

STATE OF WISCONSIN
SAFE DRINKING WATER LOAN PROGRAM
INTENDED USE PLAN
FOR FFY 2021 FUNDS
FOR THE SFY 2022 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 2022
For Receipt of the EPA Federal Fiscal Year 2021 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 2021, comprise the State of Wisconsin Intended Use Plan for Federal Fiscal Year (FFY) 2021 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 2021 and covers anticipated activity during State Fiscal Year (SFY) 2022. Assurances and specific proposals for meeting federal requirements are provided in the Operating Agreement between the State and EPA Region 5.

II. DESCRIPTION OF THE SAFE DRINKING WATER LOAN PROGRAM (SDWLP)

The SDWLP operates as a leveraged loan program. Proceeds from revenue bonds issued by the State of Wisconsin provide state match that equals 20% of the capitalization grant received from EPA. The SDWLP is jointly administered by the Wisconsin Department of Natural Resources (DNR) and the Department of Administration (DOA) as a program under the Environmental Improvement Fund (EIF).

Under ch. NR 166, Wis. Adm. Code, a local governmental unit may receive financial assistance for projects with the following purposes:

- 1) Address SDWA health standards that have been exceeded or to prevent future violations of health standards and regulations contained in ch. NR 809, Wis. Adm. Code. This includes projects to maintain compliance with existing regulations for contaminants with acute health effects and regulations for contaminants with chronic health effects.
- 2) Replace infrastructure if necessary to maintain compliance or further the public health protection goals of the SDWA. This includes projects with any of the following purposes:
 - a. To rehabilitate or develop sources, excluding reservoirs, dams, dam rehabilitation and water rights, to replace contaminated sources;
 - b. To install or upgrade treatment facilities if, in the DNR's opinion, the project would improve the quality of drinking water to comply with primary or secondary drinking water standards;
 - c. To install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the public water system;
 - d. To install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels.
- 3) Consolidate existing community water systems that have technical, financial or managerial difficulties. Projects for consolidating existing systems shall be limited in scope to the service area of the systems being consolidated.
- 4) Purchase a portion of another public water system's capacity if it is the most cost-effective solution.

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

Please see Section 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 September 1 through December 31, 2021, is 2.70%. This rate is subject to change quarterly, or more frequently if deemed necessary due to emergency situations.

Since the beginning of the SDWLP, loans had been required to mature no more than twenty years from the date of the Financial Assistance Agreement. Recent changes at both the state and federal level now allow loans to mature not later than thirty years from the expected date of project completion, 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.

Loan terms greater than 20 years will need to be supported by an asset cost-weighted analysis to demonstrate that the mean anticipated design life of work funded under the loan equals or exceeds the loan duration. Projects consisting solely of pipeline construction do not require such documentation and are eligible for a 30-year loan.

Under the analysis, costs for each asset or asset system (HVAC, process equipment, tanks, etc.) are multiplied by the design life of that asset, summed, and divided by the total project cost less any non-asset costs. The resulting number, truncated at the integer, provides the maximum loan duration, not to exceed 30 years. Land should not be included in this calculation.

The cost-weighted-average design life should be documented on the provided [design life calculation worksheet](#). Asset design life may not exceed the range provided on that sheet for the relevant category unless asset-specific documentation supports an exception. The "lifespans" table provides recommended asset design lives, but deviations are allowed from these values. The design life of assets should reflect site-specific conditions. For instance, support systems such as HVAC should not be listed with a design life that exceeds the remaining design life of the structure that they serve.

Non-asset costs such as demolition, engineering, and administration should not be included in the design life calculations. The effective life of those costs is determined by the assets' lifespan. Loans for demolition-only projects will be evaluated on a case-by-case basis.

If a loan term greater than 20 years is desired, it is preferable that the design life calculation worksheet be submitted along with project plans and specifications, but an absolute requirement that the spreadsheet be submitted no later than 9 weeks prior to the anticipated loan closing date.

As with twenty-year loans, DOA determines the applicable market interest rate for the quarter in which the project will close, based on market conditions at that time. The market rate in effect, for loans amortized for greater than 20 years but less than or equal to 30 years, for September 1 through December 31, 2021, is 2.90%.

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 2021 Capitalization Grant in the amount of \$18,749,000. A 20% state match in the amount of \$3,749,800 is authorized under state law and will be generated from revenue bonds. All state matching funds for the FFY 2021 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 2021 grant will be made at a cash draw ratio of 100% federal funds.

The FFY 2021 appropriation for the DWSRF, Public Law (P.L.) 116-260, requires states to award 14% of the capitalization grant as additional subsidy. Based on a capitalization grant amount of \$18,749,000, P.L. 116-260 requires that \$2,624,860 be provided as additional subsidy. In addition, recent changes to the SDWA now require a minimum of 6% and up to 35% of the capitalization grant (\$1,124,940 - \$6,562,150) to be awarded as additional subsidy to disadvantaged communities. All additional subsidy will be provided in the form of principal forgiveness (PF).

In addition to the FFY 2021 capitalization grant, Wisconsin applied for the state's share of funds that were reallocated from the State of Wyoming's FFY 2019 DWSRF capitalization grant. These funds, in the amount of \$173,000, were awarded as an

amendment to Wisconsin's FFY 2019 DWSRF capitalization grant and required a state match of \$34,600. Additionally, a minimum of 26% (\$44,980) is required to be awarded as additional subsidy.

Wisconsin will make \$5,044,980 in new PF available for SFY 2022 plus \$2,105,267 in PF released from previous SFYs for a total of \$7,150,247 in PF available for traditional drinking water projects in SFY 2022.

Subsidized loans in the amount of \$130,000,000 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	\$925,233
Technical Assistance	\$242,133
Wellhead Protection	\$583,417
Local Assistance	\$1,336,292
State Program Management	<u>\$2,458,862</u>
Total Amount of Set-asides:	\$5,545,937

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 AUTHORITY

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

The State requests to bank an additional \$132,847 in Small Systems Technical Assistance funds from the capitalization grant and \$3,460 from the reallocated funds; to draw \$583,962 of banked State Program Management funds while banking \$17,300 from the reallocated funds; and to draw \$11,760 of banked Administrative funds, under this IUP. In addition, we are correcting banked Administrative amounts from FFYs 2017 through 2020 to reflect calculations utilizing the 1/5% of total net position option of calculating allowable administrative costs. This brings total banked funds to \$10,427,446; see the table below. These banked funds are available for possible designation from a future Capitalization Grant.

Set-aside	Previous Banked Totals	Correction to Reflect 1/5% of Total Net Position	Banked/Drawn from FFY 21 Grant	Banked from Reallocated Funds	New Banked Totals
Administration	\$2,268,660	\$352,092	(\$11,760)	\$0	\$2,608,992
State Program Management	\$7,256,959	\$0	(\$583,962)	\$17,300	\$6,690,297
Small Systems Technical Assist.	\$991,850	\$0	\$132,847	\$3,460	\$1,128,157
Totals	\$10,517,469	\$352,092	(\$462,875)	\$20,760	\$10,427,446

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, allowed a one-time transfer of funds, as principal forgiveness, from the CWFP to the SDWLP for the purpose of addressing a threat to public health as a result of heightened exposure to lead in drinking water. WIFTA allowed an amount equal to no more than 5% of

the cumulative clean water revolving fund capitalization grants made to the state to be transferred for this purpose. Wisconsin transferred the full amount allowable of \$63,809,549 on October 1, 2020. More information on the 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 2022. 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 CFWP 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, 2021 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, 2022.

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 contracted for the creation of three [online training courses](#), comprised of four modules. These online modules are management trainings intended for government bodies (village/town boards and city councils) as well as other utility governing boards (utility commissions) and professionals with decision authority as it pertains to drinking water utilities. The first two modules were available in January 2021, the third module was available in July 2021 and the final module will be ready for implementation by January 2022. These training modules are titled *Utility Management – Part A*; *Utility Management – Part B*; *Asset Management*; and *Financial Management*, respectively.

The overarching theme of all four training modules is to aid governing bodies in developing and maintaining technical, managerial and financial (TMF) capacity of a water utility - capacity development. The purpose of the training is to educate the governing bodies of water utilities on how to effectively manage their utility, their utility's assets, and their utility's finances. Although these trainings are specifically intended for governing bodies and other governmental professionals with decision authority, the content of all four modules is highly relevant to waterworks operators certified by the DNR. Therefore, certified waterworks (municipal) operators are eligible to enroll in all four modules and will earn one continuing-education credit for each successfully completed module.

There is no cost to take the trainings and they are not offered at specific dates and times but rather are self-paced and can be accessed for up to a year after registering. Each module should take approximately one hour to complete.

In order to incentivize this training, 10 points is being 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 are available starting in SFY 2022. More information on this can be found 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 individual service line replacements that do not result in complete removal of all lead components of water service lines from the watermain to the water meter or other connection point inside each property. Galvanized service lines that are currently, or have previously been, downstream of lead components 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 public side of the service line.

When lead service lines are discovered during a watermain replacement project funded by the SDWLP, and the private side of a lead service line is not able to be replaced at the same time as the public side, it is recommended that the private side replacement occur within 45 days of the public side replacement but required that it occur within 90 days in order to be eligible for SDWLP funding. Funding disbursement should not be requested until the entire line has been replaced. The water utility

is also required to provide the customer with point-of-use filtration during the time period between the public and private side replacements, and enough filters for 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.

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. PSC approval is required by the time of application submittal.

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. Principal Forgiveness Funding for Private LSL Replacements

The Water Infrastructure Financing Transfer Act (WIFTA), which was passed on October 4, 2019, allowed 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 allowed an amount equal to no more than 5% of the cumulative clean water state revolving fund capitalization grants made to the state to be transferred for this purpose. In Wisconsin, 5% of the cumulative CWFP capitalization grants received through October 1, 2020 came to \$63,809,549. These funds were transferred on October 1, 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. Awards made in 2017 are being closed out; municipalities with awards made in 2018 had through the end of June 2021 to incur costs under those awards and those awards will be closed out by the end of the year.

Applications submitted for the 2021 construction season are expected to utilize approximately \$40 million of the currently available funding. We are hopeful that more funding for the Private LSL Replacement Program will be allocated through the anticipated federal infrastructure bill, but whether that will occur, and the exact amount of funding that would be available, is currently unknown. It is our intention to publish an amendment to the LSL section of this IUP later this year after more information becomes available.

The private LSL replacement program is 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, which awarded funding in SFYs 2017 and 2018, the funding is not restricted to municipalities meeting the disadvantaged criteria. Reporting to the PSC completed through August 12, 2021 shows 202 municipalities reporting at least one lead or galvanized customer-side service line for a combined total of at least 184,704 private LSLs in Wisconsin. In addition to this, another 50,038 customer-side service lines have been reported as “unknown – may contain lead”. These numbers are an increase from the previous year’s reporting. The number of known private LSLs is expected to increase as municipal inventory efforts are completed.

For SFY 2022, we initially planned to set an application deadline of Monday, November 15, 2021. Due to continued uncertainty about the structure of the program in 2022, **this deadline is being pushed back to January 18, 2022.** It is our intention to have the LSL application and PERF revised and posted by the beginning of December.

Once the application form is available, municipalities should submit their applications via email to DNRLSLfunding@wisconsin.gov rather than through the online application system. The LSL application form will be revised once final decisions are made on how to allocate funding in a scenario where there is not enough funding for all applicants. 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, or a slightly modified version included in the previously mentioned IUP amendment, which will be posted for public comment. The methodology for allocating funds under a scenario where there is insufficient funding for all applicants has not yet been decided but will be described in the amendment to the IUP.

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 30, 2022 for the 2022 construction season) and awards will be closed out at that time. Shortly thereafter, funds available for the next construction season, if any, will be calculated. Any eligible excess expenses from the previous construction season will be given first priority for funding in the following construction season as long as sufficient funding is available.

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, brass service lines, 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 from previous LSL replacement program funding recipients, and other local data, or if a municipally-bid contract is utilized, the award will be based on eligible contracted costs;
- Whether any cost-sharing from homeowners will be required. In this instance, the awarded amount per LSL would be reduced accordingly.
- The amount of available funding may have an impact on the size of awards.

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. Past experience has shown that even when 100% of the costs are being covered, many homeowners still choose not to have their LSL replaced.

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. This system may be modified slightly once decisions are made on how to allocate funding if there is not enough funding for all applicants. Any modifications would go through the public comment process as part of the IUP amendment.

In any funding year, excess costs for LSL replacements that were incurred by program participants during the previous construction season will be allocated first, before allocating the remaining funding utilizing the scoring criteria described below. If the amount of excess costs from the previous year being requested is greater than the total available funding, those costs would be allocated in priority score order using the score from the previous funding cycle.

The Priority Evaluation and Ranking Form (PERF), which was utilized for 2021 and is specific to LSL projects, is being revised. Applicants are required to submit the PERF no later than the application submittal deadline.

- **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 generate points equal to the percentage, adjusted to the nearest whole number.
- **Percent of Population Under Age 5:** Using data from the ACS, the percent of a municipality's population under the age of five will generate points as follows:
 - Up to 2.5% = 5 points
 - Greater than 2.5% up to 5% = 10 points
 - Greater than 5% up to 7.5% = 15 points
 - Greater than 7.5% up to 10% = 20 points
 - Greater than 10% = 25 points
- **Municipal Population:** This will be used as a tiebreaker only, with the lower population receiving priority.
- **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.
- **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 30 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 data for the other metrics is obtained.
- **Whether all remaining LSLs can be removed in the upcoming construction season:** Municipalities that are positioned to remove all their remaining LSLs in one construction season will be awarded 20 points. This metric will be evaluated using the following criteria:
 - Whether a mandatory LSL replacement ordinance has been adopted.
 - The status of inventory efforts and reporting of inventory to the PSC.
 - The municipality's detailed plan for removing all LSLs.

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; 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;
- 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; 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 are being implemented starting with SFY 2022.

Points are available under 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 for its drinking water utility. 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. DNR's Drinking Water Program reviews and approves all Asset Management Plans.
- 15 points will be granted for projects where the applicant has submitted a revised/updated Asset Management Plan for its drinking water utility. Updated plans must be submitted by June 30 of each year in conjunction with a SDWLP application. DNR's Drinking Water Program reviews and approves all Asset Management Plans. Criteria for updated plans is available on 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. The municipality must submit required materials by June 30 of each year in conjunction with a SDWLP application. DNR's Drinking Water Program will review these materials to determine point eligibility. Criteria for awarding public water system partnership points is available on our [program website](#).

The following modification is 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).

Starting in SFY 2023, the following points will apply to watermain replacement projects that also include the replacement of private LSLs:

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

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, 2020, financial statements for the EIF, the total net position of the SDWLP is equal to \$456,736,755, yielding allowable administrative funds of \$913,473 under the 1/5 percent option. This amount is higher than 4% of the capitalization grant amount (\$749,960). Administrative funds in the amount of \$925,233 are being requested so \$11,760 will be drawn from the \$2,620,752 in banked administrative authority. (See Section V. above for details on banking of set-aside authority.)

B. Consolidated Appropriations Act of 2021

The FFY 2021 Consolidated Appropriations Act (P.L. 116-260), enacted on December 27, 2020, contained additional requirements beyond what is included in the federal regulations governing the DWSRF. The requirements for FFY 2021 included the provision that 14% of the amount of the FFY 2021 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 2021 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 2021 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 that encourage asset management practices in the Governor's triennial report.

D. Green Project Reserve

The FFY 2021 Consolidated Appropriations Act (P.L. 116-260) did not reinstate the requirement to fund projects under the Green Project Reserve (GPR). The FFY 2021 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.

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. The one exception to this is that private LSL replacement projects will never be designated as federal equivalency regardless of the award amount or population of the municipality.

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 the 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 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. Note that in previous years there were four tables. Points under the previous Table 3 were moved to Section IV of the PERF in order to allow all applicants to benefit from completing the activities. Table 4 has now been relabeled as Table 3.

PF in the amount of \$7,150,247 will be provided. Applications that were submitted by June 30, 2021, were ranked in priority score order, and then the following PF methodology was applied:

- Population points ranging from 0 to 50 were awarded under Table 1 with the highest points assigned to the smallest populations.
- MHI points ranging from 0 to 100 were 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.
- Scores from Tables 1 and 2 were added together and then used to determine the eligible PF percentage in Table 3.
- Projects in municipalities that are Green Tier Legacy Communities or that are providing disinfection where it was not provided previously were eligible for an additional 10% PF on top of the percentage determined by Table 3, 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.

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	
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. 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,

internal funds, etc.) are deducted from total eligible project costs before applying the eligible PF percentage determined in Table 4 above. **Note that this is a change from previous policy in that internal funds 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 may collaborate with other long-term, affordable funding sources on a case-by-case basis to consider available options to meet the financial needs of the municipality's project.
- **Disbursement of PF** – PF funds are disbursed as a percentage of each disbursement request. The percentage is the percentage of PF that the municipality is eligible for, up to the cap, if applicable. The proportional disbursement of PF is a more fair and equitable way to distribute these funds and results in a more accurate payment of PF to each municipality. This policy reduces potential overpayments of PF and ensures that PF funds are distributed as widely as possible to eligible municipalities based on actual costs rather than anticipated costs.
- **No PF "roll-down"** – PF amounts may shift between projects within the fundable range on the *Final Funding List*. If any PF remains after all projects in the fundable range have closed their loans, this PF will be moved forward to the next year's funding list. No PF will roll down past the last project identified in the fundable range for PF on the Final SFY 2022 Funding List.
- **PF restrictions on refinancing** - Due to restrictions contained in the FFY 2021 Consolidated Appropriations Act, PF authorized by the Appropriations Act is not allowed to be used to refinance costs paid by interim financing that was incurred prior to December 27, 2020, the date the Appropriations Act was enacted. This restriction only applies to the PF required by the Appropriations Act (14% of the capitalization grant), not to any additional PF that is provided under SDWA provisions.

C. Principal Forgiveness from Previous Years

All principal forgiveness from the FFY 2010 through 2019 grants has been awarded.

XV. APPLICATION DEADLINE & FUNDING LIST

The SDWLP received 275 ITA forms and PERFs totaling \$616,800,831 in estimated project costs by the October 31, 2020, deadline. The projects were subsequently scored and placed on the Project Priority List (PPL) in priority score order. Projects included on the PPL were eligible to apply for funding during SFY 2022. An additional 31 ITA forms were received for projects that were ineligible or undetermined.

Fifty-eight applications totaling \$129,379,310 in requested funding were received by the application deadline of June 30, 2021. Principal forgiveness of \$7,150,247 was allocated to 23 projects on the list. The draft SDWLP [Funding List](#) for SFY 2022 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 2021, the DNR has requested \$6,721,842 in set-aside funds for this purpose. The DNR is requesting an additional \$242,133 from the FFY 2021 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 \$5,952,682 for WHP activities, including \$416,714 that was transferred from source water assessment program (SWAP) funds.

The DNR is requesting an additional \$583,417 from the FFY 2021 Capitalization Grant to fund the following WHP activities:

- Water Supply Specialist (.5 FTE) Responsible for the contract implementation of a community watershed decision support tools for source water protection and prevention of MCLs to protecting drinking water systems in priority geographic areas. The approximate staff budget for the 0.5 position is \$62,313 per year.
 - Sponsorship of one online workshop 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).
- 1) 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	\$49,600
Groundwater Retrieval Network Web query	<u>\$15,000</u>
Total data management and mapping request for SFY 2022	\$102,100

2) Decision Support Tools for Source Water Protection / Prevention of Nitrate MCLs: Development of new groundwater source water assessment tools and nitrogen fertilizer decision support tools used to implement source water protection approaches identified as outstanding needs in order to prevent violations of the health-based drinking water standard for nitrate at public wells. Nitrate is the most prevalent groundwater contaminant causing exceedances of the drinking water standard for public water supplies in Wisconsin. The Groundwater and Nitrogen Fertilizer Decision Support Tools project was developed in order to address gaps in source water protection implementation capabilities on a statewide basis as identified in our pilot municipal well nitrate MCL prevention projects and through work with source water collaborative partners throughout the state to provide technical assistance and implement interventions in the form of voluntary incentive based land use changes where public wells were trending higher in nitrate levels. Better tools are needed in order to:

- (1) establish quantified nitrate leaching load reduction goals necessary in order to stem or reverse upward nitrate trends in public wells;
- (2) more effectively target pollutant load reduction goals apportioned among nonpoint pollutant source land use areas within source water protection areas; and
- (3) provide estimates of leaching loads anticipated for proposed agricultural nutrient management practices and management practices specifically intended to reduce nitrate leaching (agricultural conservation practices).

The Groundwater and Nitrogen Fertilizer Decision Support Tools project currently consists of contracts with technical partners with a set of multi-year objectives to develop multiple end user tools (web server based or downloadable software) in the following component areas:

- (1) methods to efficiently evaluate transport of nitrate from areas contributing of recharge of wells, including accounting for existing entrained legacy nitrate in the groundwater flow system derived from historical land uses to explain present nitrate concentrations in the well and forecast quantity of overall load reduction needed and time estimation for nitrate trend improvement based on the groundwater age distribution of water captured by the well;
- (2) as a means to effectively target these load reductions, methods to improve source water assessments for the vast majority of public wells that do not have groundwater flow model-based area contributing recharge delineations; and
- (3) methods to evaluate land use scenarios in order to quantitatively implement nitrate load reduction goals in source water protection areas by providing software tools to assess ranges of expected nitrate loading from current and proposed land uses, including crop nutrient management plans, with an emphasis on modeling a range of agricultural crop management systems to predict nitrate leaching versus crop production tradeoffs.

These tools are interrelated and will be utilized in conjunction to provide source water protection capacity functions that are currently not available. Additionally, all planned groundwater transport related tools (groundwater age estimates in a well, evolution of concentrations of a conservative contaminant in a well based on changes in loading, leveraging of existing regional groundwater flow models to derive new rapid source water assessment capabilities for public wells which have not received contributing area delineations beyond simplified calculated fixed-radius methods) will have source water assessment utility for any groundwater contaminants of concern to public water supplies (\$387,004).

The total cost of these activities is:

1. Water Supply Specialist position .5 FTE	\$62,313
2. Groundwater teacher workshops	\$32,000
3. Data management and mapping applications	\$102,100
4. Decision Support Tools for Source Water Protection/Prevention of Nitrate MCLs	<u>\$387,004</u>
Total set-aside request	\$583,417

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 \$12,060,405 has been requested prior to SFY 2022.

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 2021, the DNR entered into 44 contracts covering 54 counties with approximately 6,800 TNC systems. In calendar year 2022, the DNR is planning to add one county to the program. The DNR is requesting \$1,336,292 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 \$2,458,862 from the FFY 2021 Capitalization Grant is being requested for SPM. The amount requested includes \$583,962 of SPM authority that was 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). Fourteen and a half positions are assigned to these tasks that are described in more detail below. The SPM set-aside is being utilized to fund these activities:

5. 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.
6. 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.
7. 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.
8. Safe Drinking Water Act Coordinator (1): 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 (0.5): 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 Safe Drinking Water Act. Activities include evaluating: public water system materials for sources of lead and copper; proper monitoring site types, location, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy; 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; and 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 Safe Drinking Water Act. Activities include evaluating: public water system materials for sources of lead and copper; proper monitoring site types, location, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy; 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; and statewide and interdepartmental coordination of program activities.

The approximate staff budget for the 14.5 positions is \$1,666,093 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 half-time limited term employees): Total cost per year: \$338,323.
- 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 throughout the year as preparation for certification exams. The course is designed around the Wisconsin *Small Water System Operator Certification Manual*. Annual cost: \$8,109.
- 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 is currently contracting with Moraine Park Technical College for three (3) online training courses comprised of four (4) unique learning modules, the first two training modules launched January 2021. These online modules are management trainings intended for government bodies (city councils and village/town boards) as well as other utility governing boards (utility commissions) and professionals with decision making authority as it pertains to drinking water utilities. Annual cost: \$33,200.
- During SFY 2021, the DNR began contract discussions with ABC Certification Services to convert DNR's hardcopy, in-person license and operator exams to a virtual format, along with an in-person testing-center option. The COVID-19 pandemic posed a number of challenges to the DNR's previous model of in-person exams, prompting the DNR to put out a request for bid for a testing provider who could offer an online exam option. The total startup cost for this contract in SFY 2021 was \$16,750. Annual cost: \$5,925.
- Data system programming associated with the Drinking Water System, the Lab Data Entry System, and the Environmental Licensing and Certification Database. Annual cost: \$178,500.
- Record storage costs for plan approval decisions. Annual cost: \$5,000.

In total, the DNR is requesting \$2,458,862 from the FFY 2021 Capitalization Grant for activities under this set-aside. These funds will be expended across the year following expenditure of the FFY 2020 set-aside funds.

XVII. PUBLIC PARTICIPATION PROCESS

The draft IUP was published for a 21-day public comment period on May 27, 2021. An e-mail notification was sent to a distribution list of approximately 2,400 recipients. One set of comments was received. A Response to Comments document will be posted on the program website by the end of October 2021. The SDWLP [Funding List](#) for SFY 2022 was published on September 30, 2021.