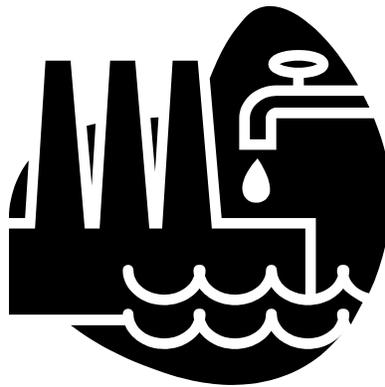


**STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
STATE REVOLVING FUND**

INTENDED USE PLAN
for
EPA FFY 2017 CAPITALIZATION GRANT
for funding during
STATE FISCAL YEAR 2018



September 2017

**ADMINISTERED BY
THE DEPARTMENT OF NATURAL RESOURCES
and
THE DEPARTMENT OF ADMINISTRATION**

WISCONSIN DEPARTMENT OF NATURAL RESOURCES CLEAN WATER FUND PROGRAM INTENDED USE PLAN
Covering Funding During State Fiscal Year 2018
For Receipt of the EPA Federal Fiscal Year 2017 Capitalization Grant

I. INTRODUCTION

Section 606(c) of the Federal Water Pollution Control Act (FWPCA), as amended, requires that the State develop an annual Intended Use Plan (IUP) identifying the uses of funds available for its Clean Water state revolving loan program after providing for public comment and review. Assurances and specific proposals for meeting federal requirements identified under Section 606(c)(4) are provided in Attachment 2 (environmental review procedures) and Attachment 8 of the Operating Agreement between the State and EPA.

This document and attachments, which comprise Wisconsin's state fiscal year (SFY) 2018 Clean Water Fund Program (CWFP) IUP, indicate the intended use of the federal fiscal year (FFY) 2017 Clean Water State Revolving Fund (CW SRF) capitalization grant and required state matching funds, and other monies available in the revolving loan fund. The IUP is a part of Wisconsin's capitalization grant agreement package for FFY 2017 and covers anticipated activity during SFY 2018.

II. DESCRIPTION OF THE CLEAN WATER FUND PROGRAM AND FEDERAL SRF

The State of Wisconsin Clean Water Fund Program operates a financial assistance program consisting of Federal and State Accounts. The Department of Natural Resources (DNR) and the Department of Administration (DOA) jointly administer the program under the Environmental Improvement Fund (EIF).

The Federal Account constitutes the SRF. It has been structured as a direct loan program since its inception, but modifications were made during SFY 2016 to change over to a cash flow leveraging structure. This new structure should enhance the fund's self-sufficiency and provide additional flexibility for project financial assistance.

For the FFY 2017 capitalization grant, the state match will come from the revenue bonds issued under the new leveraged structure.

III. GOALS OF THE FEDERAL PROGRAM

The Federal government started providing capitalization grants to states beginning in FFY 1989, as provided in Title VI of the FWPCA, as amended. These grants, along with the required state match, have been used to fund the Federal Account of the CWFP which is designed to operate in perpetuity to provide low interest loans for water pollution control projects.

Certain goals have been established for the SRF. These goals are listed below.

A. Short-Term Goals:

- Continue to provide public outreach and education regarding program policies, procedures, and participation;
- Provide assistance in the form of principal forgiveness to municipalities that qualify under the affordability criteria in order to help offset the costs of Fiscal Sustainability Plan development;
- Continue to refine strategies, programs, and mechanisms to ensure that municipalities are able to address the highest priority water quality problems;
- Allocate a minimum of 10% of capitalization grant funds to projects which incorporate water or energy efficiency, green infrastructure, or are environmentally innovative;
- Provide additional economic assistance in the form of principal forgiveness with the highest amounts allocated to those applicants with the greatest financial need; and

- Work with internal and external parties to identify options for funding innovative projects that enhance water quality, including nonpoint-source pilot projects for meeting phosphorus requirements through adaptive management and water quality trading.

B. Long-Term Goals:

- Develop strategies and mechanisms to promote regionalization as a viable alternative for small, economically challenged communities with declining populations and aging WWTPs;
- Maintain effective partnerships with other State and Federal financing sources to coordinate funding and promote efficiency for both the agencies and the applicants;
- Protect the public health and environmental quality of the state;
- Manage the revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity;
- Provide economic assistance to municipalities, including those who may not have substantial credit histories, for the purposes of constructing and maintaining water quality related infrastructure;
- Identify and implement innovative programs necessary to fill funding gaps in the state for meeting water quality standards and objectives; and
- Implement policy changes to encourage sustainability.

IV. SOURCES AND USES OF FUNDS

The State of Wisconsin is applying for the FFY 2017 capitalization grant in the amount of \$35,843,000. State match in the amount of \$7,168,600 is authorized under state law and will be generated from revenue bonds issued under the new leveraged structure. All state matching funds for the FFY 2017 capitalization grant will be disbursed to loan recipients before the state makes the first draw of federal funds from the grant. Thereafter, all draws against the FFY 2017 grant will be made at a cash draw ratio of 100% federal funds.

A minimum of \$3,584,300 of the FFY 2017 capitalization grant must be used for projects or portions of projects qualifying under the green project reserve (GPR). A total of \$14,337,200 will be available from the capitalization grant as principal forgiveness funds and \$1,980,277 is being used for program administration. Further discussion of these uses can be found below.

In addition to the capitalization grant and state match funds, projects will be funded from principal and interest repayments, and interest earnings. No new loans are anticipated to be issued from the state's revenue bond funded program in the immediate future. Some projects may receive funding from both the federal SRF and the state program.

Wisconsin currently has \$38 million in CWFP principal and interest repayments and interest earnings invested in several accounts. These monies along with \$68 million of revenue bonds proceeds and \$21 million of projected repayments will be used to fund over \$81 million in undisbursed loans as well as approximately \$77 million in applications which have not yet closed on loans. Additional revenue bonds will be issued on an as needed basis to fund new loans during the current state fiscal year.

Since the beginning of the CWFP, no application has been denied due to a lack of loan funds and that trend is expected to continue for the current funding cycle.

On June 6, 2017, the State used \$523.7 million of funds within the CWSRF (\$358.2 million of equity funds and \$165.5 million of revenue bond proceeds) to purchase investments that will provide \$623.3 million of funds for the CWSRF thru May 1, 2033. The investments that were purchased included all of the loans that originated on the State side of the CWFP. These purchased loans mimic the loans that have originated within the CWSRF over time. For the year ending June 30, 2018, the State expects these investments to generate \$73.2 million of funds that will be used for new loans within the CWSRF and to

pay debt service on EIF Revenue Bonds. The annual funds projected to be received each year does decrease as more loans mature each year.

V. PROGRAM ADMINISTRATION COSTS

The Water Resources Reform and Development Act (discussed in section VIII. A. below) which amended the FWPCA, changed the way the allowable amount of administrative funds is determined. The FWPCA now states that "...such amounts shall not exceed 4 percent of all grant awards to such fund under this title, \$400,000 per year, or 1/5 percent per year of the current valuation of the fund, whichever amount is greatest..." The 1/5 percent calculation is based on "Total Net Position" from audited CWSRF financial statements.

Based on Wisconsin's June 30, 2016 financial statements for the EIF, the total net position of the CWFP's federal portfolio is \$1,399,026,455, yielding allowable administrative funds of \$2,798,052. If the net position of the state leveraged portfolio, which has been purchased as an investment, is included in the calculation, the total comes to \$1,635,112,694, yielding allowable administrative funds of \$3,270,225. Both of these amounts are significantly higher than 4% of the capitalization grant which comes to \$1,433,720.

The DNR does not plan to utilize the full amount that can be requested but instead is requesting \$1,980,277 for administration.

Administrative funds in the amount of \$11,319 will be deducted directly from the capitalization grant award to pay for half the cost of in-kind services provided by Northbridge Environmental for development of a FOCUS model for the EIF.

VI. TRANSFER OF FUNDS BETWEEN THE CW SRF AND DW SRF

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 funds from the CWFP to the Safe Drinking Water Loan Program (SDWLP) prior to FFY 2002. The State is currently evaluating the need for an additional transfer from the CWFP to the SDWLP. If a transfer is deemed necessary, it will be outlined in the Final IUP

VII. CLASSIFICATION OF AND INTEREST RATES FOR PROJECT TYPES UNDER THE CWFP

Wisconsin's CWFP is an environmentally prioritized loan financing program for municipal water pollution control projects. The CWFP contains seven types of categories under which projects are classified. Projects receiving Federal SRF funding will be classified as one or more of the following:

- Compliance Maintenance and New/Changed Limits Projects: These projects are necessary to maintain compliance with permit requirements or implement new or changed limits required by the DNR.
- Septage Receiving Facilities: Wisconsin state assembly bill 449 was passed in April 2006. This bill pertained to septage receiving facilities and provides a 0% interest rate on projects or portions of projects funded by the CWFP that are for the receiving, treatment, and disposition of septage.
- Urban Stormwater and Urban Nonpoint Source Projects: These projects must be primarily water quality related. Portions of a project solely for flood control or future growth are funded at market rate.
- Unsewered Projects: These projects are only eligible if 2/3 of the initial wastewater flow will come from homes that were in existence for at least 20 years prior to the date of the application.
- Violator Projects and those portions of projects that provide industrial and reserve capacity: Eligible projects or portions of projects in these categories receive market rate funds.

- **Hardship Projects:** Certain projects may be eligible for loans at further reduced interest rates, in circumstances where the municipality qualifies under criteria contained in s. 281.58(13), Wis. Stats. In these situations, loans with interest rates of as low as 0% may be awarded. (The hardship program can also provide grants; however, grants cannot normally be funded by the Federal SRF and must be provided by the State proprietary program.)
- **Pilot Projects:** Non-traditional CWFP projects as part of the CWFP Pilot Project program may be eligible for loans with an interest rate as low as 0%.

State statutes set the interest rate at a percentage of the market rate, other than for septage receiving facilities that receive 0% interest rate loans or pilot projects that may receive loans between 0% and the normal subsidized rate, or for projects or portions of projects that are ineligible for subsidy and thus receive market rate funding. The market rate in effect for October 1, 2017 through December 31, 2017 is 3.20%. This rate is subject to change on a quarterly basis. The market rate is defined as the State's estimated cost of borrowing, determined by DOA, based upon market comparables and market indicies. Currently the market rate is based off the 20-year AAA rate from the Municipal Market Advisors (MMA) Municipal High Grade G.O. Index along with a spread based on current market conditions.

The 2017-2019 State budget increased the amount of subsidy being provided by the state. These changes provide for three interest rate tiers as described below:

- The subsidy amount was increased for most project types, reducing the interest rate from 70% of market rate down to 55% of market rate.
- For municipalities with a population less than 10,000 and a median household income (MHI) of 80% or less of the MHI of the state, the amount of subsidy is increased further, reducing the interest rate to 33% of market rate.
- For municipalities with a population less than 1,000 and an MHI of 65% or less of the MHI of the State, there is an even further increase in the amount of subsidy, reducing the interest rate to 0%.
- Septage receiving facilities are still eligible to receive 0% interest loans, pilot projects are still eligible to receive loans between 0% and the normal subsidized rate, and the market rate is still used in the circumstances listed above.
- The Hardship program will be continued for one more year and then eliminated but eligibility is restricted to projects that submitted an initial application prior to June 30, 2017, and the application, including facility plan, and design plans and specifications for the project, was completed on or before June 30, 2018.

CWFP loans must mature no more than 20 years from the date of the first loan disbursement to the community. Interest payments are required semi-annually on May 1st and November 1st while principal payments are required annually on May 1st. Currently, no fees are assessed under the CWFP for any of these project types.

Recent changes at the federal level now allow loans of up to thirty years, depending on the design life of the project. Increasing the loan term to thirty years has numerous implications in various areas. These implications, and related changes that would be required, are being evaluated. If thirty-year loans become an option, it will not occur until at least SFY 2019.

VIII. COMPLIANCE WITH FEDERAL REQUIREMENTS

A. Introduction

On June 10, 2014, Congress passed the Water Resources Reform and Development Act (WRRDA) which amended the FWPCA. WRRDA made permanent a number of requirements that had been implemented through annual appropriations acts. This included the requirement for the Use of American Iron and Steel, Davis-Bacon Related Act compliance, and made permanent the ability to provide additional subsidization in years in which the national appropriation for the CW SRF exceeds

\$1 billion.

WRRDA also imposed a number of new requirements including: the development of fiscal sustainability plans; certification of project cost and effectiveness and energy and water efficiency; development of affordability criteria; qualifications-based procurement of A/E services for federal equivalency projects; and a restriction on providing loans for which repayment exceeds the useful life of the project.

B. Additional Subsidy (Principal Forgiveness) and Affordability Criteria

WRRDA required states to develop affordability criteria for use in allocating additional subsidy in the CWSRFs. The affordability criteria were required to include income, unemployment data, and population trends. The previous methodology, which was used from SFY 2013 through SFY 2015 to allocate PF, took income and population into account but did not include unemployment or population trends. Those criteria were added to the methodology starting with SFY 2017.

WRRDA also changed the way the available amount of additional subsidy is determined. Additional subsidy is optional and only available in years when the national appropriation for CW SRFs exceeds \$1 billion. The amount of additional subsidy which is available is calculated using the percentage by which the national appropriation exceeds \$1 billion, up to a maximum of 30%. The FFY 2017 national appropriation was \$1,393,887,000, which yields a maximum of 30% for additional subsidy under WRRDA. Thirty percent of Wisconsin's grant of \$35,843,000 comes to \$10,752,900 that can be provided as additional subsidy in the form of grants, principal forgiveness, or negative interest rates. In addition, the FFY 2017 appropriation requires states to allocate 10% of their capitalization grants as additional subsidy (\$3,584,300). EPA has interpreted these two provisions to be additive, allowing states to allocate up to 40% of their FFY 2017 capitalization grants as additional subsidy (\$14,337,200). Wisconsin's CWFP will continue to distribute the additional subsidy as principal forgiveness (PF).

The CWFP will be providing \$14,337,200 plus an additional \$3,522,064 in PF leftover from SFYs 2016 and 2017 as regular PF (for a total of \$17,859,264). Allocation of this PF is described below. During SFY 2016, \$2,000,000 in PF was set aside to help fund the cost of fiscal sustainability plan development in municipalities that meet the affordability criteria. Approximately \$1.3 million of that \$2,000,000 is still available. Fiscal sustainability plans are discussed in detail in section VIII. C below.

1) Application Deadline for Applying for Principal Forgiveness Funds

The CWFP operates on a continuous funding cycle. Applicants who met the October 31, 2016 Intent to Apply deadline may submit an application at any time during the state fiscal year. A funding list is necessary in order to allocate PF funds of which a total of \$17,859,264 is available. Applications submitted by September 30, 2017 will be ranked in priority score order for the purposes of allocating PF. Applications received after this date will not be eligible for regular PF but will still be considered for the fiscal sustainability plan PF.

2) Affordability Criteria and Methodology for Distribution of Principal Forgiveness Funds

The PF allocation methodology is structured to allocate PF funds to the highest priority projects in municipalities with the greatest financial need, as determined by median household income (MHI), population, population projections over 20 years, and county unemployment rate. This methodology was published for public comment on April 10, 2015.

Applications submitted by September 30, 2017 will be ranked in priority score order and then the following PF methodology will apply:

- Population points ranging from 0 to 50 are awarded under table 1 with the highest points going to the smallest populations. (See next page for tables.)
- MHI points ranging from 0 to 100 are awarded under table 2 based on the municipality's MHI's percentage of the state's MHI with the highest points going to the lowest MHI percentages.

- Additional points for population trends and unemployment are awarded under table 3. Unemployment data will be the average unemployment percentage from the most recent 12 months of data available at the time of the application deadline.
- Scores from tables 1 through 3 are added together and then used to determine the eligible PF percentage in table 4. (See tables below).
- Projects in municipalities which are Green Tier Legacy Communities are eligible for an additional 10% PF on top of the percentage determined by table 4, with the caveat that no municipality can receive PF for more than 70% of total project costs.

3) Cap on Principal Forgiveness Funds

- The base cap will be \$650,000 per municipality.
- In counties where the unemployment rate is greater than the state's unemployment rate by less than one percentage point, the cap will be lifted to \$700,000.
- In counties where the unemployment rate is greater than the state's by one percentage point or more, the cap will be lifted to \$750,000.
- Additionally, 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.

Table 1	
Points	Population
0	15,000+
2	10,000–14,999
5	8,500–9,999
10	5,000–8,499
15	3,000–4,999
20	2,000–2,999
25	1,500–1,999
30	1,000–1,499
35	500–999
40	250–499
50	0-249

Table 2	
Points	MHI Percent
0	141%+
2	126-140%
5	116-125%
10	106-115%
15	101-105%
20	96-100%
25	91-95%
30	86-90%
40	81-85%
50	76-80%
60	71-75%
70	66-70%
85	61-65%
100	<61%

Table 3	
Points	Additional Criteria
5	Projected to lose 10% or more of population over 20 years
5	County unemployment rate is > state's unemployment rate by less than one percentage point
10	County unemployment rate is > state's unemployment rate by one percentage point or more

Table 4	
Total Score	PF Percent
0-29	No PF
30-54	15%
55-79	30%
80-99	45%
100-165	60%

4) Other Policies Regarding Principal Forgiveness

- **Disbursement of PF** – The DNR modified its policy regarding disbursement of PF during SFY 2017. This policy change was posted for public comment in March 2017. No comments were received. Previously, PF was disbursed immediately following the minimum loan proceeds disbursement of 5% or \$50,000 that is required by IRS regulations. Starting with loans that close after April 30, 2017, PF disbursements will go out as a percentage of each disbursement request. The percentage will be 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 will result in a more accurate payment of PF to each municipality. This policy will reduce 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** - Principal forgiveness amounts may shift within the fundable range on the final funding list. If any principal forgiveness remains after all projects in the fundable range have closed on loans, this principal forgiveness will be moved forward to the next year's funding list. No principal forgiveness will roll down past the last project identified in the fundable range for principal forgiveness on the Final SFY 2018 PF Funding List.
- **No PF-only awards** - In previous years, the CWFP has allowed applicants to be awarded only the PF portion of their financial assistance without taking the remaining costs as a loan. Starting with SFY 2017 this is no longer allowed. In order to be awarded PF, all applicants will also be required to accept a loan from the CWFP for additional project costs.
- **Readiness-to-proceed deadline** – in an effort to award PF to projects that are ready to proceed to construction, the CWFP is imposing a readiness-to-proceed deadline for projects that are allocated PF on the funding list. All required bid documentation (including a bound, executed construction contract) will be required to be submitted to the assigned project manager **no later than June 30, 2018** – the end of the state fiscal year. If all the required bid documentation is not received by this date, the PF will be released and rolled forward to the SFY 2019 funding list.
- **No PF on costs covered by other grant funding** – when calculating project costs eligible for principal forgiveness, other grant funds (CDBG, USDA RD, etc.) are deducted from total eligible project costs before applying the eligible PF percentage determined in table 4 above. Loan funds received from other sources are not deducted before calculating the eligible PF amount.
- **PF restrictions on refinancing** - due to restrictions contained in the FFY 2017 appropriations act (P.L. 115-31), principal forgiveness cannot be used to refinance costs paid by interim financing which was incurred prior to May 4, 2017, the date the appropriations act was enacted. This restriction only applies to PF funds taken from the 10% (\$3,584,300) available under the FFY 2017 appropriations act.
- **PF incentive for regionalization** – it is anticipated that for SFY 2019, a PF incentive will be provided in order to promote regionalization of systems in situations where this is the more cost-effective alternative when considering the design life of the pipes.

5) Principal Forgiveness from Previous Years

All PF from the FFY 2010 through 2015 grants has been awarded. Of the \$2,000,000 in PF set-aside for FSPs, \$1,320,684 has not yet been awarded. PF in the amount of \$3,522,064 from the FFY 2016 grant is being rolled forward to the SFY 2018 list. It is anticipated that all PF from the FFY 2016 grant will be awarded by the end of SFY 2019.

C. Fiscal Sustainability Plans

Section 603(d)(1)(E) of the FWPCA, as amended by WRRDA, imposed a new requirement for the development of fiscal sustainability plans (FSPs). This requirement applies to all financial assistance applications submitted starting October 1, 2014. The recipient of a loan for projects involving the repair, replacement, or expansion of a publically owned treatment works is required to develop and implement a fiscal sustainability plan or certify that such a plan has already been developed and implemented.

Recipients who have already developed an FSP are required to certify that the plan meets the minimum requirements prior to closing on their financial assistance agreement. Recipients who do not yet have a plan meeting the requirements are required as a condition of receiving financial assistance to develop the plan and certify as to its content and completion prior to the final loan disbursement.

Following are the minimum required contents of an FSP:

- an inventory of critical assets that are part of the treatment works;
- an evaluation of the condition and performance of the inventoried assets or asset groupings;
- a certification that the assistance recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and
- a plan for maintaining, repairing, and, as necessary, replacing the treatment works and a plan for funding such activities.

More information on Fiscal Sustainability Plan requirements is available on our program website at:

<http://dnr.wi.gov/Aid/documents/EIF/Guide/FSP.html>

Many of the federal requirements in the CWSRFs may inadvertently increase the cost of projects. Small and/or lower income municipalities may already be having trouble constructing the infrastructure improvements that they need and adding additional federal requirements may serve to discourage them from completing important projects. Considering this, a decision was made to turn the FSP requirement into an incentive to come through the CWFP for funding rather than a disincentive.

The CWFP will provide PF for costs of FSP development to municipalities that qualify under the PF allocation methodology/affordability criteria. Any applicant that qualifies for PF will be eligible, regardless of whether they are in the fundable range for PF on the funding list or not. Funds used for this purpose came from the PF available under the FFY 2015 capitalization grant. Starting in SFY 2016, \$2,000,000 was set aside for funding FSPs; of that amount, \$1,320,684 is still available. Once this funding is depleted, there will no longer be PF available for FSP development.

Using the PF allocation methodology above as the basis, the following methodology will be used to award PF for the costs of developing FSPs. **This PF will be in addition to any other PF the municipality may be allocated**, and is subject to a separate cap as detailed below. **Note: the incremental PF for costs above \$30,000, which was previously available to municipalities with a population under 5,000, has been eliminated.**

➤ For municipalities with populations under 5,000:

- If the municipality is eligible for PF for 30% or more of its total eligible project costs, then the CWFP would cover 100% of the FSP development costs with PF, up to a cap of \$30,000.
- If the municipality is eligible for PF of 15% to 25% of its total eligible project costs, then the CWFP would cover 50% of FSP development costs with PF, up to a cap of \$15,000 in PF (50% of \$30,000).
- Any FSP development costs in excess of the caps are eligible for loan funding.

- For municipalities with populations of 5,000 or greater:
 - If the municipality is eligible for PF for 30% or more of its total eligible project costs, then the CWFP would cover 50% of FSP development costs with PF, up to a cap of \$30,000 in PF (50% of \$60,000).
 - If the municipality is eligible for PF of 15% to 25% of its total eligible project costs, then the CWFP would cover 25% of FSP development costs with PF up to a cap of \$15,000 in PF (25% of \$60,000).
 - Any FSP development costs in excess of the caps are eligible for loan funding.

The PF for FSP development will be a reimbursement disbursed as part of the CWFP loan. The eligible FSP development costs will be forgiven at the time of loan disbursement. Costs for FSP development incurred prior to the passage of WRRDA (June 10, 2014) will not be considered for PF reimbursement.

A certification form for applicants along with an application for applying for PF for the costs of FSP development is currently being revised but will be available on our program website in the near future.

D. Use of American Iron and Steel

WRRDA made permanent the Use of American Iron and Steel requirement which was first imposed by the FFY 2014 Appropriations Act. This required SRF assistance recipients to use iron and steel products that are produced in the United States for projects for the construction, alteration, maintenance, or repair of a public water system or treatment works if the project was funded through an assistance agreement executed beginning January 17, 2014 and the project's plans and specifications were approved after that date. Certain exceptions to this requirement applied and two national waivers were issued. When WRRDA was passed it effectively reset the plans and specifications approval date that triggered compliance to June 10, 2014 for projects funded by the CWSRF. For SFY 2017 and future years, all recipients where the project's plans and specifications were approved on or after June 10, 2014 are required to meet the use of American iron and steel requirement.

Information on this requirement has been detailed in the program newsletter and on the program website. Language has been added to the Financial Assistance Agreements and all municipalities with projects subject to the use of American iron and steel provisions are being required to certify that they will meet the requirements before closing on their loan. An additional certification that the requirements were met is required as part of the project closeout process. More information on the requirement and the certification form are available on our program website at: <http://dnr.wi.gov/Aid/U AIS.html>.

E. Davis-Bacon Related Act

Section 602(b)(6) of the FWPCA, as amended by WRRDA, made permanent the requirement for compliance with the prevailing wage rate requirements of section 513 of the FWPCA. Information has been posted on the program website stating that Davis-Bacon related act requirements apply. Required contract language is also posted on the 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.

F. Cost and Effectiveness Certification

For financial assistance applications submitted starting October 1, 2015, section 602(b)(13) of the FWPCA, as amended, requires assistance recipients to certify that they a) have studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed project, and b) have selected, to the maximum extent practicable, a project that maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account the cost of constructing, operating and maintaining, and replacing the project.

A Cost and Effectiveness Certification form has been developed and is available on our website. This form must be signed by the project's design engineer and the municipality's authorized representative, and must be submitted along with the Financial Assistance Application. Information on the requirement and the certification form can be found on our program website at: <http://dnr.wi.gov/Aid/documents/eif/costeffectivenesscertification.html>

G. Qualifications-Based Procurement of A/E Services

Section 602(b)(14) of the FWPCA, as amended, states that for projects designated as federal equivalency, all architectural and engineering (A/E) contracts must comply with the qualifications-based procurement processes for A/E services as identified in 40 U.S.C. 1101 *et seq.*, or an equivalent state requirement. This applies to new solicitations, significant contractual amendments, and contract renewals initiated on or after October 1, 2014.

At this time, the CWFP does not intend to require recipients to use this process for awarding A/E contracts. The State plans to disburse state funds to cover any noncompliant A/E costs in projects designated as federal equivalency.

H. Green Project Reserve

The FFY 2017 Consolidated Appropriations Act (P.L. 115-31) continued the Green Project Reserve (GPR) requirements from recent years which states that to the extent there are sufficient eligible project applications, that not less than 10% of the grant (\$3,584,300) be used to fund projects or portions of projects meeting GPR requirements.

The CWFP Project Priority List includes numerous projects with components that meet GPR requirements, most of them related to energy efficiency such as biogas production, blower and pump upgrades, improvements to aeration systems, and infiltration and inflow reduction.

In addition, the EIF has partnered with Focus on Energy in order to facilitate the funding of energy efficient processes and upgrades at Wisconsin's WWTPs and municipal drinking water systems. Section 196.374 Wis. Stats. requires energy utilities to collectively establish and fund statewide energy efficiency and renewable resource programs. Using funds collected for this purpose, Focus on Energy provides grants of up to \$200,000 per project and \$400,000 per municipality per calendar year under the Business Incentives Program, the Large Energy Users Program, and the new Agriculture, Schools and Government Facilities Program to fund energy efficiency projects. The EIF started working with Focus on Energy during SFY 2013 to implement a process for facilitating the incorporation of energy efficiency into projects which are being funded through the CWFP and SDWLP. Though portions of projects which are funded by Focus on Energy grants cannot be counted towards Wisconsin's GPR requirements, this should still help to increase GPR funding by the CWFP.

All projects or portions of projects which meet green project reserve requirements will be identified in the SFY 2018 Annual Report.

I. Disadvantaged Business Enterprise (DBE) Compliance

All projects funded through the CWFP are required to make a *Good Faith Effort* to solicit minority- and women-owned businesses. The current Fair Share goals for minority- and women-owned businesses are 8% for each.

IX. PROJECT PRIORITY SCORING

Chapter NR 162, Wis. Adm. Code was revised during SFY 2015. The revised code went into effect on July 1, 2015 and this change effected priority scores starting with SFY 2017 funding. Projects are now scored under one of three categories: sewage collection systems, wastewater treatment plants, or storm water projects. Scoring criteria for pilot projects has not yet been established.

Collection system projects are scored on three factors:

- project type,
- human health, and
- regionalization.

Wastewater treatment plant projects are scored on four factors:

- project type,
- human health,
- regionalization, and
- water quality criteria.

Storm water projects are scored on three factors:

- project type,
- human health, and
- water quality criteria.

Under all project types, population is used as a tie-breaker with the higher population receiving the higher score. For wastewater treatment plant projects, the water quality criteria and associated points are established in the IUP and are based on the current Wisconsin Pollutant Discharge Elimination System (WPDES) permit limits for the facility. Please see the following section for more information.

X. WATER QUALITY & OTHER SCORING CRITERIA FOR SFY 2018

For wastewater treatment systems, one of the criteria is based on water quality parameters and scores will be assigned based on WPDES permit limits. Because this portion of the criteria is more fluid (new parameters, etc.), the values for scoring may be subject to more frequent change than what the rule revision process allows. Therefore, the rule states that this portion of the scoring system will be published annually in the IUP.

Specifically, chapter NR 162.50(2)(c)1 states that: "The department shall establish criteria and associated points for various water quality parameters in the CWWP intended use plan." NR 162.50(2)(c)2 states that: "The department shall use the current facility permit limit for calculating the points assigned to the water quality criteria category."

The applicable water quality parameters will be scored as follows:

- 6.a. BOD limit (mg/l) monthly limits or most stringent if seasonal
 - >29.99 = 2
 - 20-29.99 = 5
 - 15-19.99 = 8
 - 10-14.99 = 12
 - <10 = 16
- 6.b. CBOD limit (mg/l) monthly limits or most stringent if seasonal
 - > 24.99 = 2
 - 20-24.99 = 5
 - 15-19.99 = 8
 - 10-14.99 = 12
 - < 10 = 16
- 7. TSS limit (mg/l) monthly limits or most stringent if seasonal
 - > 29.99 = 2

- 20-29.99 = 5
- 15-19.99 = 8
- 10-14.99 = 12
- < 10 = 16
- 8. DO limit (mg/l)
 - 4-6.99 = 1
 - > 6.99 = 3
- 9. Ammonia limit (mg/l) monthly limits or most stringent if seasonal – choose highest points between chronic and acute
 - Acute = 5
 - Chronic:
 - > 14.99 = 2
 - 10-14.99 = 6
 - 5-9.99 = 10
 - < 5 = 15
- 10. Phosphorus limit (mg/l) this is the most restrictive limit associated with the end of the WPDES term
 - > 2.49 = 1
 - 0.9-2.49 = 2
 - 0.6-0.89 = 5
 - 0.4-0.59 = 10
 - 0.2-0.39 = 15
 - < 0.2 = 20
- 11. Chlorine limit = 1
- 12. Copper limit = 1
- 13. Nickel limit = 1
- 14. Zinc limit = 1
- 15. Mercury limit = 1
- 16. Cadmium limit = 1
- 17. Arsenic limit = 1

Chapter NR 162.50(5) also states that “The department may add additional or modify existing scoring criteria in the annual intended use plan.” Additional points for regionalization will be provided as follows:

- 100 points to the subscribing municipality;
- 50 points to the receiving municipality if an upgrade is needed to accommodate the increased flow;
- 100 points each to two or more municipalities that are constructing a joint regional WWTP.

XI. SFY 2018 PROJECT PRIORITY LIST and DRAFT FUNDING LIST

The CWFP received 285 regular Intent to Apply (ITA) submittals totaling \$662,423,741 in anticipated project costs and seven ITA submittals for pilot projects totaling \$37,867,213 in project costs by the October 31, 2016 deadline. These projects were scored and ranked on the project priority list which was published on the EIF website on January 24, 2017 (available at the following link: <http://dnr.wi.gov/Aid/projectListsIUPs.html>). Projects on this list are eligible to apply for funding during SFY 2018. In addition, two ITAs were submitted for projects that were deemed ineligible, and three ITAs were submitted for projects for which there was not enough information to determine eligibility.

Applicants wishing to apply for principal forgiveness funds must submit a complete application by September 30, 2017. Any

applications received by this date will be ranked on the funding list in priority score order for the purpose of allocating PF. Applications received after this date will not be considered for PF other than for FSP development. We anticipate that the funding list will be posted on the program website by early November. All projects that receive funding during SFY 2018 will be detailed in the SFY 2018 Annual Report.

XII. ASSURANCES

State assurances concerning the requirements of Sec. 602(b) of the FWPCA are contained in the Operating Agreement.

XIII. PUBLIC REVIEW AND COMMENT

The draft IUP was posted for public comment on the DNR's Program Guidance web page on August 7, 2017. An e-mail notification was sent to a distribution list of approximately 2,000 recipients. Written comments on the draft IUP were taken through August 28, 2017; three comments were received. These comments are addressed in the accompanying Response to Comments.