDC funding, however, there are municipal reporting requirements for systems that receive EC-SDC grant funding. DNR will allocate EC-SDC funding to the largest eligible applicants to reduce the administrative burden on smaller communities.

The remaining \$4,000,000 of the EC-SDC funding will be utilized for technical assistance for other than municipal (OTM) and non-transient non-community (NTNC) water systems. OTM systems serve groups of 25 or more year-round residents; they can include mobile home parks, apartments, condominiums, and other facilities. NTNC systems serve groups of 25 or more people over six months of the year; examples include schools, day care centers, dairies and cheese plants, factories, and industrial facilities. OTM/NTNC systems have a need for PFAS removal but are often not eligible for funding,

however, EC-SDC allows OTM/NTNC systems to receive funding, provided they meet all other eligibility criteria.

Grant Breakdowns

	Emerging Contaminants Cap Grant		EC-SDC
<i>Budgeted Set-asides</i>	\$194,000	<i>PF available to OTM and NTNC systems</i>	\$4,000,000
<i>PF for disadvantaged communities</i>	At least \$3,270,500	<i>PF for disadvantaged communities or less than 10,000 population</i>	\$21,036,767
<i>Unrestricted PF</i>	Up to \$9,617,500	<i>Administration</i>	\$230,233
Total	\$13,082,000	Total	\$25,267,000

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.

In a change from the SFY 2023 allocation of EC PF, 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.

A. 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). A separate EC PERF ([form 8700-399](#)) has been developed with a scoring system for ranking EC projects and this ranking will be used for allocating EC PF. The points awarded for EC PF 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 13 PFAS recommended groundwater standards) and dividing it by the corresponding groundwater standard and adding all these ratios together to get the hazard index.

The methodology to determine BIL 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 2024

In describing the EC PF allocation in this section, both the \$12,888,000 of EC PF (capitalization grant amount minus set-asides taken) and \$21,267,000 of EC-SDC funding for municipal systems are included. For municipalities that received EC-SDC PF, there will be additional requirements. The DNR will allocate EC-SDC funding to the largest eligible applicants to reduce the administrative burden on smaller communities.

Once all projects eligible for EC funding are scored and ranked utilizing the EC-specific 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.
- 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.
- EC projects that qualify for general SDWLP PF as defined in Section XI.A that are not fully funded by the EC PF allocation methodology described here, will receive priority when allocating general SDWLP PF.
- A lifetime EC PF cap may be imposed later.

Due to the close timing between funding of EC projects in SFY 2023 & SFY 2024, an allocation system was put into place unique to the SFY 2023 EC funding in an effort to meet demand as quickly and equitably as possible. Projects that were allocated EC PF in SFY 2023, that also apply for SFY 2024, will have the opportunity to use their SFY 2024 EC PF allocation instead of their SFY 2023 EC PF allocation if they so choose. Any applicant choosing to utilize this option will have to choose which allocation they are using before the final SFY 2024 Funding List is posted. Any unallocated or unused EC PF from SFYs 2023 or 2024 will be rolled over into SFY 2025.

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 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 vs. 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 2024 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 2024 was June 30, 2023. Biddable and approvable plans and specifications are also due to the DNR by the application deadline.

Requests to waive the normal October 31 deadline to submit an Intent to Apply were accepted through May 31, 2023 for applicants wishing to apply for SFY 2024 funding. This flexibility will only apply to SFY 2024. The loan closing deadline for SFY 2024 applicants is September 30, 2024.

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 [Adjustment Period Waiver for State Revolving Funds](#) and [Small Projects Waiver](#)). Note that any project that is exempt from BABA under the Adjustment Period or Small Projects waivers 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. DNR is requesting \$194,000 for State Program Management. The SPM set-aside is being utilized to fund these activities:

- Policy Initiatives Advisor-Exec (1): Provides complex policy development and implementation for the Environmental Management Division. The Advisor provides policy formulation, development, and implementation and monitoring of program initiatives that have significant impact on the agency and state's resources, including initiatives with considerable economic or social impact, and which may be controversial. 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. Only time spent on emerging contaminants eligible activities will be charged to the EC State Program Management set-aside.

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 \$235,085 to fund the technical assistance activities described below. \$169,100 is budgeted to the Base capitalization grant and \$65,985 is budgeted to the Supplemental capitalization grant.

- The DNR contracts for delivery of a technical assistance program for other-than-municipal (OTM) community and non-transient non-community (NTNC) public water systems. Wisconsin has more than 1,300 of these small systems; many are not served by full-time operators and need help complying with regulatory requirements. The objectives of this technical assistance program are to protect public health and safety by ensuring that OTM and NTNC public water systems in Wisconsin are operated and maintained properly, sampled in the appropriate manner and frequency, and provide drinking water that meets water quality standards; and to reduce historic rates of monitoring and reporting violations. Two types of technical assistance are delivered under this contract.

- The contractor conducts approximately 700 site visits per year at OTM and NTNC water systems around Wisconsin and provides on-site technical assistance on various subjects, including monitoring requirements and schedules; sample collection protocols; reporting and public notice requirements; violation follow-up; contaminant exceedances; operation and maintenance problems; and regulatory compliance.
- The contractor delivers quarterly monitoring reminders to all the OTM and NTNC water systems in Wisconsin, for a total of approximately 5,760 contacts per year. The contacts provide information about monitoring, sampling and reporting requirements, monitoring deadlines, sample collection protocols, sampling locations, lead and copper compliance public notice and notification requirements, and violation follow-up.

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 \$943,624 from the FFY 2023 capitalization grants to fund the following WHP activities. Of that, \$422,750 is budgeted to the Base capitalization grant and \$520,874 is budgeted to the Supplemental capitalization grant.

- Water Supply Specialist (0.5 FTE) Responsible for the contract implementation of community watershed decision support tools for source water protection and prevention of MCLs to protecting drinking water systems in priority geographic areas. The approximate staff budget for the 0.5 position is \$69,924 per year.
- 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. Teachers are recruited from communities aware of the need to safeguard their underground drinking water supplies and with an interest in state- or county-led wellhead protection programs. Past trainees are made aware of events such as Drinking Water Week as a reminder to use the models and deliver groundwater information. The DNR will work with the UW-Stevens Point Center for Watershed Science and Education and the Wisconsin Geological and Natural History Survey to provide these educational tools and the training to use them (\$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. These activities include:

Groundwater Retrieval Network (GRN) maintenance and enhancements	\$104,100
Groundwater Retrieval Network (GRN) Data Submittal	\$24,600
Total	\$128,700

- 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. The tools will be used to implement source water protection approaches identified as priority needs to reduce the frequency of violations of the health- based drinking water standard for nitrate at public wells. Nitrate is the most prevalent groundwater contaminant causing exceedances of the drinking water standard for public water

supplies in Wisconsin. The Groundwater and Nitrogen Fertilizer Decision Support Tools project was developed in order to address gaps in source water protection implementation capabilities on a statewide basis as identified in our pilot municipal well nitrate MCL prevention projects and through work with source water collaborative partners throughout the state. To provide technical assistance and intervention capability for public wells in the form of incentive-based and voluntary land use changes where public wells were trending higher in nitrate levels. Better tools are needed to: quantify nitrate leaching load reduction goals necessary to stem or reverse upward nitrate trends in public wells; characterize groundwater age captured by public wells to assess feasibility of effecting trend changes and evaluating timeframes for water quality improvements at wells; more effectively target pollutant load reduction goals apportioned among nonpoint pollutant source land use areas within source water protection areas; and provide estimates of leaching loads anticipated for proposed agricultural nutrient management practices.

- The Groundwater and Nitrogen Fertilizer Decision Support Tools project consists of contracts with technical partners with a set of multi-year objectives to develop multiple end user software tools in the following component areas:
 - Methods to efficiently evaluate transport of nitrate from areas contributing recharge to wells, including accounting for existing entrained legacy nitrate in the groundwater flow system derived from historical land uses to explain present nitrate concentrations in the well and forecast quantity of overall load reduction needed and time estimation for nitrate trend improvement based on the groundwater age distribution of water captured by a well.
 - To effectively target contaminant load reductions, methods to improve source water assessments for the vast majority of public wells that do not have groundwater flow model-based area contributing recharge delineations.
 - Methods to evaluate land use scenarios to quantitatively implement nitrate load reduction goals in source water protection: assess range of expected nitrate loading from current and proposed land uses, including crop nutrient management plans and applied conservation practices, predict nitrate leaching reductions versus crop production and economic tradeoffs.
 - These tools are interrelated and will be utilized to provide source water protection capacity functions not currently available. Additionally, all planned groundwater transport related tools (groundwater age estimates for wells, evolution of concentration for contaminants in a well based on changes in loading, leveraging of existing regional groundwater flow models to derive new source water assessments for public wells which do not presently have contributing area delineations beyond simplified calculated fixed-radius methods) will have source water assessment utility for any groundwater contaminants of concern to public water supplies (\$355,000).
- Comprehensive Source Water Protection – Enhancement of Source Water Protection (SWP) capacity through program development, updating source water assessments, leveraging groundwater spatial datasets and models, piloting deployment of new groundwater decision support tools, cross-program integration (e.g., CWA integration and inclusion of groundwater protection in watershed-based planning), 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.

- Update priority list of water system candidates for generation of new source water assessments based on water quality trends.
 - Identify priority wells whose source water delineations can be updated by leveraging existing groundwater flow models.
 - Identify and develop methods to accelerate modeled source water assessment area delineations for public wells with only calculated fixed radii.
 - Identify priority wells and communities for voluntary intervention opportunities to improve water quality, prevent MCL violations and protect public health.
 - Continue outreach, education, and coordination planning for AWIA Source Water Protection provisions, and emphasizing opportunities to leverage complimentary funding from CWA and other federal programs (e.g., NRCS programs).
 - Multi-year objectives – Enhanced Source Water Protection (SWP) Program Implementation including statewide or regional priority updates to original SWAP assessments, SWP planning and implementations grants, leveraging and complimentary funding sources, and deployment of groundwater decision support tools for use by resource managers and research partners (\$150,000).
- Source Water Protection Research Project Allotment – The DNR along with the University of Wisconsin System (UWS); Department of Agriculture, Trade and Consumer Protection (DATCP); and Department of Safety and Professional Services (DSPS) annually participate in a joint solicitation for research and monitoring proposals dealing with groundwater research projects. This selection process is coordinated by the Groundwater Coordinating Council. The DNR has been funding groundwater management evaluation monitoring projects since SFY 1986. The intent of these studies, historically funded through a state segregated account, is to identify appropriate management practices to reduce the risk from potential sources of contamination. The \$200,000 allocation listed here 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. This funding is in addition to the \$91,900 of state funds received by DNR annually to fund groundwater research projects (\$200,000).

The total cost of these activities is:

Water Supply Specialist position 0.5 FTE	\$69,924
Groundwater teacher workshops	\$40,000
Data management and mapping applications	\$128,700
Decision Support Tools for Source Water Protection/Prevention of Nitrate MCLS	\$355,000
Comprehensive Public Water Source Protection	\$150,000
Source Water Protection Research Project Allotment	\$200,000
Total	\$943,624

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 and Other State Programs as long as no more than 10% is used for any one activity. DNR is requesting an additional \$1,676,991 from the FFY 2023 capitalization grants to

fund the local assistance activities described below. Of that, \$845,500 is budgeted to the Base capitalization grant and \$831,491 is budgeted to the Supplemental capitalization grant.

- In accordance with Wisconsin's capacity development strategy to direct efforts towards systems that face the risk of being out of compliance, the DNR is utilizing local assistance set-aside funding to contract 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. With implementation of the Revised Total Coliform Rule, county and local health agencies are also assisting seasonal systems with reporting requirements for seasonal system start-up procedures.
 - There are approximately 9,141 TNC systems in Wisconsin (typically commercial establishments, restaurants, campgrounds, churches, etc., that serve at least 25 people at least 60 days of the year). These systems are generally small and are not required to have certified operators. 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.
 - For calendar year 2023, the DNR entered into 45 contracts covering 54 counties with approximately 6,881 TNC systems. DNR is currently in discussion to add three additional counties with 386 TNC systems. The DNR is requesting \$1,576,991 for this TNC sampling and inspection program.
- Source Water Analysis - Provide funding to support counties that have identified areas of drinking water contamination where a public water supply may be needed. The funding would support private well sampling efforts, especially in disadvantaged areas and areas with sensitive populations like young children or the elderly. The long-term goal of the funding is to provide safe drinking water in areas where nitrate and other contaminants are known to exceed drinking water standards or health advisory levels. Annual cost: \$100,000.

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. DNR is requesting a total of \$4,450,800 for SPM. Of that, \$845,500 is budgeted to the Base capitalization grant and \$3,605,300 is budgeted to the Supplemental capitalization grant.

- As a result of 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), additional staff are necessary to meet basic program needs for 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). Twenty-five positions are assigned to these tasks that are described in more detail below. The SPM set-aside is being utilized to fund these activities:
 - Safe Drinking Water Act Coordinator- Water Supply Specialist (2): Responsible for 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.

- Capacity Development/Operator Certification- Water Supply Specialist (1): Responsible for directing the capacity development, operator certification, and technical assistance portions of the state Safe Drinking Water Program. This includes development and implementation of capacity development objectives, administration 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.
- Federal Grants Technical Coordinator- Water Supply Specialist (1): Responsible for conducting the technical application scoring and review of eligible projects submitted by underserved and disadvantaged water systems. Reviews project progress reports and invoices for technical and financial correctness and ensures that these are submitted by required deadlines. Provides small system technical assistance to underserved and disadvantaged water systems.
- Federal Programs Outreach Coordinator- Natural Resources Program Coordinator (1): Responsible for serving as the statewide expert on outreach and stakeholder engagement for drinking water programs and projects. Coordinates the review of technical documents, develops informational material, develops roll out plans, coordinates media responses, and assists the program in proactively conveying new policy initiatives, data, reports, and other messaging to the public, regulated community, and other interested parties.
- Federal Programs Grant Coordinator - Natural Resources Program Coordinator (1): Responsible for coordinating multiple projects and programs funded by the Drinking Water and Groundwater program's federal DWSRF grants. Position provides programmatic and technical expertise to ensure funding metrics are met and is responsible for preparing annual funding budgets and workplans, working with program staff to prepare timely reports, develop and implement initiatives to increase compliance with funding metrics, develop and deliver training for staff working on funded projects, and provide programmatic and budgetary expertise to the program.
- Federal Programs Project Manager- Program and Policy Analyst (1): Responsible for Drinking Water and Groundwater Bureau initiatives that address environmental justice and underserved communities. Position will coordinate projects that fund infrastructure improvements for public water systems and communities. The Federal Programs Project Manager will be accountable for leading initiatives related to the Drinking Water Bipartisan Infrastructure Law funding.
- Field Water Supply Specialist (9): 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.
- Plan Review Engineer-Water Supply Engineer (4): Responsible 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. The Plan Review Engineers also provide professional engineering assistance to water system owners and public water supply staff regarding contamination incidents, potential impacts, and possible remedial actions.

- Field Engineer- Water Supply Engineer (4): 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. These positions correspond with municipal officials, consulting engineers, waterworks operators, state and local health officials, and others regarding these systems.
- Environmental Program Associate (1): This position manages real-time public drinking water supply monitoring data, providing professional and programmatic support services for the Drinking Water and Groundwater Program in the implementation of the Safe Drinking Water Act. This includes 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. This position also provides technical guidance, assistance, and training for drinking water and groundwater program staff and county contract agents.
- The approximate staff budget for the 25 positions is \$3,356,108 per year.

Other program expenses are as follows:

- Record keeping related to plans and specifications, administering the operator certification program, lead and copper policy development, review of plans and specifications, and conducting annual site visits at TNC systems (16 half-time limited-term employees): Total cost per year: \$495,463.
- Contractual activities:
 - Large volume source water assessment monitoring under the RTCR – The DNR will contract with the Wisconsin State Laboratory of Hygiene (WSLH) to implement a 100-liter microbial analysis for use with RTCR unsafe follow-up assessments. The WSLH will: train and coordinate with DNR staff to maintain hollow fiber ultrafiltration (HFUF) sampling hardware and capabilities; integrate a survey component to unsafe sample follow-up activities; conduct bi-weekly analysis of RTCR positive samples (unsafes) using HFUF concentrates for the full suite of analytes; and perform a critical analysis of assessment information, monitoring data, and success of analytical designs. Total annual cost for the two-year project: \$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. Annual cost: \$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. Annual cost: \$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. Annual cost: \$8,592.
- Technical School Education Program – The DNR contracts with Moraine Park Technical College (MPTC) for delivery of courses designed for certified 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. Annual cost: \$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. Annual cost of continued webhosting: \$5,000.
- During SFY 2021, the DNR began contract discussions with ABC Certification Services to convert DNR’s hardcopy, in-person license and operator certification exams to a virtual format, along with an in-person testing center option. The COVID-19 pandemic posed several challenges to the DNR’s previous model of large scale in-person exams, prompting the DNR to contract with a testing provider who could offer an online exam option. Annual cost: \$5,925.
- Data system programming associated with the Drinking Water System, the Lab Data Entry System, the Environmental Licensing and Certification Database and digitization document management. Annual cost: \$356,000.
- Record storage costs for plan approval decisions. Annual cost: \$5,000.

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 governmental 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.

In order to incentivize this training, 10 points are granted under Section IV (System and Consolidated System Capacity Points) of the PERF if at least one member of the water utility's governing body has completed all four learning modules during the application year and provides proof of completion (i.e., PDF certificate) at the time of application. These points are available as of SFY 2022. More information on this can be found in Section X.

XVII. PUBLIC PARTICIPATION PROCESS

The draft IUP was posted for a public comment period on May 2, 2023. DNR hosted a webinar on May 18, 2023 to highlight areas of the IUP and respond to questions. The webinar and slides are available on the Environmental Loans [Project Lists and IUPs](#) webpage.

DNR received three sets of comments. A response to all the was posted to the [Project Lists and IUPs](#) webpage on October 10, 2023.