

**STATE OF WISCONSIN
SAFE DRINKING WATER LOAN PROGRAM
INTENDED USE PLAN
FOR FFY 2020 FUNDS
FOR THE SFY 2021 FUNDING CYCLE**



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

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**WISCONSIN DEPARTMENT OF NATURAL RESOURCES
SAFE DRINKING WATER LOAN PROGRAM INTENDED USE PLAN
Covering Funding During State Fiscal Year 2021
For Receipt of the EPA Federal Fiscal Year 2020 Capitalization Grant**

I. INTRODUCTION

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

Section 1452(b) of the SDWA requires that each state prepare an annual Intended Use Plan (IUP) 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 is anticipated to be published in August 2020, comprise the State of Wisconsin Intended Use Plan for Federal Fiscal Year (FFY) 2020 DWSRF Capitalization Grant funds and other monies available in the DWSRF. The IUP is a part of Wisconsin's capitalization grant agreement package for FFY 2020 and covers anticipated activity during State Fiscal Year (SFY) 2021. 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

The State of Wisconsin Safe Drinking Water Loan Program (SDWLP) operates as a leveraged loan program. 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). The SDWLP had been structured as a direct loan program since its inception, but modifications were made during SFY 2019 to change over to a cash flow leveraging structure. This new structure will enhance the fund's self-sufficiency and provide additional flexibility for project financial assistance. Proceeds from revenue bonds issued by the State of Wisconsin provide state match that equals 20% of the capitalization grant received from EPA. Financial Assistance is provided by purchasing the general obligation or revenue bonds of municipal governments to finance eligible projects; these transactions are referred to as loans throughout this document and in program informational materials.

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 to 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 IX regarding eligibility of watermain replacements in the presence of lead service lines.

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

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

The SDWLP offers loans at a subsidized interest rate of 55% of the state's market rate. Loans to disadvantaged communities with populations less than 10,000 and median household incomes (MHIs) less than or equal to 80% of the state's MHI are offered 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. The market rate in effect, for loans amortized over 20 years, for July 1 through September 30, 2020, is 3.20%. This rate is subject to change quarterly, or more frequently if deemed necessary due to emergency situations.

Since the beginning of the SDWLP, loans have been required to mature no more than twenty years from the date of the first loan disbursement to the community. Recent changes at both the state and federal level now allow loans of up to thirty years following the completion of the project, or the useful life of the project, whichever is less. The award of loans with terms exceeding twenty years and not exceeding thirty years will be based on a case-by case review by DOA and engineers in the DNR's Drinking Water Program. As with twenty-year loans, DOA will determine the applicable market interest rate for the quarter in which the project will close, based on market conditions at that time. The interest rate charged for loans with an amortization term greater than twenty years is slightly higher than what is charged for loans with an amortization of twenty years or less.

Interest payments are required semi-annually on May 1st and November 1st while principal payments are required annually on May 1st. No fees are currently assessed under the SDWLP.

III. LEVERAGING OF THE SDWLP

The 2019-2021 Biennial Budget included the authority to issue revenue bonds for the SDWLP. These revenue bonds 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 and also result in the funding of additional SDWLP projects through the leveraging of assets within the SDWLP, similar to the current structure of the CWFP.

IV. SOURCES AND USES OF FUNDS

The State of Wisconsin is applying for the FFY 2020 Capitalization Grant in the amount of \$18,766,000. A 20% state match in the amount of \$3,753,200 is authorized under state law and will be generated from revenue bonds. All state matching funds for the FFY 2020 Capitalization Grant will be disbursed to loan recipients before the state makes the first draw of federal funds from the capitalization grant. Thereafter, all draws against the FFY 2020 grant will be made at a cash draw ratio of 100% federal funds.

The FFY 2020 appropriation for the DWSRF slightly modified the requirement for additional subsidy from what has been required in recent years. Public Law (P.L.) 116-94 requires 14% of the capitalization grant to be awarded as additional subsidy. Based on a capitalization grant amount of \$18,766,000, the SDWLP would be required to provide \$2,627,240 as additional subsidy. In addition, recent changes to the SDWA now require a minimum of 6% and up to 35% of the capitalization grant (\$1,125,960 - \$6,568,100) to be awarded as additional subsidy to disadvantaged communities. All additional subsidy will be provided in the form of principal forgiveness (PF).

Wisconsin will make \$4,500,000 in new PF available for SFY 2021 plus \$1,406,265 in PF released from previous SFYs for a total of \$5,906,265 in PF available for traditional drinking water projects in SFY 2021.

Subsidized loans in the amount of \$91,000,000 will be available from the capitalization grant and state match, principal and interest repayments, interest and investment earnings, and revenue bond proceeds.

Drinking water programmatic and administrative set-asides in the following amounts will be funded by the capitalization grant.

Administration	\$941,400
Technical Assistance	\$242,133
Wellhead Protection	\$626,531
Local Assistance	\$1,322,501
State Program Management	<u>\$2,700,341</u>
Total Amount of Set-asides:	\$5,832,906

See Section V. for a discussion of set-aside banking and Section XVI. for discussions of the individual set-asides.

V. BANKING OF SET-ASIDE FUNDS

Federal regulations allow unutilized authority for some of the drinking water set-asides (Administrative, Small Systems Technical Assistance, and State Program Management) to be banked for designation from future capitalization grants. The State has previously banked the following set-aside amounts:

\$2,459,420	in Administrative funds,
\$8,080,700	in State Program Management funds, and
<u>\$858,663</u>	in Small Systems Technical Assistance for
\$11,398,783	in total banked set-aside funds.

The State requests to bank an additional \$133,187 in Small Systems Technical Assistance funds, and to draw \$823,741 of banked State Program Management funds and \$190,760 of banked Administrative funds under this IUP. This will reduce the total banked funds to \$10,517,469. These banked funds are available for possible designation from a future Capitalization Grant.

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 Clean Water Fund Program (CWFP) to the SDWLP prior to FFY 2002. The State is not considering additional transfers under this authority at this time.

In addition, the Water Infrastructure Financing Transfer Act (WIFTA), which was passed in October 2019, allows 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 allows an amount equal to no more than 5% of the cumulative clean water revolving fund capitalization grants made to the state to be transferred for this purpose. Wisconsin intends to transfer the full amount allowable as the CWFP has more loan capacity than the SDWLP. Maximum amounts of principal forgiveness allowable under federal regulations have not been utilized by the SDWLP in the past several years due to a need for greater loan funding availability and the fact that \$26 million was previously utilized for lead service line replacements in SFYs 2017 and 2018. More information on this proposed transfer is in Section IX. C. below.

VII. POLICY CHANGES IMPLEMENTED DURING SFY 2019

A number of policy changes were implemented starting in SFY 2019. These changes are still in effect for SFY 2021. 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, in order for the project to be included on the funding list.** 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. There is no guarantee that funds will be available for supplemental applications. 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 administratively 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

The MHI cutoff for eligibility, interest rate, and point determinations is 80.0%. All MHI calculations will be rounded to the third place after the decimal. This policy is truer to language in sections of the CWFP 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) Scoring Process

Potential loan applicants must prepare and submit their projects' Intent to Apply form (ITA) and PERF by October 31, 2020 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, 2021.

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 45 days after the application deadline of June 30, per s. NR 166.24 (9), Wis. Adm. Code.

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.

VIII. ONLINE TRAINING COURSES

The DNR's Bureau of Drinking Water and Groundwater has contracted for the creation of three online training courses, comprised of four modules. These online modules will be management trainings intended for government bodies (village, city or town boards) as well as other utility governing boards (utility commissions) and professionals with decision authority as it pertains to drinking water utilities. The first two modules are anticipated to be ready for implementation by January 2021, the third module ready for implementation by July 2021 and the final module ready for implementation by January 2022. These training modules will be titled *Utility Management – Part A*; *Utility Management – Part B*; *Asset Management*; and *Financial Management*, respectively.

The overarching theme of all four training modules is to aid governing bodies in developing and maintaining technical, managerial and financial capacity of a water utility - capacity development. The purpose of the training provided through this project 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 will be specifically intended for governing bodies (municipal, village, and town boards) and other governmental professionals with decision authority, the content of all four modules will also be highly relevant to waterworks operators certified by the DNR. Therefore, certified waterworks (municipal) operators will be eligible to enroll in all four modules and will earn one continuing-education credit for each successfully completed module. More information about this training opportunity will be published in the Environmental Loans *eBulletin* once it is available.

In order to incentivize this training, 10 points will be granted under Section IV (System and Consolidated System Capacity Points) of the PERF if at least 50 percent of the members of the water utility's governing body have taken all of the training modules available at the time of application. These points will be available starting in SFY 2022. More information on this is available in Section XII. of this IUP, Changes to PERF Scoring Criteria.

IX. REPLACEMENT OF LEAD SERVICE LINES

Please note: The SDWLP will not provide funding for watermain 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 are also considered lead service lines under 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 entire segment of the watermain on that block in which the partial replacement occurred. (A block is considered to be the segment between cross streets and this policy includes all service lines connected to the watermain on that segment of the street.)

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 required that it occur within 90 days in order to be eligible for SDWLP funding. 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 three months of use following the private side LSL replacement. Filters should be models that have been tested and certified to NSF/ANSI 53 for the reduction of lead. Loan recipients will be required to certify that these requirements were met. Procedures for this certification are under development.

A. PSC-Approved Private Lead Service Line (LSL) Replacements

With the passage of *2017 Wisconsin Act 137* (§ 196.372, Wis. Stats.), water utility ratepayer funds can now be used to pay for up to 50% of a customer-side (private) lead service line replacement. As such, municipalities can now use water revenues to secure a SDWLP loan for the replacement of private LSLs if their program has received Public Service Commission (PSC) construction authorization approval. In SFY 2021, PSC approval is required prior to closing the loan. After SFY 2021, PSC approval will be required by the time of application.

B. Private LSL Replacements Funded with a General Obligation Pledge

Loans for replacement of private LSLs can be secured by a general obligation pledge. If a general obligation pledge is used for this purpose, the municipality must ensure that utility revenues are not subsequently used to repay the SDWLP loan.

C. NEW Principal Forgiveness Funding for Private LSL Replacements

The Water Infrastructure Financing Transfer Act (WIFTA), which was passed on October 4, 2019, allows a one-time transfer of funds from the CWFP to the SDWLP, as principal forgiveness, for the purpose of addressing a threat to public health as a

result of heightened exposure to lead in drinking water. WIFTA allows 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. In Wisconsin, 5% of the cumulative CWFP capitalization grants received to date comes to \$63,809,549 (this includes 5% of the FFY 2020 CWFP capitalization grant which is expected to be awarded before September 30, 2020). Funds must be transferred by October 4, 2020. In addition to the transferred funds, any funding released from the previous two-year LSL replacement program will be added to the total funding available.

This new private LSL replacement program will be open to any municipality that has reported private lead or galvanized service lines to the PSC on Schedule W-29 of their annual report. Unlike the previous two-year LSL replacement program, the funding is not restricted to municipalities meeting the disadvantaged criteria. Reporting to the PSC completed through July 7, 2020 shows 195 municipalities reporting at least one lead or galvanized customer-side service line for a combined total of at least 181,304 private LSLs in Wisconsin. In addition to this, another 37,881 customer-side service lines have been reported as “unknown – may contain lead”. These numbers are expected to increase as municipal inventory efforts are completed.

For SFY 2021, applications to the private LSL replacement program will be taken as supplemental applications. The program is still under development and we were not ready to accept applications by the SDWLP’s June 30, 2020 application deadline. We anticipate starting to accept applications in mid-September 2020. Municipalities will be required to submit their applications via email to DNRLSLfunding@wisconsin.gov rather than through the online application system. The LSL application form will be posted on our website once it is available. The application will also serve as the Intent to Apply for the project. No separate ITA submittal is required.

Applications will be scored utilizing the scoring system described below, though we anticipate having sufficient funds this first year to award to all applicants. Applicants are encouraged to submit their application no later than February 2021 in order to have an award in place prior to the start of the 2021 construction season. Applications will be taken for up to three years, depending on availability of the funds. (Note that the availability of funds depends on how many municipalities participate in the program and how fast they can replace LSLs.)

Awards will be 100% principal forgiveness and will be made for one construction season at a time. Final disbursements under the awards will be due by the last disbursement deadline in December (December 31, 2021 for the 2021 construction season) and awards will be closed out at that time. Shortly thereafter, funds available for the next construction season will be calculated. Any eligible excess expenses from the previous construction season will be given first priority for funding in the following construction season. **This priority funding includes private LSL replacements completed during the 2020 construction season as long as the replacements meet the necessary federal requirements to be eligible** (environmental review, use of American iron and steel, compliance with Davis-Bacon and Related Acts when applicable, no partial replacements). DNR approval must be obtained prior to making replacements during the 2020 construction season in order for the replacements to be eligible.

Private LSLs eligible for replacement under this program include:

- Residential LSLs (including multi-family buildings and buildings that contain both business and residential occupants);
- LSLs serving schools; and
- LSLs serving child daycares.

In addition, some non-residential properties (other than schools or daycares) will be considered eligible for private LSL replacement funding under the following circumstances:

- The non-residential LSL is connected to a watermain that is being replaced utilizing funding provided by the SDWLP; and
- At least 50% of the LSLs on the block in which the non-residential LSL is located are otherwise eligible for replacement through the private LSL replacement program (LSLs serving residences, schools, or daycares). A block

is considered to be the segment between cross streets and includes all service lines connected to the watermain on that segment of the street.

Note that galvanized service lines that are currently or have previously been downstream of lead components, and lead goosenecks, are considered LSLs for purposes of this program.

Awards will be based on the following:

- The estimated number of LSLs that the municipality can replace in one construction season;
- An assumed average cost per LSL replacement, based on data collected during the previous two-year LSL replacement program and other local data;
- Whether the municipality is participating in the PSC-approved program using ratepayer funds to cover up to 50% of the cost of LSL replacements. In this situation we will work with the municipality to determine an equitable sharing of costs;
- Whether any cost-sharing from homeowners will be required. In this instance, the awarded amount per LSL would be reduced accordingly.

Awards will only cover construction costs, with the following exceptions:

- Up to \$5,000 for engineering and administrative support will be available for small systems (municipal population under 3,300);
- Up to \$5,000 for costs related to developing a mandatory replacement ordinance will be available to all applicants.

A mandatory replacement ordinance is not required for the private LSL replacement program (unless a municipality is also participating in the PSC-approved program to use ratepayer funds), but it is strongly encouraged. The previous two-year program has shown that even when 100% of the costs are being covered, many homeowners still choose not to have their LSL replaced.

As in the previous two-year LSL replacement program, municipalities will 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. Whether 100% of the private LSL replacement cost is covered through the private LSL replacement program, or cost-sharing is required, is also a municipal decision.

Scoring and ranking of private LSL replacement projects will be based on the system described below. In any funding year, excess costs for LSL replacements that were incurred during the previous construction season will be allocated first, before allocating the remaining funding utilizing the scoring criteria described below. A Priority Evaluation and Ranking Form (PERF) specific to LSL projects is being developed and will be required to be submitted no later than November 15, 2020. We are also considering adding criteria in future years that would prioritize a municipality that is positioned to replace all their remaining private LSLs in one construction season. The specific criteria that would work best for this purpose are still being considered.

- **Poverty Percentage:** Using data from the American Community Survey (ACS), the percent of a municipality's population below 200% of the federal poverty level will fall into one of the categories below. Points will be assigned accordingly.
 - Greater than 60% of the population is below 200% of the federal poverty level - 50 points
 - Greater than 50% and up to 60% of the population is below 200% of the federal poverty level - 40 points
 - Greater than 40% and up to 50% of the population is below 200% of the federal poverty level - 30 points
 - Greater than 30% and up to 40% of the population is below 200% of the federal poverty level - 20 points
 - Greater than 20% and up to 30% of the population is below 200% of the federal poverty level - 10 points
 - Greater than 10% and up to 20% of the population is below 200% of the federal poverty level - 5 points
 - Greater than 0% and up to 10% of the population is below 200% of the federal poverty level - 0 points

- **Municipal Population:**
 - 1,000 and less - 30 points
 - 1,001 to 3,300 - 25 points
 - 3,301 to 10,000 - 20 points
 - 10,001 to 50,000 - 15 points
 - 50,001 to 100,000 - 10 points
 - Greater than 100,000 - 5 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 support claims that a mandatory ordinance has been enacted.

- **Percentage of Customer-Side Service Lines Identified:** In order to better determine the number of lead service lines in Wisconsin, stronger local water utility inventories are needed. Water utilities submit annual reports to the PSC, and data from those reports, pages W-22 and W-29, are the basis for this metric. To calculate the percentage, the total number of customer-side service lines reported (W-29) is divided by the total number of utility-side service lines reported (W-22). These are total numbers of lines regardless of material type. Municipalities closer to 100% receive greater points. Water utilities that report more customer-side service lines than utility-side service lines will see greater than 100% calculated in this metric, which is considered an irregularity in reporting and is not prioritized.
 - Greater than 95% and up to 105% of customer-side service lines identified - 10 points
 - Greater than 90% and up to 95%; or greater than 105% and up to 110% of customer-side service lines identified - 5 points
 - 90% or less; or greater than 110% of customer-side service lines identified - 0 points

- **Percentage of Customer-Side Service Lines That Are Lead or Galvanized:** Water utilities submit annual reports to the PSC, and data from those reports, pages W-22 and W-29, are the basis for this metric. The percentage is calculated by dividing the sum of customer-side lead service lines and customer-side galvanized service lines by the total number of utility-side service lines (of all material types). We have chosen to use the total number of utility-side service lines in the denominator instead of customer-side service lines because water utilities have more experience collecting the utility-side data, making it a more reliable indicator of the total number of service lines in the community.
 - Greater than 50% lead or galvanized lines - 10 points
 - Greater than 3% and up to 50% lead and galvanized lines - 5 points
 - 3% or less lead and galvanized lines - 0 points

- **Exceedance of NR 809 Lead Action Levels:** In the past five years, applicant municipalities that have exceeded the lead action level as described in chapter NR 809, Wis. Adm. Code, will receive 50 points. DNR's Drinking and Groundwater Program will provide a report of the municipalities that have exceeded NR 809 lead action levels during the past five years. This report will be provided at the same time as data for the other metrics is obtained.

Due to the current pandemic situation, rather than holding in-person workshops as was initially planned, we will hold two Zoom-based webinars for interested applicants. Tentative dates for these webinars are September 2nd and September 24th. More information on these webinars will be communicated in the near future.

X. 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 that have been established for the SDWLP are listed below.

A. Short-Term Goals:

- Direct funds to the State's most urgent SDWA compliance and public health needs;
- 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;
- Provide financial assistance, including principal forgiveness, to economically disadvantaged communities for the purpose of installing the necessary infrastructure to provide an adequate supply of safe drinking water;
- Provide financial assistance in the form of principal forgiveness to public water systems that have reported private lead service lines to the PSC for the purpose of removing privately-owned lead service lines;
- 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;
- Facilitate the use of Clean Water funds where infrastructure projects for water systems support the objectives of the Clean Water Act; and
- 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;
- Facilitate public water systems in conducting corrosion control treatment studies;
- Encourage and facilitate public water systems in developing and maintaining asset management plans;
- Encourage public water system partnerships;
- 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;
- Maintain existing partnerships with other State and Federal financing sources to coordinate funding and promote efficiency for both the agencies and the applicants;
- 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;
- Expand eligibility for financial assistance to include non-municipal systems; and
- Develop methods and mechanisms for measuring program effectiveness.

XI. METHOD AND CRITERIA FOR DISTRIBUTION OF LOAN FUNDS

The priority evaluation and ranking system for the 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.

Wisconsin's priority evaluation and ranking criteria give first priority to acute public health risks, particularly those related to microbiological organisms, and second priority to situations that pose chronic and longer-term health risks to consumers, such as organic chemical contamination. The scoring criteria also 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 are granted additional points if the project is associated with a system considered most in need of financial assistance on a per-household basis. A public water system must have a population less than 10,000 and an MHI less than or equal to 80% of the state's MHI to qualify for any points related to financial need.

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.

XII. CHANGES TO PERF SCORING CRITERIA

Section NR 166.23(7), Wisc. Adm. Code allows the addition or modification of scoring criteria through the annual Intended Use Plan. The changes below will take place starting with SFY 2022.

Points will be available in Section IV (System and Consolidated System Capacity Points) of the PERF 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 VIII above). 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. Minimum criteria for the asset management plans is available on our [program website](#). Plans must be submitted by June 30 of each year in conjunction with a SDWLP application and will be approved by the DNR's Drinking Water Program.

- 15 points will be granted for projects where the applicant has submitted a revised/updated Asset Management Plan. Updated plans must be submitted by June 30 of each year in conjunction with a SDWLP application and will be approved by the DNR's Drinking Water Program. Criteria for updated plans is available on our [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. Required materials must be submitted by June 30 of each year in conjunction with a SDWLP application and will be approved by the DNR's Drinking Water Program. Criteria for awarding public water system partnership points is available on our [program website](#).

The following modification will be made to question SC7 under Section III (Secondary Contaminant Violation and System Compliance) of the PERF:

- 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.

In addition, we are clarifying that projects that address PFAS or other emerging contaminants currently are eligible projects under the SDWLP. Until an MCL has been established, these projects would receive points under Section I (Risk to Human Health) as an anticipated exceedance. For PFAS, a project would receive 20 points as an anticipated exceedance of a Synthetic Organic Chemical (SOC) under question HH2 d. Once an MCL has been established, a PFAS project could receive up to 250 points under question HH1 d. for elimination of an MCL violation of a chronic contaminant (SOC).

XIII. 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, 2019, financial statements for the EIF, the total net position of the SDWLP is equal to \$447,351,504, yielding allowable administrative funds of \$894,703 under the 1/5 percent option. This amount is higher than 4% of the capitalization grant amount (\$750,640), but as the State still has \$2,459,420 in banked administrative authority, we are choosing to continue to utilize 4% of the capitalization grant for administrative purposes along with a portion of the banked funds. (See Section V. above for details on banking of funds.)

B. Consolidated Appropriations Act of 2020

The FFY 2020 Consolidated Appropriations Act (P.L. 116-94) contained additional requirements beyond what is included in the federal regulations governing the DWSRF. The requirements for FFY 2020 included the provision that 14% of the amount of the FFY 2020 DWSRF capitalization grant be used to provide additional subsidy 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 longer a requirement to spend a specific percentage of the capitalization grant funds on green projects. The use of American Iron and Steel was also included in the act in addition to being extended through FFY 2023 by AWIA.

C. America's Water Infrastructure Act (AWIA)

America's Water Infrastructure Act of 2018 (P.L. 115-270) was signed into law on October 23, 2018. AWIA made changes to both the DWSRF and the CWSRF (these changes were discussed in a [newsletter article](#) in April 2019). Pertinent changes include:

- **Change in the minimum amount of additional subsidy required to be available for disadvantaged communities** – Prior to AWIA, the SDWA allowed up to 30% of each capitalization grant to be used as additional subsidy (principal forgiveness) for disadvantaged communities. Provision of this additional subsidy was optional. AWIA changed this to requiring a minimum of 6% be used as additional subsidy up to a maximum of 35%. This additional subsidy is in addition to the 14% required by the FFY 2020 appropriation act.
- **Codification of Davis-Bacon and Related Acts wage rate requirements** – P.L. 112-74 (the FFY 2012 Appropriations Act) had previously extended the requirement for compliance with the Davis-Bacon Act for each fiscal year thereafter. AWIA moved this requirement into the DWSRF-authorizing section of the SDWA (§1452(a)(5)). Information 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.
- **Extension of the use of American Iron and Steel requirement** – While the requirement for the use of American iron and steel has still not been made a permanent part of the DWSRF, AWIA did extend the requirement through FFY 2023. It was also required under the FFY 2020 appropriations act. This provision requires DWSRF 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.

Information on the use of American Iron and Steel has been detailed in the Environmental Loans *eBulletin* and on the program website. Language has been added to the Financial Assistance Agreements addressing this requirement and all municipalities must certify that they will meet the requirement before closing on their loan and also 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](#).

- **Encouraging the development of Asset Management Plans** – States must amend their state capacity development strategies by December 31, 2021, to include a description of how the state will encourage the development of asset management plans that include best practices, training, technical assistance and other activities to help with implementation of those plans. States also must include an update of these activities to encourage asset management practices in the Governor's triennial report.

D. Green Project Reserve

The FFY 2020 Consolidated Appropriations Act (P.L. 116-94) did not reinstate the requirement to fund projects under the Green Project Reserve (GPR). The FFY 2020 appropriation instead stated that DWSRF capitalization grant funds may, at the discretion of the State, be used for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. The State is still asking 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 Drinking Water Projects and Benefits Reporting database.

E. 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. Prior to SFY 2016 in the SDWLP, all projects were considered federal equivalency projects. Starting in SFY 2016, a decision was made to designate larger projects in larger municipalities as federal equivalency and thus relieve smaller municipalities of the extra

requirements. Over the past several years, many of the projects thus designated have either been delayed or have not come to the SDWLP for funding; this has resulted in a shortfall of equivalency projects.

Starting with SFY 2020, all SDWLP projects in municipalities with a population of 10,000 or greater and total project costs of \$1,000,000 or greater, are automatically designated as federal equivalency.

Federal equivalency projects are required to meet a number of additional requirements, as applicable. These requirements include:

- Enhancing public awareness of state revolving fund assistance agreements – also referred to as a Signage requirement. This requirement can be met through the following methods:
 - Standard signage;
 - Posters or wall signage in a public building or location;
 - Newspaper or periodical advertisement for project construction, groundbreaking ceremony or operation of the new or improved facility;
 - Online signage placed on community website or social media outlet; or
 - Press release.
- Compliance with Federal Single Audit Act, 2 CFR 200 Subpart F.
- Compliance with NEPA-like Environmental Review (National Environmental Policy Act). The State Environmental Review Process (SERP) includes numerous federal cross-cutting regulations and is applied to all projects receiving funding.
- Compliance with Equal Employment Opportunity, Executive Order 11246.
- Promoting the Use of Small, Minority, and Women-owned Businesses, Executive Orders 11625, 12138, and 12432.
- Compliance with Debarment and Suspension, Executive Order 12549.
- Compliance with Demonstration Cities and Metropolitan Development Act, P.L. 89-754, as amended.
- Compliance with Uniform Relocation Assistance and Real Property Acquisition Policies Act, P.L. 91-646, as amended.
- Completion and submittal of [DNR Form 8700-201](#), Federal Equivalency Projects Assurances and Certification. This form has recently been revised. Please make certain you use the current version of the form.

XIV. DISADVANTAGED COMMUNITIES PROGRAM & PRINCIPAL FORGIVENESS (PF)

The SDWLP offers a lower interest rate to local governmental units that meet two eligibility criteria. This interest rate is 33% of the state's market rate. The two eligibility criteria are:

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

Local governmental units that do not meet the two criteria receive loans at 55% of these state's market rate.

In addition, the methodology used to allocate PF is primarily based on population and MHI, and gives the highest percentage of PF to those local governmental units that have the greatest financial need. The methodology for allocating PF is described below and must be met by any municipality that is awarded PF (with the exception of the new private LSL replacement program).

A. Affordability Criteria and Methodology for Distribution of PF Funds

The PF allocation methodology is structured to allocate PF funds to the highest priority projects in municipalities with the greatest financial need, primarily determined by MHI and population, with additional points awarded based on a number of criteria included in Table 3. (See page 16 for tables.)

Regular PF in the amount of \$5,486,963 will be provided. Applications submitted by June 30, 2020, will be ranked in priority

score order, and then the following PF methodology will be applied:

- Population points ranging from 0 to 50 are awarded under Table 1 with the highest points assigned to the smallest populations.
- MHI points ranging from 0 to 100 are awarded under Table 2 based on the municipality's MHI's percentage of the State MHI with the highest points assigned to the lowest MHI percentages.
- Table 3 points will be awarded as follows:
 - Replacement of LSLs – 10 points for watermain projects that include LSL replacements when at least 40% of the services being replaced are composed of lead. 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.
 - Implementing Corrosion Control Study Recommendations – 10 points for projects that are implementing the approved recommendations from a corrosion control study. Eligibility will be determined by the DNR's Drinking Water Program.
 - Development of New Asset Management Plans – 10 points for development of a new Asset Management Plan (completed within the previous 12 months). Minimum criteria for the asset management plans is available on our [program website](#). Plans must be submitted by June 30, 2020 and will be approved by the DNR's Drinking Water Program.
 - Revision/Updating of Asset Management Plans – 5 points for revising or updating an existing Asset Management Plan (within the previous 12 months). Updated plans must be submitted by June 30, 2020 and will be approved by the DNR's Drinking Water Program. Criteria for updated plans is available on our [program website](#). Criteria and approval will be the same as for new Asset Management Plans (above).
 - Public Water System Partnerships - 5 points for execution of a new public water system agreement (within the previous 12 months) between two or more water systems in which the technical, managerial, and financial capacity will be improved in one or more water systems. Required materials must be submitted by June 30, 2020 and will be approved by the DNR's Drinking Water Program. Criteria for awarding PWS partnership points is available on our [program website](#).
- **Please note that starting in SFY 2022, Table 3 will no longer exist as part of the PF allocation methodology.** Instead points for these items will be available under Section IV of the PERF. This change will allow all SDWLP applicants to benefit from completing these activities. See Section XII. above for more information on the available points.
- Scores from Tables 1 through 3 are added together and then used to determine the eligible PF percentage in Table 4. Note that Table 4 was changed starting in SFY 2019 to eliminate the 15% PF tier and lower the bottom range of the 30% PF tier. Also note that Tables 1 and 2 have been modified to remove the 2-point options since these had no effect on the total score as far as shifting between PF tiers.
- Projects in municipalities that are Green Tier Legacy Communities or 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 4, with the caveat that no municipality can receive PF for more than 70% of total project costs.
- The amount of PF any municipality can receive in one SFY is capped at \$500,000. 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.

See tables on next page.

Table 1	
Points	Population
0	10,000+
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	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 – see Note above	
Points	Additional Criteria
10	Projects including the replacement of LSLs (minimum of 40% of service lines)
10	Projects implementing recommendations from a corrosion control study
10	Applicants with a new Asset Mgmt. Plan approved by the Drinking Water Program
5	Applicants with a revised/updated Asset Mgmt. Plan approved by the Drinking Water Program
5	Applicants with a new executed agreement between two or more community water systems to improve TMF capacity

Table 4	
Total Score	PF Percent
0-49	No PF
50-79	30%
80-99	45%
100-165	60%

B. Other Policies Regarding Principal Forgiveness (PF)

- **No 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. **A**

minimum of 30% of the costs used to calculate PF must be taken as a loan in order to qualify for PF. This restriction does not apply to the private LSL replacement program.

- **No PF on costs covered by other funding sources** – When calculating project costs that are eligible for PF, the amounts from other funding sources (Community Development Block Grant, USDA-Rural Development, local bank, etc.) are deducted from total eligible project costs before applying the eligible PF percentage determined in Table 4 above. Internal funds contributed towards a project are not deducted before calculating the eligible PF amount. **Note that this is a change from previous policy in that other sources of loan funding will now 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 will 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 2021 Funding List.
- **PF restrictions on refinancing** - Due to restrictions contained in the FFY 2020 Consolidated Appropriations Act, PF is not allowed to be used to refinance costs paid by interim financing that was incurred prior to December 20, 2019,

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.

C. Principal Forgiveness from Previous Years

All principal forgiveness from the FFY 2010 through 2018 grants has been awarded. All projects allocated PF on the SFY 2020 funding list (from the FFY 2019 grant) will close on their loans by the end of June 2020. Any PF remaining from the FFY 2019 grant will be added to the PF available during SFY 2021 in the final version of this IUP.

XV. APPLICATION DEADLINE & FUNDING LIST

The SDWLP received 226 ITA forms and PERFs totaling \$582,991,275 in estimated project costs by the October 31, 2019, deadline. 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 2021. An additional forty-four ITA forms were received for projects that were ineligible or undetermined.

Thirty-nine applications totaling \$75,032,797 in requested funding were received by the June 30, 2020 application deadline. Principal forgiveness totaling \$5,906,265 was allocated to nineteen projects on the list. As the FFY 2020 capitalization grant has already been awarded, there will not be a draft version of the funding list. The SDWLP Funding List for SFY 2021 has been posted on the program [website](#).

XVI. SET-ASIDES

A. Small Systems Technical Assistance

The SDWA allows up to 2% of the Capitalization Grant to be requested every year for small systems technical assistance. From the beginning of the program through SFY 2020, the DNR has requested \$6,479,709 in set-aside funds for this purpose. The DNR is requesting an additional \$242,133 from the FFY 2020 Capitalization Grant to fund the technical assistance activities described below.

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. Two types of technical assistance are delivered under this contract:

- (1) The contractor conducts 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.
- (2) 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, public notice and notification requirements, and violation follow-up.

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.

B. Wellhead/Source Water Protection

The SDWA provides that a state may request up to 15% of the Capitalization Grant 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. Since the beginning of the SDWLP, the DNR has requested a total of \$5,326,150 for WHP activities, including \$416,714 that was transferred from source water assessment program (SWAP) funds.

The DNR is requesting an additional \$626,531 from the FFY 2020 Capitalization Grant to fund the following WHP activities:

- Water Supply Specialist (0.5 FTE) Responsible for the contract implementation of a community watershed intervention approach to protecting drinking water systems in priority geographic areas. The approximate staff budget for the half-time position is \$61,090 per year.
- Sponsorship of two 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 specifically recruited from communities with state- or county-led wellhead protection initiatives underway. Past trainees are alerted about 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 Wisconsin Geological and Natural History Survey to provide these educational tools and the training to use them (\$32,000).
- Research project titled: *Water Security in Armenia, WI: Modeling for informed decision-making in a nitrate-impacted watershed* (year two of a two-year project \$ 53,117).
- 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.

Drinking Water/Groundwater Bureau Map Exporter	\$7,500
Drinking Water/Groundwater Bureau Updater (Data Loader)	\$15,000
Drinking Water/Groundwater Bureau Viewers	\$15,000
Groundwater Retrieval Network (GRN) Maintenance	\$27,000
Groundwater Retrieval Network Web query	<u>\$15,000</u>
Total data management and mapping request for SFY 2021	\$79,500

- Implementation of a community watershed intervention approach to protecting drinking water systems in priority geographic areas. Groundwater quality data from public water systems indicates an increasing trend of nitrate levels in public wells across the State of Wisconsin. Nitrate contamination has spread and increased in intensity despite broad offerings of education on wellhead protection and decades of cost-sharing for best management practices. Continued increases in nitrate levels will ultimately result in installation of water treatment equipment by water system owners in order to meet the SDWA standard for nitrate. This project is documenting the potential of, and methods for, changing the practices of the point and nonpoint contributors of nitrogen to groundwater in order to avoid the need for costly water treatment equipment. The project focuses on three selected municipal water systems with rising nitrates and well-studied hydrogeology. A range of groundwater and agricultural practice monitoring tools as well as groundwater and agricultural modeling are being deployed at each site. Incentives and innovative institutional arrangements are also being developed. Using baseline data and modeled scenarios, advanced nitrogen management systems will be developed, implemented, and monitored to ensure protection of each well. Together these tools should achieve nitrogen loss targets that avoid violations of the nitrate standard. The project will document the methods and outcomes in a form suitable and accessible for adaptation in other geographic priority areas (\$400,824).

The total cost of these activities is:

Water Supply Specialist position .5 FTE	\$61,090
Groundwater teacher workshops	\$32,000
Research Project	\$53,117
Data management and mapping applications	\$79,500
Incentivized Watershed Intervention Approach	<u>\$400,824</u>
Total set-aside request	\$626,531

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. Funds for this set-aside were first requested for SFY 2010 and a total of \$10,737,904 has been requested prior to SFY 2021.

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 9,300 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 2020, the DNR entered into 44 contracts covering 54 counties with approximately 6,900 TNC systems. For calendar year 2021, the DNR is planning to add one county to the program. The DNR is requesting \$1,322,501 for this TNC sampling and inspection program.

D. State Program Management

The SDWA provides that a state may request up to 10% of the Capitalization Grant for State Program Management (SPM) activities. An additional \$2,700,341 from the FFY 2020 Capitalization Grant is being requested for SPM. The amount requested includes \$823,741 of SPM funds that were banked under previous grants.

As a result of implementation of additional SDWA requirements (such as the 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). Seventeen positions are assigned to these tasks that are described in more detail below. The SPM set-aside is being utilized to fund these activities:

- Natural Resources Regional Program Manager (1): Responsible for management and supervision of the Public Water Supply Section. The section chief is responsible for setting program policies and processes to properly and effectively implement the SDWA.

- Engineer (2): 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.
- Engineer (1): Responsible for reviewing plans and specifications for community water systems for compliance with construction requirements of ch. NR 811, Wis. Adm. Code, reviewing sanitary survey inspections conducted at municipal water systems, coordinating regional engineering review of water system improvements, and coordinating regional review of existing water supply facilities.
- Water supply/program specialist (7): 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.
- Safe Drinking Water Act Coordinator (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.
- 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 SDWA. 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.
- 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.
- Lead and Copper 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, locations, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy; and 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; statewide and interdepartmental coordination of program activities.
- Lead and Copper Water Supply Specialist (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, locations, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy; and 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; statewide and interdepartmental coordination of program activities.

The approximate staff budget for the 17 positions is \$2,009,925 per year. Other program expenses are as follows:

- Computer replacement and upgrades: Total cost: \$5,000.
- 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 (8 limited term employees): Total cost per year: \$239,554.

- Contractual activities:
 - Large volume source water assessment monitoring under the Revised Total Coliform Rule (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 in spring and fall each year in advance of the certification exam sessions. The course is designed around the Wisconsin *Small Water System Operator Certification Manual*. Annual cost: \$7,950.
 - 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 also 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 will contract for three (3) online training courses comprised of four (4) unique learning modules, the first training module anticipated to be ready for implementation by January 2021. These online modules will be management trainings intended for government bodies (village, city or town boards) as well as other utility governing boards (utility commissions) and professionals with decision authority as it pertains to drinking water utilities. Annual cost: \$33,200.
 - Data system programming associated with the Drinking Water System, the Lab Data Entry System, and the Environmental Licensing and Certification Database. Annual cost: \$176,000.
 - Record storage costs for plan approval decisions. Annual cost: \$10,000.

In total, the DNR is requesting \$2,700,341 from the FFY 2020 Capitalization Grant for activities under this set-aside. These funds will be expended across the year following expenditure of the FFY 2019 set-aside funds.

XVII. PUBLIC PARTICIPATION PROCESS

The draft SFY 2021 SDWLP IUP was initially published for 21-day public comment on April 6, 2020; several comments were received, including a comment from EPA indicating that a scoring system for the private LSL Replacement Program was needed. An amended draft IUP was published for 21-day public comment on July 27, 2020; no comments on the amended version were received. An email notification was sent to a distribution list of approximately 2,100 recipients each time the IUP was published. A Response to Comments document is being posted concurrently with this final IUP. The [SDWLP Funding List for SFY 2021](#) was published on October 2, 2020.