

**STATE OF WISCONSIN
SAFE DRINKING WATER LOAN PROGRAM
INTENDED USE PLAN
FOR FFY 2022 CAPITALIZATION GRANTS
FOR THE SFY 2023 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 2023
For Receipt of the EPA Federal Fiscal Year 2022 Capitalization Grants**

I. INTRODUCTION

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

Section 1452(b) of the SDWA requires that each state prepare an annual Intended Use Plan (IUP) that identifies the uses of the funds in the DWSRF and describes how those funds support the goals of the SDWA. This document, along with the draft Funding List that was published September 19, 2022, comprise the State of Wisconsin Intended Use Plan for Federal Fiscal Year (FFY) 2022 DWSRF Base and Supplemental Capitalization Grant funds and other monies available in the DWSRF. The IUP is part of Wisconsin's base and supplemental capitalization grant agreement package for FFY 2022 and covers anticipated activity during State Fiscal Year (SFY) 2023. This IUP will be amended later this year in order to provide more detailed plans for FFY 2022 Emerging Contaminants and Lead Service Line Capitalization Grant funds. Assurances and specific proposals for meeting federal requirements are provided in the Operating Agreement between the State and EPA Region 5.

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

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

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

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

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

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

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

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

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

The SDWLP offers loans at a subsidized interest rate of 55% of the state's market rate. 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. At the time of writing, the market rate in effect is 3.90% for loans amortized over 20 years, and 4.10% for loans amortized over a period greater than 20 years and up to 30 years. On a quarterly basis, or more frequently if necessary, DOA establishes the market rate.

Loan terms greater than 20 years must be supported by an asset cost-weighted analysis to demonstrate that the mean anticipated design life of work funded under the loan equals or exceeds the loan duration. Such documentation is not required for projects consisting solely of pipeline construction, and pipe projects are considered eligible for a 30-year loan due to their tendency to have longer design lives. Under the analysis, costs for each asset or asset system (HVAC, process equipment, tanks, etc.) are multiplied by the design life of that asset, summed, and divided by the total project cost less any non-asset costs. The resulting number, truncated at the integer, provides the maximum loan duration, not to exceed 30 years.

The cost-weighted-average design life should be documented on the [Design Life Calculation Worksheet](#). Asset design life may not exceed the range provided on the worksheet for the relevant category unless asset-specific documentation supports an exception. The “lifespans” table provides recommended asset design lives, but deviations from these values are allowed. The design life of assets should reflect site-specific conditions. For instance, support systems such as HVAC should not be listed with a design life that exceeds the remaining design life of the structure that they serve. Non-asset costs such as demolition, engineering, land, and administration should not be included in the design life calculations. The effective life of those costs is determined by the assets’ lifespan. Loans for demolition-only projects will be evaluated on a case-by-case basis.

If a municipality desires a loan term greater than 20 years, DNR prefers that the municipality submit the design life calculation worksheet along with project plans and specifications; there is an absolute requirement that the municipality shall submit the worksheet no later than 9 weeks prior to the anticipated loan closing date.

Interest payments are required semi-annually on May 1st and November 1st while principal payments are required annually on May 1st. Effective beginning with the May 1, 2022 loan repayment cycle, the DNR and DOA began collecting a loan service fee of 0.25% on SDWLP loans that have originated since July 1, 2017. This service fee is a component of the interest rate and does not result in an interest rate that is higher than what is described above.

III. SHORT- AND LONG-TERM GOALS

Federal regulations require that short- and long-term goals be developed for the program. Progress in meeting these goals is discussed in each year’s Annual Report to EPA. Goals for the SDWLP are listed below.

A. Short-Term Goals:

- Provide financial assistance, including principal forgiveness, to economically disadvantaged communities for the purpose of installing the necessary infrastructure to provide safe drinking water.
- Research methods to provide additional assistance to water systems with programs that assist low-income rate payers.
- Explore avenues to support pre-apprenticeship, registered apprenticeship, and youth training programs that open pathways to employment.
- Continue to develop and improve strategies, programs, and mechanisms to ensure, improve, and evaluate the ability of public water systems to provide safe drinking water.
- Implement the Lead and Copper Rule and prepare to implement the Lead and Copper Rule revisions including conducting inventories and funding lead service line replacement.
- Provide financial assistance, including 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.
- Encourage public water systems to plan for the impacts of extreme weather events and provide funding through the SDWLP for projects that implement sustainability and resiliency.

B. Long-Term Goals:

- Assist public water systems in achieving and maintaining compliance with all applicable State and Federal drinking water requirements.
- Facilitate distribution system materials inventories and the replacement of all remaining lead service lines, in their entirety, in the State of Wisconsin.
- Protect the public health and environmental quality of the State of Wisconsin.
- Manage the state revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity.
- Monitor the progress of state programs and strategies in improving the ability of public water systems to provide safe drinking water.
- Maintain a program for ensuring that all public water systems are constructed, operated, maintained, and monitored properly.
- Protect drinking water supplies by integrating wellhead protection and source water protection efforts with other water and land use programs.
- Develop methods and mechanisms for measuring program effectiveness.

IV. SOURCES AND USES OF FUNDS

The table below summarizes the capitalization grant amounts, their respective required state match, and the amount of principal forgiveness that is made available from each grant.

FFY 2022 Federal Grant	Total Grant	State Match	Principal Forgiveness
<i>Base Cap Grant</i>	\$11,943,000	\$2,388,600	\$5,852,070
<i>Supplemental Cap Grant</i>	\$30,666,000	\$3,066,600	\$15,026,340
<i>Emerging Contaminants Cap Grant</i>	\$12,877,000	\$0	\$12,877,000
<i>Lead Service Line Cap Grant</i>	\$48,319,000	\$0	\$23,676,310
Totals	\$103,805,000	\$5,455,200	\$45,431,732

State Match

The required 20% state match for the Base Capitalization Grant and 10% for the Supplemental Capitalization Grant is authorized under state law and will be generated from revenue bonds. All state matching funds will be disbursed to loan recipients before the state makes the first draw of federal funds from the capitalization grant. Thereafter, all draws against the grant will be made at a cash draw ratio of 100% federal funds.

Principal Forgiveness

The FFY 2022 appropriation for the DWSRF, Public Law (P.L.) 117-103, requires states to award 14% of the Base Capitalization Grant as additional subsidy. Based on a capitalization grant amount of \$11,943,000, P.L. 117-103 requires that \$1,672,020 be provided as additional subsidy. In addition, the Bipartisan Infrastructure Law (BIL) amended the SDWA to require a minimum of 12% and up to 35% of the Base Capitalization Grant (\$1,433,160 - \$4,180,050) be awarded as additional subsidy to disadvantaged communities through loan principal forgiveness, grants, or negative interest loans. All additional subsidy will be provided in the form of principal forgiveness (PF), which has shown to be the most efficient method of providing additional subsidy and does not involve imposing additional federal grant requirements on recipients. Under the Base Capitalization Grant, Wisconsin will make \$5,852,070 in new PF available for SFY 2023.

The BIL mandates that 49% of funds provided through the DWSRF Supplemental Capitalization Grant and the Lead Service Line Capitalization Grant must be provided as additional subsidy. Based on grant amounts of \$30,666,000 and \$48,319,000 respectively, \$15,026,340 and \$23,676,310 will be provided as PF under these authorities.

The BIL requires that 100% of the Emerging Contaminants Capitalization Grant be provided as additional subsidy. Based on an Emerging Contaminants Capitalization Grant amount of \$12,877,000, 25% of that (\$3,219,250) must be provided as PF to municipalities meeting the state's disadvantaged criteria.

Financial Planning and Loan Capacity

Pursuant to a contract with a firm registered with the Municipal Securities Rulemaking Board as a municipal advisor and assumptions from and discussions with DOA, a model is maintained that demonstrates perpetuity of the SDWLP. Changing market conditions, funding commitments from EPA, and other factors have continuous impacts on this model. In addition, DOA maintains its own model as a check and balance. Both models provide guidance for the long-term financial health of the SDWLP.

The amount of loans and principal forgiveness the SDWLP expects to award in SFY 2023 will exceed the amount of the total FFY 2022 federal grants received by the SDWLP. The SDWLP is part of the State's Environmental Improvement Fund, which provides leveraged financing for the SDWLP. As a result, Wisconsin issues loans in total that exceed the annual federal capitalization grant. Based on recent modeling, Wisconsin currently has the capacity and capability to fund all the projects expected to be awarded in SFY 2023. A dollar amount is not identified because it is directly related to the actual needs of customers, which varies from year to year. While the above is true for this year, continued growth in demand for the SDWLP may require funding limitations in future years.

Set-Aside Summary

The table below summarizes the budgeted amounts from the set-aside authorities under each grant. Plans for the Emerging Contaminants and Lead Service Line set-asides will be detailed in amendments to this IUP and are shown as TBD in the table. See Section V for a discussion of set-aside banking and Section XV for planned uses of the individual set-asides.

FFY 2022 Federal Grant	Administration	Small System Tech. Assist.	Wellhead Protection	Local Assistance	State Program Management
<i>Base Cap Grant</i>	\$477,720	\$235,085	\$626,368	\$1,165,082	\$1,194,300
<i>Supplemental Cap Grant</i>	\$1,080,781	\$0	\$400,000	\$403,980	\$2,974,990
<i>Emerging Contaminants Cap Grant</i>	TBD	TBD	TBD	TBD	TBD
<i>Lead Service Line Cap Grant</i>	\$TBD	TBD	TBD	TBD	TBD
Totals	\$1,558,501	\$235,085	\$1,026,368	\$1,569,062	\$4,169,290

Leveraged Funds

The 2021- 2023 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.

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 designated for future use or be “banked” for designation from future capitalization grants.

The State requests to bank an additional \$617,095 in Small Systems Technical Assistance funds and to bank \$91,610 in State Program Management funds. This brings total banked funds to \$11,136,151; see the table below. These banked funds are available for possible designation from a future capitalization grant. In addition, set asides budgeted in the table above that are unused and may be banked, will be banked at the end of the fiscal year. Plans for the Emerging Contaminants and Lead Service Line set-asides will be detailed in amendments to this IUP and are shown as TBD in the table.

<i>Federal Grant</i>	Administration	Small System Technical Assistance	State Program Management
<i>Previously Banked Amounts</i>	\$2,608,992	\$1,128,157	\$6,690,297
<i>Base Cap Grant</i>	\$0	\$3,775	\$0
<i>Supplemental Cap Grant</i>	\$0	\$613,320	\$91,610
<i>Emerging Contaminants Cap Grant</i>	TBD	TBD	TBD
<i>Lead Service Line Cap Grant</i>	TBD	TBD	TBD
Totals	\$2,608,992	\$1,745,252	\$6,781,907

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 CWF to the SDWLP prior to FFY 2002. DNR is not currently considering transferring Base or Supplemental Capitalization Grant funds but reserves the right to do so in the future.

Due to risks to human health presented by perfluoroalkyl substances in drinking water, DNR plans on transferring all the FFY 2022 Clean Water Emerging Contaminants Capitalization Grant to the SDWLP. DNR will publish a draft amendment to the SDWLP IUP which will include details regarding the transfer.

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 CWF to the SDWLP for the purpose of addressing a threat to public health as a result of heightened exposure to lead in drinking water. WIFTA allowed an amount equal to no more than 5% of the cumulative clean water state revolving fund capitalization grants made to the state to be transferred for this purpose. The State transferred the full amount allowable of \$63,809,549 on October 1, 2020.

VII. COMPLIANCE WITH FEDERAL REQUIREMENTS

A. Water Infrastructure Improvements for the Nation (WIIN) Act

The Water Infrastructure Improvements for the Nation Act (P.L. 114-322) was enacted on December 16, 2016. Subtitle A of WIIN pertains to Safe Drinking Water and includes provisions impacting the DWSRFs.

One of the WIIN provisions impacting the DWSRFs was a change in how the allowable amounts of administrative funds are calculated, similar to the changes made to the Clean Water State Revolving Fund (CWSRF) when the Water Resources Reform and Development Act (WRRDA) was passed in June 2014. This change allows the State of Wisconsin to use the

greatest of: \$400,000; 1/5 percent of the current valuation of the DWSRF; or an amount equal to four percent of all capitalization grant awards to the fund.

Based on Wisconsin's June 30, 2021, financial statements for the EIF, the total net position of the SDWLP is equal to \$531,532,053, yielding allowable administrative funds of \$1,063,064 under the 1/5 percent option. This amount is less than 4% of the capitalization grants [\$477,720 (Base) + \$1,226,640 (Supplemental)] so the 4% of each capitalization grant option will be utilized. The total Administrative set-aside budget is \$1,558,501. See Section V above for details on banking of unutilized set-aside authority.

B. Consolidated Appropriations Act of 2022

The Consolidated Appropriations Act, 2022 (P.L. 117-103), contained additional requirements beyond what is included in the federal regulations governing the DWSRF. The requirements for FFY 2022 included the provision that 14% of the amount of the FFY 2022 DWSRF Base Capitalization Grant must be utilized to provide additional subsidization in the form of grants, principal forgiveness, or negative interest rate loans. Projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities are still eligible for funding, but there is no longer a requirement to spend a specific percentage of the capitalization grant funds on green projects.

C. Davis-Bacon and Related Acts Wage Rate Requirements

Davis-Bacon Act requirements are listed in the SDWA §1452(a)(5). Compliance guidance on Davis-Bacon requirements is available on the [program website](#). All projects receiving funding are required to certify their weekly payrolls on their disbursement request forms. Compliance is further verified during field inspections of projects and an additional certification that the requirements were met is required as part of project closeout.

D. Bipartisan Infrastructure Law

President Biden signed the Bipartisan Infrastructure Law (BIL) also known as the "Infrastructure Investment and Jobs Act of 2021", on November 15, 2021 (P.L. 117-58). It included \$50 billion for the EPA to strengthen the nation's drinking water and wastewater systems – the single largest investment in clean water that the federal government has ever made.

The BIL provides three appropriations for the DWSRF for each federal fiscal year 2022 through 2026 (see the table below). The base capitalization grant amount is set through the annual congressional appropriations process and is therefore not included in the table.

Funds	Annual Estimated Funding
Drinking Water SRF Supplemental	\$30–\$41 million
Drinking Water Emerging Contaminants	\$12.8 million
Drinking Water LSL Replacement	\$48 million

- **SRF Supplemental** – All DWSRF-eligible projects may be funded from this appropriation. Forty-nine percent of the appropriation is required to be provided to disadvantaged communities as additional subsidy. DWSRF Supplemental programmatic requirements mirror the base DWSRF program.
- **Lead Service Line Replacement** – The BIL provides a separate appropriation in the amount of \$48,319,000 for LSL identification and replacement. No state match is required for this grant. Forty-nine percent of the grant (\$23,676,310) is required to be awarded to disadvantaged communities as additional subsidy. Development of the new LSL Replacement Program is ongoing. More information can be found in Section XIII.C.

- **Emerging Contaminants** – The BIL provides a separate appropriation in the amount of \$12,877,000 to address emerging contaminants in drinking water with a focus on perfluoroalkyl and polyfluoroalkyl substances. There is no state match requirement, and all funding is required to be awarded as additional subsidy (principal forgiveness) with 25% of the funding (\$3,219,250) required to be awarded to disadvantaged communities. Development of the new Emerging Contaminants Program is ongoing. More information can be found in Section XIV.
- **Base Capitalization Grant Additional Subsidy Amendment** –The BIL amended SDWA requirements related to additional subsidization. States are required to use at least 12% (an increase from 6%), but no more than 35%, of the capitalization grant amount for additional subsidy to Disadvantaged Communities.
- **American Iron and Steel (AIS)** – AIS is now permanent for all DWSRF-funded projects. Information on the use of American Iron and Steel has been detailed in the Environmental Loans E-Bulletin and on the program website. 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](#).
- **Build America, Buy America** – The BIL established the Build America, Buy America (BABA) Act which introduces new domestic sourcing requirements for SRF programs. Pursuant to Section 70914(c) of the BABA Act, EPA may waive the Buy America preference in cases where EPA finds that applying the domestic content procurement preference would be inconsistent with the public interest.

The BABA Act requires that infrastructure projects that receive federal funding be built with iron, steel, construction materials and manufactured products that are produced in America, which is defined as:

- **Iron and Steel:** all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- **Construction Materials:** all manufacturing processes for the construction material occurred in the United States.
- **Manufactured Products:** the manufactured product is manufactured in the United States and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product.

On September 2, 2022, EPA released their final BABA Act [Adjustment Period Waiver for State Revolving Funds](#). It covers SRF projects that have initiated design planning prior to May 14, 2022, the statutory effective date of the BABA requirements. “Initiated project design planning” is defined in the waiver. There is no expiration date for the waiver and it does not apply to BABA requirements for iron and steel since the AIS procurement requirements are still in effect (see above). In addition, BABA is considered a federal cross-cutting requirement that only applies to federal equivalency projects.

E. Green Project Reserve

The FFY 2022 Consolidated Appropriations Act (P.L. 117-103) did not reinstate the requirement to fund projects under the Green Project Reserve (GPR). The FFY 2022 appropriation instead stated that DWSRF capitalization grant funds may, at the discretion of the State, be used for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. DNR encourages SDWLP applicants to complete the [GPR form \(8700-357\)](#). Any GPR projects that receive funding will be reported to EPA in the Annual Report and the Office of Water State Revolving Fund (OWSRF) database.

F. Federal Equivalency

The EPA requires States to designate projects in an amount equal to each year's capitalization grant (minus the set-asides) to meet some additional federal requirements. These projects are referred to as Federal Equivalency projects.

As of SFY 2023, all SDWLP projects in municipalities with a population of 10,000 or greater are designated as federal equivalency. In addition, any Emerging Contaminants projects, regardless of the municipality's size, will be 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 the Build America, Buy America Act, P.L. 117-58, §§ 70901-52.
- Compliance with Prohibition on certain telecommunication and video surveillance services or equipment, Section 889 of P.L. 115-232.
- 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.
- Compliance with Climate-Related Financial Risk, Executive Order 14030, which reinstates Establishing a Federal Flood Risk Management Standard and a Process for Further Soliciting and Considering Stakeholder Input, Executive Order 13690.

G. Data Reporting

All projects funded by the SDWLP will be reported in the Office of Water State Revolving Fund (OWSRF) database on an ongoing basis, as required by U.S. EPA. In addition, Wisconsin will meet the reporting requirements set forth by the Federal Funding Accountability and Transparency Act (FFATA) and will report annually into the National Information Management System (NIMS) database, which is included in the OWSRF database.

VIII. POLICY CHANGES IMPLEMENTED DURING SFY 2019

A number of policy changes were implemented starting in SFY 2019. These changes are still in effect for SFY 2023. 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

All MHI calculations used to determine the subsidized interest rate will be rounded to the third place after the decimal. This policy is truer to language in sections of the 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 for SFY 2024 by October 31, 2022, 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, 2023.

E. PERF Score Objections

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

F. Potential Extra Points for Lead ALEs

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

IX. METHOD AND CRITERIA FOR DISTRIBUTION OF LOAN FUNDS

The priority evaluation and ranking system for the 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.

SDWLP'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 that meet the application deadline are listed on the Funding List in priority order (by project score). The fundable range is established in priority order, except when ranking projects in priority order does not result in at least 15% of the funds being allocated to small systems serving less than 10,000 people. In this case, systems serving less than 10,000 people are given priority until the 15% funding allocation requirement is met.

In the event of a disaster, as declared by the state or federal government, project priorities may be adjusted to ensure protection of public health and the environment.

X. CHANGES TO PERF SCORING CRITERIA

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

Starting in SFY 2023, Section II (Financial Need) points will no longer be limited to municipalities with a population less than 10,000 and a median household income (MHI) less than or equal to 80% of the state's MHI. Instead, municipalities will be scored according to the PF allocation methodology specified in Section XI.A of this IUP. Fifteen percent of the sum of a given municipality's score in Tables 1-6 of Section XI.A will be added to the PERF score for the municipality's project. For example, if a municipality scores a total of 100 points in Tables 1-6, 15 points will be added to the PERF score for each of the municipality's projects. When comparing projects of a similar type, this change will increase the likelihood that projects from disadvantaged communities will be prioritized. It will also award financial need points to disadvantaged communities with populations greater than 10,000 and/or an MHI greater than 80% of the state's MHI.

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

- 10 points will be granted if at least 50% of the members of the water utility's governing body have taken all of the online training modules available at the time of application (see Section XVI). Training must be completed and certified online by June 30 of each year in conjunction with a SDWLP application.
- 20 points will be granted for projects including the replacement of LSLs where the LSLs constitute at least 40% of the service lines being replaced. This also includes galvanized material that is downstream of lead goosenecks or services. Service line material documentation must be submitted with the application in order to be awarded points. Note that a municipality does not need to be in receipt of an ALE to receive these points.
- 20 points will be granted for projects implementing the approved recommendations from a corrosion control study. Eligibility will be determined by the DNR's Drinking Water Program.

- 20 points will be granted for projects where the applicant has submitted a new Asset Management Plan for its drinking water utility. Minimum criteria for the Asset Management Plans is available on the [program website](#). Plans must be submitted by June 30 of each year in conjunction with a SDWLP application. DNR's Drinking Water Program reviews and approves all Asset Management Plans.
- 15 points will be granted for projects where the applicant has submitted a revised/updated Asset Management Plan for its drinking water utility. Updated plans must be submitted by June 30 of each year in conjunction with a SDWLP application. DNR's Drinking Water Program reviews and approves all Asset Management Plans. Criteria for updated plans is available on the [program website](#). Criteria and approval will be the same as for new Asset Management Plans (above).
- 10 points will be granted for projects where the applicant has executed a new agreement between two or more water systems to improve technical, managerial, and financial capacity. The municipality must submit required materials by June 30 of each year in conjunction with a SDWLP application. DNR's Drinking Water Program will review these materials to determine point eligibility. Criteria for awarding public water system partnership points is available on our [program website](#).

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

- 4 points will be awarded under question SC7 if the project includes replacement of lead joints or replacement of LSLs where the LSLs constitute less than 40% of the service lines being replaced.

The following points apply to 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

Starting in SFY 2024, projects to address PFAS contamination will receive points based on the Department of Health Services' Hazard Index (HI). The HI will be multiplied by 100 (maximum points of 300). If EPA or the Wisconsin Department of Health Services issues a revised health advisory level for any PFAS compound, this scoring may be modified.

In the event of a tie on the funding list, the municipality with the smaller population will be ranked above the municipality with the larger population. If a tie still remains, the municipality with the smaller MHI figure will be ranked above the municipality with the larger MHI figure.

XI. DISADVANTAGED COMMUNITIES PROGRAM AND PRINCIPAL FORGIVENESS (PF)

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. Under s. 281.61(11), Wis. Stats., 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.

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

A. Disadvantaged Communities and the 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. For SFY 2023, Wisconsin plans to make \$20,878,410 of PF available to municipalities that qualify according to the methodology detailed in this section. Applications that are submitted by June 30, 2022, will be ranked in priority score order, and the PF methodology will be applied.

EPA's BIL Implementation memorandum dated March 8, 2022, describes a key priority of BIL as "[ensuring] that disadvantaged communities benefit equitably from the historic investment in water infrastructure." Additionally, EPA expects states to, "Evaluate and revise, as needed, the DWSRF disadvantaged community definition." To meet this expectation, Wisconsin reviewed numerous potential criteria and other policy changes. As a result of this work, a mostly new methodology is detailed below.

In summary, the revised methodology adds two new criteria to gauge the financial need of a municipalities' residents. Those criteria are detailed in Table 3 and Table 6. Another change is to align the PF scoring methodology between the CWFPP and the SDWLP programs. For the SDWLP, this would add points for county unemployment rates and municipal population trends that are currently used in the CWFPP. Furthermore, more tiers are proposed in Table 7 than were used in the previous SFY.

See the tables and further description below.

Table 1	
Points	Population
0	≥10,000
10	8,500–9,999
20	5,000–8,499
30	3,000–4,999
40	2,000–2,999
50	1,500–1,999
60	1,000–1,499
70	500–999
80	250–499
100	0-249

Table 2	
Points	MHI Percent
0	126%+
5	116% to <126%
10	106% to <116%
15	101% to <106%
20	96% to <101%
25	91% to <96%
30	86% to <91%
40	81% to <86%
50	76% to <81%
60	71% to <76%
70	66% to <71%
85	61% to <66%
100	<61%

Table 3	
Points	Family Poverty Percentage
0	<8%
5	8% to <12%
10	12% to <16%
20	16% to <20%
30	20% to <24%
40	24% to <28%
50	28% to <32%
65	32% to <36%
80	36% to <40%
100	40%+

Table 4	
Points	Population Trend
5	Projected to lose 5% to less than 10% of population over 20 years
10	Projected to lose 10% to less than 15% of population over 20 years
15	Projected to lose 15% or greater of population over 20 years

Table 5	
Points	County Unemployment Rate
10	County unemployment rate is greater than the state's rate by less than one percentage point
20	County unemployment rate is greater than the state's rate by one to less than two percentage points
25	County unemployment rate is greater than the state's rate by two percentage points or greater

Table 6	
Points	Lowest Quintile Household Income Upper Limit (LQI)
10	Municipal LQI 70% to less than 80% of Wisconsin LQI
15	Municipal LQI 60% to less than 70% of Wisconsin LQI
20	Municipal LQI less than 60% of Wisconsin LQI

Table 7	
Points Received in Tables 1-6	Qualified PF Percentage
0-59	No PF
60-69	10%
70-79	15%
80-94	20%
95-109	25%
110-124	30%
125-139	35%
140-154	40%
155-169	45%
170-184	50%
185-199	55%
200-249	60%
250-360	65%

- **Table 1** – Population points are awarded under Table 1 with the highest points assigned to the smallest populations. The points in this table are doubled from their previous values in order to maintain this criterion's significance after adding additional economic need criteria, namely through Table 3 and Table 6. Data for this criterion comes from the DOA's Demographic Service Center.
- **Table 2** – Median Household Income (MHI) points are awarded based on the municipality's MHI as a percent of the state mean MHI with the highest points assigned to the lowest MHI percentages. This criterion uses 5-year estimates from the American Community Survey, table ID B19013 from data.census.gov. More details regarding this criterion can be found [here](#).
- **Table 3** – Family poverty percentage points are awarded based on the percentage of families in a municipality with incomes below 200% of the federal poverty level. This criterion uses 5-year estimates from the American Community Survey, table ID S1702 from data.census.gov.
- **Table 4** – Population trend points are awarded to municipalities that are projected to lose 5% or greater of their population over 20 years. Data for this criterion comes from the DOA's Demographic Service Center. Currently, DOA's Demographic Service Center only has municipal population projections available as far as 2040; therefore, population trend is calculated using 2020 population estimates in comparison to 2040 projections.

- **Table 5** – Unemployment points are awarded based on county unemployment rates in relation to the average state unemployment rate. Data for this criterion comes from the [Wisconsin Department of Workforce Development](#). County unemployment rates are calculated by averaging not seasonally adjusted, final unemployment rates from the most recent 12 months of data.
- **Table 6** – Lowest quintile household income (LQI) points are awarded based on the municipality's LQI as a percent of the state mean LQI with the highest points assigned to the lowest LQI percentages. This criterion uses 5-year estimates from the American Community Survey, table ID B19080 from data.census.gov.

To calculate the LQI in B19080, the ACS groups all household incomes for a given place into five equal parts. The first quintile (or lowest quintile) is the value that defines the upper limit of the lowest one-fifth of the cases. For example, if there are a total of 10 households sampled in a community, the lowest two household incomes are the lowest quintile. Of those two households, if one has an income of \$10,000 and the other has an income of \$14,000, then upper limit of the lowest quintile would be \$14,000.

- **Table 7** – To calculate a value in Table 7, a municipality's scores from Tables 1 through 6 are summed. The summed value determines the percentage of PF the municipality qualifies for in Table 7. Municipalities that qualify for PF meet the state's Disadvantaged Communities definition. Table 7 now includes additional tiers to more accurately reflect a municipality's score and to smooth the transition between the tiers.
- **Green Tier** – Projects in municipalities that are [Green Tier Legacy Communities](#) are eligible for an additional 10% PF on top of the percentage determined by Table 7, with the caveat that no municipality can receive PF for more than 70% of total project costs. The municipality must have signed the Green Tier Charter prior to the application deadline date. A minimum score of 60 points is required in order to qualify for the additional 10% PF.
- **Providing Disinfection** – Projects in municipalities that are providing disinfection where it was not provided previously are eligible for an additional 10% PF on top of the percentage determined by Table 7, with the caveat that no municipality can receive PF for more than 70% of total project costs. A minimum score of 60 points is required in order to qualify for the additional 10% PF.
- **Municipal PF Cap** – The amount of PF any municipality can receive in one SFY is capped at \$1,500,000. This is a three-fold increase from last SFY, which is consistent with the additional PF allocated to Wisconsin through the BIL. 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.
- **Data Sources** – In SFY 2023, data for Tables 1 and 2 has already been gathered and published. Table 1 uses final population estimates with a reference date of January 1, 2021. Table 2 uses American Community Survey 5-year estimates from 2015-2019. Tables 3-6 will use the most recent data available around the start of the SFY, July 1. Starting in SFY 2024, data for all tables will use the most recent data available around the start of the SFY.

B. Other Policies Regarding Principal Forgiveness

- **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.
- **No PF on costs covered by other funding sources** – When calculating project costs that are eligible for PF, only amounts that are financed through the SDWLP will be included in the PF calculation. This is a change from previous policy; internal funds as well as other sources of funding, loan or grant, will be deducted before calculating PF.
- **Jointly-funded Financial Hardship Scenarios** – If a municipality is in dire financial hardship and cannot fund a project while complying with the policies above, the SDWLP may collaborate with other long-term, affordable funding sources on a case-by-case basis to consider available options to meet the financial needs of the municipality's project.

- **Disbursement of PF** – PF funds are disbursed as a percentage of each disbursement request. The percentage is the percentage of PF that the municipality is eligible for, up to the cap, if applicable. The proportional disbursement of PF is a more fair and equitable way to distribute these funds and results in a more accurate payment of PF to each municipality. This policy reduces potential overpayments of PF and ensures that PF funds are distributed as widely as possible to eligible municipalities based on actual costs rather than anticipated costs.
- **No PF “roll-down”** – PF amounts may shift between projects within the fundable range on the *Final Funding List*. If any PF remains after all projects in the fundable range have closed their loans, this PF will be moved forward to the next year’s funding list. No PF will roll down past the last project identified in the fundable range for PF on the Final SFY 2023 Funding List.
- **PF restrictions on refinancing** – Due to restrictions contained in the FFY 2022 Consolidated Appropriations Act, PF authorized by the Appropriations Act is not allowed to be used to refinance costs paid by debt incurred prior to March 15, 2022, the date the Appropriations Act was enacted. This restriction only applies to the PF required by the Appropriations Act (14% of the capitalization grant), not to any additional PF that is provided under other authorities.

C. Principal Forgiveness from Previous Years

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

XII. APPLICATION DEADLINE, LOAN CLOSING DEADLINE, AND FUNDING LIST

The SDWLP received 294 ITA forms and PERFs totaling \$594,168,064 in estimated project costs by the October 31, 2021, 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 2023. An additional 64 ITA forms were received for projects that were ineligible or undetermined. The PPL may be revised during the year with updated project information or to correct any errors. Revision dates will be noted on the header of the PPL.

The application deadline for SFY 2023 funding was June 30, 2022. Fifty-one applications totaling \$106,321,559 in requested funding were received by the application deadline of June 30, 2022. Forty-two projects on the list were allocated \$19,259,459 of Principal Forgiveness. The draft SDWLP [Funding List](#) for SFY 2023 is posted on the [program website](#).

Loans for SFY 2023 applicants must close by September 27, 2023.

XIII. REPLACEMENT OF LEAD SERVICE LINES

The SDWLP will not provide funding for individual service line replacements that do not result in complete removal of all lead components of water service lines from the watermain to the water meter or other connection point inside each property. Galvanized service lines that are currently, or have previously been, downstream of lead components 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) approval.

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. BIL Funding for LSL Inventories and Replacements

BIL funding for LSL replacements (both public and private) and inventory work will be available starting in SFY 2024. This funding will be integrated with the regular SDWLP, which will allow applicants to compete for general PF along with LSL PF. Since the LSL program will be integrated with the regular SDWLP, potential applicants must submit an Intent to Apply and PERF by October 31, 2022, in order to be eligible to submit an application by June 30, 2023.

The FFY 2022 LSL Capitalization Grant totals \$48,319,000. BIL requires that 49% of the LSL capitalization grant be awarded as PF (\$23,676,310), and all of the PF is required to be awarded to municipalities meeting the state's disadvantaged criteria. If any WIFTA funds remain after CY 2022 LSL awards are closed out, those funds will be added to the PF available from the BIL LSL grant.

The expansion of eligibility to the public side and inventory work, along with the funding no longer being provided as 100% PF, as in the current program, necessitated the restructuring of the LSL Replacement Program. Work on this restructuring is on-going, including revisions to the LSL-specific priority scoring system.

Although no LSL awards are expected to be made prior to SFY 2024, DNR plans to apply for the LSL Capitalization Grant by early calendar year 2023 to utilize the LSL set-asides. An amendment to this IUP will be published later this year detailing the structure of the new program and plans for the set-asides.

The following are expected to be incorporated into the new LSL program:

- All of the PF will be directed to private side LSL replacements in:
 - Municipalities that qualify as disadvantaged, or
 - Private LSL replacement projects occurring solely within census tracts that qualify as disadvantaged.
- Loan funding from the LSL capitalization grant may be offered at interest rates that are lower than the normal SDWLP rates.
- Engineering costs will be eligible but will be funded with loans.

The LSL PF will be allocated first, utilizing an LSL-specific scoring system, and then, depending on where a project falls in the regular SDWLP scoring and ranking, a portion of the remaining project costs may be eligible for general SDWLP PF. Loan funds from the LSL capitalization grant and regular SDWLP funds will be available for any costs not covered by PF.

Unlike previous years, many municipalities will not receive 100% PF for their private LSL replacements. If a municipality is to receive loan funds secured by a revenue pledge for any of their private-side LSL replacement costs, they will first need

approval from the PSC to use ratepayer funds. Utilities interested in providing financial assistance to their customers who replace customer-side (private) LSLs must submit an [application to the PSC](#) for approval, per s. 196.372(3), Wis. Stats.

As stated above, an amendment to this IUP will be published for public comment later this year detailing the structure of the new LSL Replacement Program.

XIV. EMERGING CONTAMINANTS PROGRAM

The BIL includes a new capitalization grant for emerging contaminants (\$12,877,000). Emerging contaminants are defined as perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants. All of the funding from this grant is required to be awarded as additional subsidy (principal forgiveness) with 25% of the funding (\$3,219,250) required to be awarded to disadvantaged communities.

Given the limited available funds, the program will focus funding on projects related to PFAS contamination. DNR staff from the Environmental Loans program along with staff from the Bureaus of Drinking Water and Groundwater, Water Quality, and Remediation and Redevelopment, have been working on developing this new funding program. While this work is still ongoing, some decisions have been made regarding the structure of the Emerging Contaminants (EC) program for SFY 2024 and beyond.

Due to the fact that the PF funding for EC projects is not sufficient to cover the anticipated needs, the EC funding will be integrated into the regular SDWLP starting in SFY 2024. This will allow applicants to compete for general SDWLP PF as well as the EC PF, with the remainder of a project being covered by regular SDWLP loan funding.

Preliminary plans for the EC Program include:

- The Intent to Apply (ITA) and normal SDWLP PERF for EC projects would be submitted through the online system by October 31 prior to the SFY in which the funding will be requested. For SFY 2024 projects, this date is October 31, 2022.
- Points for PFAS projects have been added to the regular SDWLP PERF (see Section X).
- A separate EC PERF will be developed with a scoring system for ranking EC projects and this ranking will be used for awarding EC PF.
- Applications for SFY 2024 EC projects, including plans and specifications, will be due on the regular SDWLP application deadline of June 30, 2023.

A method for funding EC projects in SFY 2023 is still being developed. Due to timing of the regular SDWLP application deadline, EC projects could not be integrated into the normal SDWLP process for SFY 2023 so these projects were unable to compete for regular SDWLP PF in SFY 2023. Regular SDWLP loan funding, in addition to EC PF, will still be available.

As with the new BIL-funded LSL Replacement Program, an amendment to this IUP will be published for public comment later this year, most likely in October. This IUP amendment will more fully describe the structure of the EC Program, including the EC-specific scoring criteria.

XV. SET-ASIDES

A. Small Systems Technical Assistance

The SDWA allows up to 2% of the capitalization grants to be requested every year for small systems technical assistance. From the beginning of the program through SFY 2022, the DNR has requested \$6,963,975 in set-aside funds for this purpose. The DNR is requesting an additional \$235,085 from the FFY 2022 Base 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.
 - The contractor conducts approximately 700 site visits per year at OTM and NTNC water systems around Wisconsin and provides on-site technical assistance on various subjects, including monitoring requirements and schedules; sample collection protocols; reporting and public notice requirements; violation follow-up; contaminant exceedances; operation and maintenance problems; and regulatory compliance.
 - The contractor delivers quarterly monitoring reminders to all the OTM and NTNC water systems in Wisconsin, for a total of approximately 5,760 contacts per year. The contacts provide information about monitoring, sampling, and reporting requirements, monitoring deadlines, sample collection protocols, sampling locations, lead and copper compliance public notice and notification requirements, and violation follow-up.
 - 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 allows up to 15% of the capitalization grants to be requested for Local Assistance and Other State Programs, with the stipulation that not more than 10% of the capitalization grant can be used for any one activity. One of the eligible uses is to support the establishment and implementation of wellhead protection (WHP) programs under Section 1428 of the SDWA. Since the beginning of the SDWLP, the DNR has requested a total of \$6,973,058 for WHP activities, including \$416,714 that was transferred from source water assessment program (SWAP) funds.

The DNR is requesting an additional \$1,026,368 from the FFY 2022 capitalization grants to fund the following WHP activities. Of that, \$626,368 is budgeted to the Base Capitalization Grant and \$400,000 is budgeted to the Supplemental Capitalization Grant.

- Water Supply Specialist (.5 FTE) Responsible for the contract implementation of community watershed decision support tools for source water protection and prevention of MCLs to protecting drinking water systems in priority geographic areas. The approximate staff budget for the 0.5 position is \$68,305 per year.
- Sponsorship of two in-person workshops to provide training to teachers on use of the groundwater sand tank model and associated outreach to promote source water protection based on increased local awareness. Teachers are 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 (\$29,613).
- 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 Updater (Data Loader)	\$3,200
Drinking Water/Groundwater Bureau Viewers	\$32,000
Groundwater Retrieval Network (GRN) Maintenance	\$53,250
Groundwater Retrieval Network (GRN) Data Submittal	\$15,000
Total	\$103,450

- 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. The tools will be used to implement source water protection approaches identified as priority needs to reduce the frequency of violations of the health-based drinking water standard for nitrate at public wells. Nitrate is the most prevalent groundwater contaminant causing exceedances of the drinking water standard for public water supplies in Wisconsin. The Groundwater and Nitrogen Fertilizer Decision Support Tools project was developed in order to address gaps in source water protection implementation capabilities on a statewide basis as identified in our pilot municipal well nitrate MCL prevention projects and through work with source water collaborative partners throughout the state to provide technical assistance and 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 to:
 - establish quantified nitrate leaching load reduction goals necessary to stem or reverse upward nitrate trends in public wells;
 - more effectively target pollutant load reduction goals apportioned among nonpoint pollutant source land use areas within source water protection areas; and
 - provide estimates of leaching loads anticipated for proposed agricultural nutrient management practices 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:
 - methods to efficiently evaluate transport of nitrate from areas contributing recharge to wells, including accounting for existing entrained legacy nitrate in the groundwater flow system derived from historical land uses to explain present nitrate concentrations in the well and forecast quantity of overall load reduction needed and time estimation for nitrate trend improvement based on the groundwater age distribution of water captured by the well;
 - to effectively target these load reductions, methods are needed 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
 - methods to evaluate land use scenarios 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 combination 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 (\$425,000).
- Comprehensive Public Water Source Protection - Year 1 objectives – Enhancement of DNR Source Water Protection capacity through program scope development, leveraging groundwater spatial datasets and models, piloting

deployment of new groundwater decision support tools, cross-program integration, outreach to municipal and county partners to develop source water protection implementation plans, and leveraging of complimentary funding sources.

- Update priority list of water system candidates for generation of new source water assessments based on water quality trends.
 - Identify priority wells whose source water delineations can be updated by leveraging existing groundwater flow models.
 - Identify priority wells for additional source water assessment needs.
- Develop outreach, education, and coordination plan for new AWIA Source Water Protection provisions, starting with priority water systems.
- Pilot an integrated source water protection planning and implementation effort with select local, state, and federal partners.

Multi-year objectives – Enhanced Source Water Protection (SWP) Program Implementation including statewide or regional priority updates to original SWAP assessments, integration of SWP planning grant and loan program for local SWP implementation including use of complimentary funding sources, deployment of groundwater decision support tools for use by resource managers and research partners (\$200,000).

- Source Water Protection Research Project Allotment – The DNR along with the University of Wisconsin System (UWS); Department of Agriculture, Trade and Consumer Protection (DATCP); and Department of Safety and Professional Services (DSPS) annually participate in a joint solicitation for research and monitoring proposals dealing with groundwater research projects. This selection process is coordinated by the Groundwater Coordinating Council. The DNR has been funding groundwater management evaluation monitoring projects since FY86. The intent of these studies, historically funded through a state segregated account, is to identify appropriate management practices to reduce the risk from potential sources of contamination. The \$200,000 allocation listed here is solely for source water protection projects to develop source water protection, water use management tools, and identify emerging contaminants of concern to public water systems. This funding is in addition to the \$91,900 of state funds received by DNR annually to fund groundwater research projects. Annual cost: \$200,000.

The total cost of these activities is:

Water Supply Specialist position .5 FTE	\$68,305
Groundwater teacher workshops	\$29,613
Data management and mapping applications	\$103,450
Decision Support Tools for Source Water Protection/Prevention of Nitrate MCLS	\$425,000
Comprehensive Public Water Source Protection	\$200,000
Source Water Protection Research Project Allotment	\$200,000
Total	\$1,026,368

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 \$13,396,697 has been requested prior to SFY 2023. DNR is requesting an additional \$1,569,062 from the FFY 2022 Capitalization Grant to fund the local assistance activities described below. Of that, \$1,165,082 is budgeted to the Base Capitalization Grant and \$403,980 is budgeted to the Supplemental Capitalization Grant.

- In accordance with Wisconsin's capacity development strategy to direct efforts towards systems that face the risk of being out of compliance, the DNR is utilizing local assistance set-aside funding to contract with county and local

health agencies for Transient Non-Community (TNC) system inspection services. These services include: conducting annual site visits; collecting drinking water quality samples; and conducting inspections (sanitary surveys) at least once every five years. With implementation of the Revised Total Coliform Rule, county and local health agencies are also assisting seasonal systems with reporting requirements for seasonal system start-up procedures.

- There are approximately 9,186 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 2022, the DNR entered into 45 contracts covering 54 counties with approximately 6,836 TNC systems. The DNR is requesting \$1,469,062 for this TNC sampling and inspection program.
- Source Water Analysis - Provide funding to support counties that have identified areas of drinking water contamination where a public water supply may be needed. The funding would support private well sampling efforts, especially in disadvantaged areas and areas with sensitive populations like young children or the elderly. The long-term goal of the funding is to provide safe drinking water in areas where nitrate and other contaminants are known to exceed drinking water standards or health advisory levels. Annual cost: \$100,000.

D. State Program Management

The SDWA provides that a state may request up to 10% of the capitalization grants for State Program Management (SPM) activities. DNR is requesting an additional \$4,169,290 for SPM. Of that, \$1,194,300 is budgeted to the Base Capitalization Grant and \$2,974,990 is budgeted to the Supplemental Capitalization Grant.

As a result of implementation of additional SDWA requirements (such as the Lead and Copper Rule Revisions, Revised Total Coliform rule, Groundwater rule, Enhanced Surface Water Treatment rule, Disinfection/Disinfection Byproducts rule, Capacity Development requirements, Operator Certification requirements, as well as revised standards for arsenic and radionuclides), additional staff are necessary to meet basic program needs for SDWA initiatives as well as existing program requirement changes (such as sanitary surveys being required every 3 years instead of every 5 years for some system types). Twenty-four 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:

- 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 (3): 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.
- Water supply/program specialist (8): 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 (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 (2): Responsible for coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA. Activities include evaluating public water system materials for sources of lead and copper; proper monitoring site types, location, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy; 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 (2): Responsible for coordinating and assisting in implementation of portions of the state Safe Drinking Water program, specifically the Lead and Copper Rule under the SDWA. Activities include: evaluating public water system materials for sources of lead and copper; proper monitoring site types, location, and monitoring frequency; monitoring data; water quality parameters; treatment efficacy; 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.
- Plan Review Engineer (1): Responsible for reviewing engineering plans, specifications, and reports for proposed water system improvement projects including water mains, wells, well pumps, pumphouses, reservoirs, corrosion control, chemical addition, groundwater treatment facilities, and rehabilitation of wells and elevated tanks to determine compliance with statutes and applicable administrative rules. The Plan Review Engineer also provides professional engineering assistance to water system owners and public water supply staff regarding contamination incidents, potential impacts, and possible remedial actions.
- Infrastructure Improvements Coordinator Water Supply Specialist (1): Responsible for coordinating the small and disadvantaged community program. Lead outreach to communities that have exceedances but are not submitting applications for funding to WDNR. Assist systems with the application process.
- Federal Programs Coordinator Natural Resource Program Coordinator (1): Responsible for coordinating multiple projects and programs funded by the Drinking Water and Groundwater program's federal DWSRF grants. Position provides programmatic and technical expertise to ensure funding metrics are met and is responsible for preparing annual funding budgets and workplans, working with program staff to prepare timely reports, develop and implement initiatives to increase compliance with funding metrics, develop and deliver training for staff working on funded projects, and provide programmatic and budgetary expertise to the program.
- Federal Programs Outreach Coordinator (1): Responsible for serving as the statewide expert on outreach and stakeholder engagement for drinking water programs and projects. Coordinates the review of technical documents, develops informational material, develops roll out plans, coordinates media responses, and assists the program in proactively conveying new policy initiatives, data, reports, and other messaging to the public, regulated community, and other interested parties.
- Federal Grants Technical Coordinator Water Supply Specialist (1): Responsible for conducting the technical application scoring and review of eligible projects submitted by underserved and disadvantaged water systems. Reviews project progress reports and invoices for technical and financial correctness and ensures that these are

submitted by required deadlines. Provides small system technical assistance to underserved and disadvantaged water systems.

- Emerging Contaminants Coordinator (1): Responsible for managing a voluntary Per- and Polyfluoroalkyl substances (PFAS) sampling project at municipal public drinking water systems. Conducts preliminary analysis to determine follow-up sampling requirements. Communicates monitoring requirements as appropriate. Tracks Public Water System (PWS) progress and compliance with sampling plans. Reviews data entry into the Drinking Water System (DWS).

The approximate staff budget for the 24.5 positions is \$3,243,213 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 (10 half-time limited term employees): Total cost per year: \$348,740.
- 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: \$8,592.
 - Technical School Education Program – The DNR contracts with Moraine Park Technical College (MPTC) for delivery of courses designed for certified waterworks operators (at municipal water systems). These courses provide opportunities for municipal waterworks operators to earn continuing education credits and work towards an associate degree in Water Quality Technology. MPTC also provides courses to help operators and individuals seeking to become operators, prepare for certification exams. Annual cost: \$50,000.
 - Online Training in Utility Management, Asset Management, and Financial Management for Utility Governing Bodies – The DNR is currently contracting with MPTC for three online training courses comprised of four unique learning modules. These online modules are management trainings intended for government bodies

(city councils and village/town boards) as well as other utility governing boards (utility commissions) and professionals with decision making authority as it pertains to drinking water utilities. Annual cost: \$26,108.

- During SFY 2021, the DNR began contract discussions with ABC Certification Services to convert DNR's hardcopy, in-person license and operator certification exams to a virtual format, along with an in-person testing-center option. The COVID-19 pandemic posed several challenges to the DNR's previous model of largescale in-person exams, prompting the DNR to contract with 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: \$108,000.
- Record storage costs for plan approval decisions. Annual cost: \$5,000.
- Utility Water Loss Training for municipal owners and operator. Work collaborative with the Public Service Commission of Wisconsin to provide free water loss training and assistance in leak detection to low-income communities. Estimated cost to train a utility is \$5,000-\$7,000. Annual cost: \$200,000

In total, the DNR is requesting \$4,169,290 from the FFY 2022 Base and Supplemental Capitalization Grants for activities under this set-aside. These funds will be expended across the year following expenditure of the FFY 2021 set-aside funds.

XVI. ONLINE TRAINING COURSES

The DNR's Bureau of Drinking Water and Groundwater contracted for the creation of three [online training courses](#), comprised of four learning modules. These online modules are management trainings intended for government bodies (village/town boards and city councils) as well as other utility governing boards (utility commissions) and professionals with decision-making authority as it pertains to drinking water utilities. All four learning modules are available online and can be accessed from the DNR's [Capacity Development webpage](#). These training modules are titled *Utility Management – Part A*; *Utility Management – Part B*; *Asset Management*; and *Financial Management*, respectively.

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

There is no cost to take the learning modules, and they are available on-demand virtually. Each module takes approximately one hour to complete.

In order to incentivize this training, 10 points are granted under Section IV (System and Consolidated System Capacity Points) of the PERF if at least 50 percent of the members of the water utility's governing body have completed all four learning modules and provide proof of completion at the time of application. These points are available starting in SFY 2022. More information on this can be found in Section X.

XVII. PUBLIC PARTICIPATION PROCESS

The draft IUP was published for public comment on June 13, 2022. An email notification was sent to a distribution list of approximately 2,400 recipients. DNR hosted a webinar on June 16, 2022, to discuss changes in the IUP and respond to

questions from attendees. Further information about the webinar is available at the [program website](#).

DNR received three sets of comments. A response to all the comments will be posted to the [program website](#) by the end of October 2022. The final SFY 2023 SDWLP IUP was published September 30, 2022 on the Environmental Loans Project Lists and IUPs webpage.