



Michigan

Drinking Water State Revolving Fund Toolkit

Fiscal Year 2023

This toolkit is a resource to quickly reference four key aspects of the state's current Drinking Water State Revolving Fund, which was authorized under the Safe Drinking Water Act (SDWA). A regularly updated compilation, it includes the policies, regulations, and laws that define the state's [application processes](#), [disadvantaged community definition](#), [scoring process](#), and [lead service line replacement program](#). Advocacy is especially needed on these highlighted topics to ensure that the application process is accessible to low-income and communities of color, and that funds are prioritized for those experiencing cumulative impacts of legacy pollution and disinvestment.

Abbreviations:

Department of Environment, Great Lakes, and Energy (EGLE)

Water Infrastructure Funding and Financing Section (WIFFS)

Bipartisan Infrastructure Law (BIL)

Drinking Water State Revolving Fund (DWSRF)

DWSRF Application Process¹

The submittal deadline for final project planning documents for DWSRF fiscal year 2024 projects is June 1, 2023.

A community interested in applying for a loan must fill out Intent-to-Apply (ITA) form for the DWSRF loan program and submit it to EGLE-WIFS@michigan.gov

- Due date for FY2024 consideration is November 1, 2022

Submittal of this form will allow the applicant to receive an indication of the funding/financing outlook as well as the next steps in the process.

- To help better serve our customers and improve our programs please do not begin work on a project plan prior to submitting the ITA form.
- Following submittal of the ITA, a Water Infrastructure Financing Section (WIFS) project manager will follow-up with the community to set up a discussion.

Fiscal Year 2023 Interest Rates



- 20 year loan – 1.875 percent
- 30 year loan – 2.125 percent
- 30 year loan Disadvantaged applicant – 1.875%
- 40 year loan Disadvantaged applicant – 1.875%

Disadvantaged Community Definition²

Recently enacted Public Act 132 of 2022 **changes the term “disadvantaged” community to “overburdened community,”** adds the new term **“significantly overburdened community,”** and requires EGLE to update the definition with input from stakeholders and the public. Stakeholder meetings were held on August 10 and 17 to discuss draft proposals both for the definitions of “overburdened community” and “significantly overburdened community” and the scoring criteria.

OVERBURDENED COMMUNITY NEW DEFINITION – FINAL:

(1) “Overburdened community” means a municipality in which **all** of the following **conditions are met:**

(a) Users within the area served by a proposed drinking water project, sewage treatment works project, or stormwater treatment project are directly assessed for the costs of construction.

(b) The median household income of the area served by a proposed drinking water, sewage treatment works project, or stormwater treatment project does not exceed 100% of the statewide median annual household income for this state.

(c) The municipality demonstrates **at least one of the following:**

(i) The taxable value per capita of the area served by a project falls into the communities representing the lowest 20% of Michigan’s population within that category. (In 2021, the value is \$22,920 per capita)

(ii) The annual user costs for the corresponding portion of the water system (sewage and stormwater treatment or drinking water) exceed 1% of the median annual household income of the area served by the proposed project.

(2) A community which qualifies as a significantly overburdened community would also be considered an overburdened community. However, any potential benefits may only be applied under one designation or the other.



SIGNIFICANTLY OVERBURDENED COMMUNITY NEW DEFINITION – FINAL:

(3) “Significantly overburdened community” means a municipality in which **all of the following conditions are met:**

(a) Users within the area served by a proposed drinking water project, sewage treatment works project, or stormwater treatment project are directly assessed for the costs of construction.

(b) The municipality demonstrates **at least one of the following:**

(i) The median annual household income of the area served by a proposed project is less than 125% of the federal poverty guidelines for a family of four in the 48 contiguous United States. In determining the median annual household income of the area served by the proposed sewage treatment works project or stormwater treatment project under this sub-paragraph, the municipality shall utilize the most recently published statistics from the United States Census Bureau, updated to reflect current dollars, for the community that most closely approximates the area being served by the project. As used in this sub-paragraph, “federal poverty guidelines” means the poverty guidelines published annually in the Federal Register by the United States Department of Health and Human Services under its authority to revise the poverty line under 42 U.S.C. 9902. (For 2022, the 125% level would be an annual household income of less than \$34,687.)

(ii) The taxable value per capita of the area served by a project falls into the communities representing the lowest 10% of Michigan’s population within that category. (In 2021, that value is less than \$15,170 per capita.)

Scoring Process^{3,4}

Recently enacted Public Act 132 of 2022 requires EGLE to develop new scoring criteria to prioritize projects for the Drinking Water State Revolving Fund programs. Stakeholder meetings were held on August 10 and 17 to discuss draft proposals both for the definitions of “overburdened community” and “significantly overburdened community” and the scoring criteria. Below is the final scoring criteria worksheet.



DWSRF Priority Ranking Worksheet

Supply Name:

DWSRF Project No.:

Date:

WSSN:

Scorer's Name:

Population Served:

Category	Points Available	Points Awarded	Comments
<p>I. Drinking Water Regulatory Compliance</p> <p>A. Facility Upgrades to Maintain Compliance Improve or maintain compliance with current or future regulations</p> <p>B. Regionalization efforts to support improved TMF Capacity <i>Managerial or Financial Capacity Resource sharing to increase compliance</i></p> <p>C. Consolidation _____ CWS - 5 points each _____ Other PWS - 3 points each</p> <p>D. Project addresses enforcement order (CWS or NCWS)</p> <p>E. Source Water Protection Efforts</p>	<p>15</p> <p>5</p> <p>up to 10</p> <p>up to 10</p> <p>5</p> <p>5</p>		
<p>Category I Totals – 25 max points</p>			



II. Public Health Protection			
A. Lead Service Line Replacements LSL, Galvanized previously served by lead	15		
B. Acute violations of standards or TTs Project addresses acute MCLs or TTs (Nitrate, E-Coli, SWTR)	20		
C. Non-acute violations of standards Project addresses non-acute MCLs, HALs, or TTs (Arsenic, PFAS, VOCs, ALEs, Radium, Manganese, etc.)	10		
D. History of Proactive Public Health Protection Water Supply has a history of no HB violations in past 5 years	5		
Category II Totals – 20 max points			

III. Drinking Water Quality Standards			
A. Looping to eliminate dead-end water mains/ Install Storage Tank Mixing or equivalent	5		
B. Change to more protective/higher quality source water	5		
C. Active Source Water Protection Program	10		
D. Treatment upgrades to address water quality	5		
Category III – 15 max points			



IV. Improving Infrastructure			
A. Asset management implementation			
Project addresses needs in Capital Improvements Plan/Reliability Study	10		
B. Project includes infrastructure assets for multiple systems. Technical Capacity resource sharing (tanks, wells, intakes, etc.)	5		
C. Project includes multiple asset classes or financing sources USDA RD, CWSRF, Grants, Loans, other matching sources, etc.	5		
Category IV – 15 max points			

V. Affordability/Disadvantaged Applicants			
A. Overburdened Communities	20		
B. Significantly overburdened communities	25		
Category V Totals – 25 max points			

WORKSHEET POINT TOTALS	100 Max Points		
TOTAL \$ AMOUNT OF PROJECT:		Cost/Capita	



Lead Service Line Replacement Program⁵

The BIL provides three new federal grants to Michigan through the DWSRF, and one is the DWSRF LSRL Grant.

- These grants will be awarded to states annually over the next five years.
- WIFFS has two years to allocate funds once they have been applied for from EPA.
- BIL language requires grant allocation provide Lead Service Line Replacement 49 percent additional subsidization.
- Additional subsidization will be awarded to applicants in the form of loan principal forgiveness as illustrated on Attachment 1 of this IUP.

EGLE has applied for 100 percent of the available BIL dollars from EPA for this fiscal year. It is anticipated that EPA will award the BIL Lead Service Line Replacement grants conditionally as Michigan does not currently have enough projects on the FY2023 priority list.

- Any BIL dollars remaining at the conclusion of FY2023 will be carried forward and allocated to projects in FY2024. These carry over dollars will be allocated prior to any FY2024 allotments.

Lead Service Line Replacement

The BIL lead service line replacement funds must be used for lead service line replacement projects only and their associated activities directly connected to the identification, planning, design, and replacement of lead service lines.

- Projects must be DWSRF eligible and full replacement of a lead line must occur in accordance with Michigan's Lead and Copper Rule.
- EPA grant funds under this BIL appropriation are not subject to state match requirements.
- In addition, BIL requires states to provide 49% of the grant as additional subsidization to applicants that meet the state's disadvantaged community criteria.
- Michigan is applying these funds to lead service line replacement projects as principal forgiveness as illustrated on Attachment 1 of this IUP.

References

- 1 Department of Environment, Great Lakes, and Energy. (n.d.) Drinking Water State Revolving Fund.
www.michigan.gov/egle/regulatory-assistance/grants-and-financing/drinking-water-state-revolving-fund
- 2 Department of Environment, Great Lakes, and Energy. (n.d.) State Revolving Fund - Overburdened Community Definition and Scoring Criteria Development.
<https://www.michigan.gov/egle/regulatory-assistance/grants-and-financing/drinking-water-state-revolving-fund/overburdened-communities>
- 3 Department of Environment, Great Lakes, and Energy. (n.d.) State Revolving Fund - Overburdened Community Definition and Scoring Criteria Development
<https://www.michigan.gov/egle/regulatory-assistance/grants-and-financing/drinking-water-state-revolving-fund/overburdened-communities>
- 4 Department of Environment, Great Lakes, and Energy. (2022, Oct). Priority Ranking Worksheet.<https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Funding/Scoring-Criteria-FY24-DWSRF.pdf?rev=08ed0868f77644c28b9f1a9af8ace995&hash=5A10FE3B568325A1750806535779E4C8>
- 5 Department of Environment, Great Lakes, and Energy. (2022, Oct 22). Drinking Water State Revolving Fund Final - Intended Use Plan – Amended, Fiscal Year 2023, 6-7.
<https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Funding/DWSRF/FY2023-IUP-Final-Amended.pdf?rev=ddabad29269b43a9b2a97e47625c08b3&hash=74815F5F6BE301BC8FD16A52BE7264A9>