

STATE REVOLVING FUND PROGRAMS – HOW TO GET ENGAGED

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STATE REVOLVING FUND PROCESS

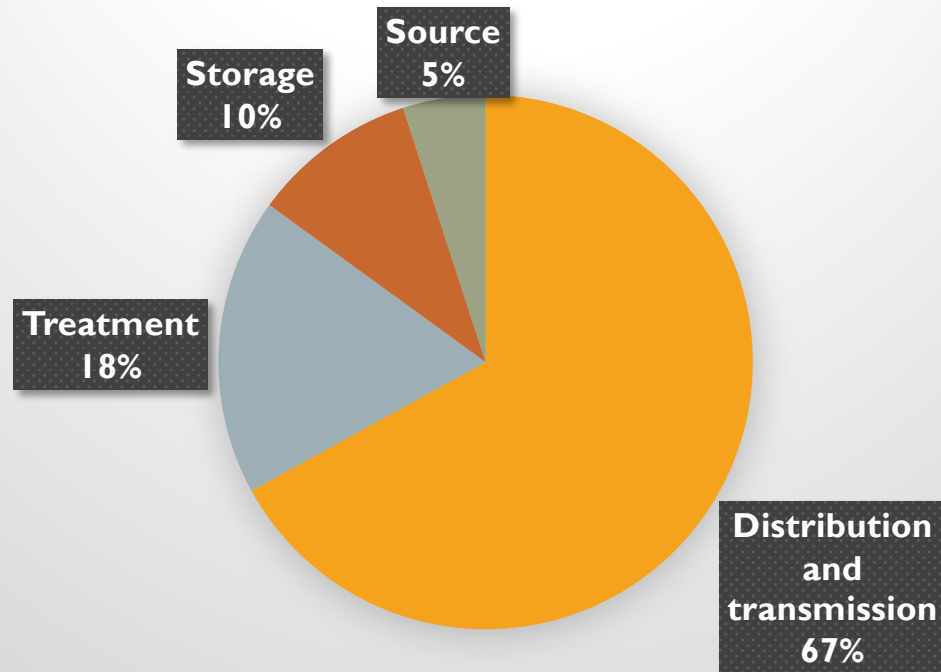


MICHIGAN SRF FUNDED PROJECTS

- For 2022, Michigan received project plans from 78 municipalities for a total of \$768 million in financial assistance
- Michigan offered \$387 million in financing to 62 municipalities
- Average project cost was \$7.1 million
- Common Projects
 - Lead service line replacements
 - Water main replacements
 - Water treatment plant upgrades

SAFE DRINKING WATER ACT NEEDS ASSESSMENT - 2021

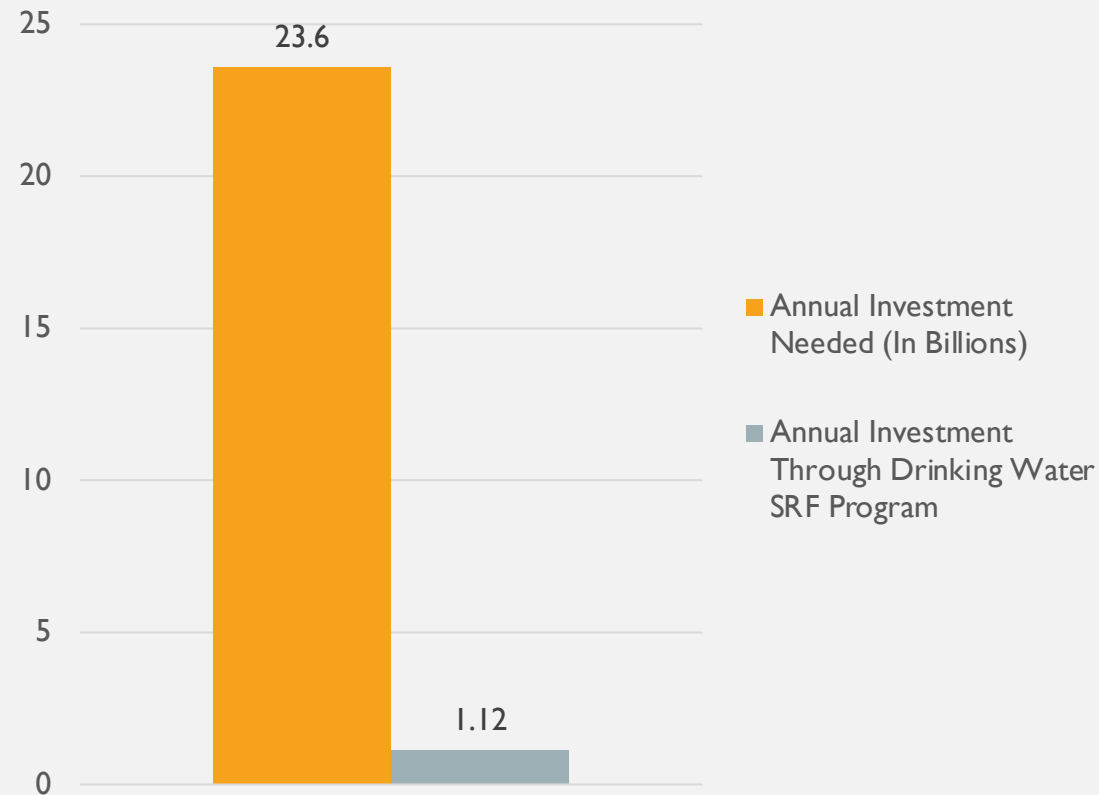
Drinking Water Infrastructure Needs



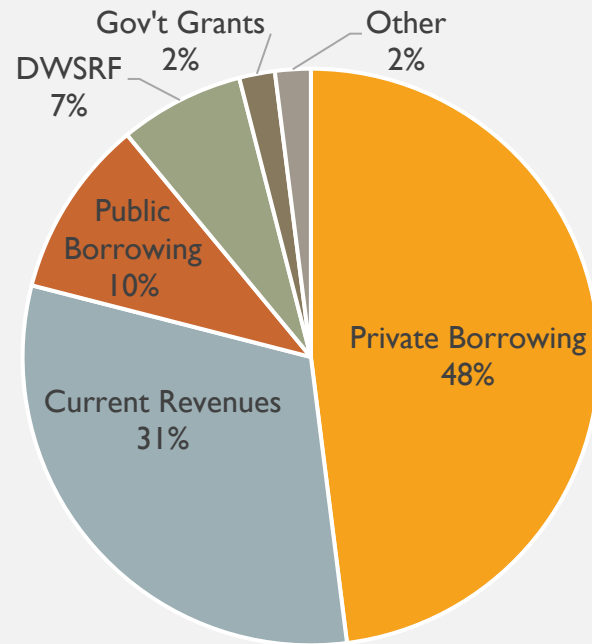
**\$472.6 Billion over the
next 20 years (\$23.6
billion/year)**

- \$312 billion to replace or refurbish aging or deteriorating pipes
- \$83 billion for water treatment
- \$47 billion for storage
- \$21 billion for source water

ANNUAL EPA NEEDS ASSESSMENT COMPARED TO ANNUAL DRINKING WATER SRF FUNDING - 2021



SOURCES OF FUNDS FOR CAPITAL INVESTMENTS IN DRINKING WATER SYSTEMS



Source – EPA Community Water System Survey - 2006

INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA) – SIGNED 11/21

- Additional \$6.14 billion/year over the next five years (2022-2026)
 - \$11.7 billion to drinking water SRF – 49% required principal forgiveness or grants
 - \$15 billion for lead service line replacements through drinking water SRF – 49% required principal forgiveness or grants
 - \$4 billion for PFAS through drinking water SRF – 100% principal forgiveness or grants

EPA GUIDANCE – SRF AND THE BIPARTISAN INFRASTRUCTURE LAW

- Priority 1 – Provide flexibility to states in the implementation of SRF funding by determining priorities for the distribution of funds
 - Determine priorities for funding through scoring criteria
 - Design and manage the SRF application process
 - Set interest rates and repayment terms
- Priority 2 – Increase investment in disadvantaged communities by providing such communities with grants and forgivable loans
 - States define what counts as a "disadvantaged community"

KEY TOPICS

- 1.) Scoring Criteria
- 2.) Interest Rates
- 3.) Additional Subsidies and Disadvantaged Communities
- 4.) IIJA and Lead Service Line Replacements
- 5.) How to Get Engaged

SCORING CRITERIA

- Safe Drinking Water Act requires each intended use plan to describe the criteria established for the distribution of funds.
- Priority must be given to projects that:
 - (1) Address the most serious risk to human health;
 - (2) Are necessary to ensure compliance with federal laws, and;
 - (3) Assist systems most in need on a per household basis according to State affordability criteria.

SCORING CRITERIA

Category Description	Points
Drinking Water System Compliance Total	450 (max)
Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	250
Non-Acute Viol. of DW Standards, Health Advisory Levels, SWTT, Disease	200
Facility Upgrade to Maintain Compliance	150
Aesthetic Upgrades to Maintain Compliance	25
Infrastructure Improvements/Upgrades - Total	350 (max)
Source/Treatment with Connecting Mains	125 (max)
Meet Minimum Capacity	100
Reliability	75
Other Upgrades	25
Enforcement Action	25
Source Water Protection	50
Transmission/Distribution Mains	125 (max)
Meet Minimum Capacity	100
Reliability	75
Other Upgrades	25
Enforcement Action	25
Storage Facilities/Pumping Stations	125 (max)
Meet Minimum Capacity	100
Reliability	75
Other Upgrades	25
Enforcement Action	25
Population - Total	50 (max)
0 - 500	10
501 - 3,300	20
3,301 - 10,000	30
10,001 - 50,000	40
> 50,000	50
Disadvantaged Community - Total	50 (max)
Granted	50
Consolidation - Total	100 (max)
Achieve Compliance	100
Correct Deficiencies	60
Other	40
Comp. Wellhead/Source Water Protect Plans - Total	100 (max)
Granted	100
Total Priority Points Assigned	1000 (max)

GETTING CREATIVE WITH SCORING CRITERIA

- Addressing Lead Contamination
 - New York, Ohio, and Wisconsin award points for projects that address lead/copper corrosion
- Incorporating Environmental Justice
 - New York provides additional points for water systems that serve a community with a median household income lower than the statewide median household income.

DRINKING WATER SRF – INTEREST RATES

Illinois

- Base: 50% market
- Small Community: 75% of base
- Hardship: 1%

Indiana

- Base: 90% bond rate
- Case-by-case discounts

Michigan

- 20-year loan term – 1.875%
- 30-year loan term – 2.125%
- 40-year loan term – 1.875% (Disadvantaged Communities Only)

Minnesota

- Base: Bond rate
- Standing Discount: 1.5% discount for projects under \$20 Million
- Small Community: 2.5% discount

Ohio

- Base: Bond rate
- Small System Rate: 0.50% discount from standard rate
- Disadvantaged Community Rate: 0% interest up to 40-year term

Pennsylvania

- Maximum: Compare state unemployment rate to unemployment rate in county where project is
- Minimum: 1%

Wisconsin

- Base: 55% market
- Hardship: 33% market

ADDITIONAL SUBSIDIES AND DISADVANTAGED COMMUNITIES

- The Safe Drinking Water Act mandates that each state utilize at least 6% but not more than 35% of its capitalization grant as **additional subsidization to disadvantages communities.**
- The IIJA mandates that each state utilize at least 49% of its capitalization grant as a subsidy in the form of 100% principal loan forgiveness for **eligible recipients**
- The Appropriations Bill mandates that each state utilize 14% of its capitalization grant for **additional subsidization for eligible recipients.**

DISADVANTAGED COMMUNITY DEFINITIONS

Illinois – Intended Use Plan

- Population with a median household income less than or equal to state average and a population of less than or equal to 25,000, or;
- Population with a median household income less than 70% of state average and with a population of greater than 25,000

Indiana – Intended Use Plan

- Median household income below 80% of state's median household income, or;
- An estimated post project user rate greater than \$45/month, or;
- Average annual residential post project user rate that would exceed 1% of the community's median household income.

New York – Intended Use Plan

- Population of less than 300,000 with a median household income that is less than 80% of the regionally adjusted statewide median household income, or;
- American Community Survey family poverty rate that is greater than the statewide family poverty rate of 12%.

Wisconsin – Intended Use Plan

- Population of less than 10,000, and;
- Median household income is 80% or less of the state's median household income

Michigan – Statute

- Median annual household income does not exceed 120% of the statewide median annual household income and either:
- Household income is less than statewide median household income and annual user costs for water supply exceed 1% of area's median household income, or;
- Household income is more than the statewide median household income and the annual user costs exceed 3% of service area's annual median household income

IIJA AND LEAD SERVICE LINE REPLACEMENTS

- Amended the Safe Drinking Water Act to require the EPA to establish a grant program to provide assistance for lead reduction projects.
 - Replacement of lead service lines
 - Does not include partial lead service line replacements
- Eligible entities include: Community water system, municipality, state, qualified nonprofit organization
- Priority given to water systems that have exceeded the lead action level in the last 3 years or that addresses lead levels at a school, daycare, or other facility that primarily serves children
- For low-income homeowners, grant funds can be used to replace the privately owned portion of the lead service line at not cost to homeowner.

General Purpose: Annual plan prepared by each State that identifies how it plans to utilize its revolving fund in the upcoming year



Three Specific Content Requirements

A list of the projects to receiving funding in the upcoming year

- Description of the project
- Expected terms of financial assistance
- Size of the community served

Criteria and methods to determine the distribution of funds

Description of the financial status of the loan fund

HOW TO GET ENGAGED - INTENDED USE PLAN BASICS

INTENDED USE PLANS – THINGS TO WATCH OUT FOR

- Interest rates and repayment terms
 - Are there unique rates/terms for disadvantaged communities or specific types of projects?
- Definition of “disadvantaged community”
 - Is the definition limited to small systems? Does it exclude systems serving large urban centers?
 - Is the disadvantaged community definition overinclusive?
- Scoring criteria
 - What kind of projects are being prioritized? What kind of water systems are being prioritized?
- Lead service line replacements
 - Is there a commitment to replace entire lead service line? Is there a prohibition against partial lead service line replacements?

HOW TO GET ENGAGED – INTENDED USE PLANS

- Released annually by state environmental departments for public notice and comment
 - Michigan: Public Hearing on August 31st
 - Indiana: Public notice and comment period from Sept. 15th -30th
 - Ohio: Two public meetings on June 11th
 - Minnesota: Public notice and comment from September 1st to September 24th
- Communicate with your environmental department early!

THANK YOU!

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