

Wisconsin Drinking Water State Revolving Fund Toolkit

This toolkit is a resource to quickly reference four key aspects of the state's current Drinking Water State Revolving Fund (DWSRF), which was authorized under the Safe Drinking Water Act (SDWA). A regularly updated compilation, this toolkit includes the policies, regulations, and laws that define the state's [application processes](#), [disadvantaged community definition](#), [scoring criteria](#), 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

- Safe Drinking Water Loan Program (SDWLP)
- Principal Forgiveness (PF)
- Clean Water Fund Program (CWFP)
- State Fiscal Year (SFY)
- Priority Evaluation and Ranking Formula (PERF)

DWSRF Application Process¹

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 excludes reservoirs, dams, dam rehabilitation and water rights projects
- It includes projects to rehabilitate or develop sources (but not to replace contaminated sources)
- Includes projects 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
- It includes projects that install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the public water system
- Also includes installing or replacing 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.

Disadvantaged Community Definition²

XI. DISADVANTAGED COMMUNITIES PROGRAM AND PRINCIPAL FORGIVENESS (PF)

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

- 1) the local governmental unit's population must be less than 10,000
- 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
- It is not connected to any additional subsidy for which a municipality may be eligible
- A **separate set of criteria** are used to **determine disadvantaged status for Principal Forgiveness (PF)** eligibility. See next section below (Section XI.A)

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 Bipartisan Infrastructure Law (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 CWF 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 CWF.**
- 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 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	
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 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.

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 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	
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 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	
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 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	
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
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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	
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 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.

Scoring Process³

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. 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.
 - Second priority is given 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.

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.** (See above)
- 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.
- 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 are 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 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.

Under Section III (Secondary Contaminant Violation and System Compliance), scoring priority is given to LSL projects (see LSL report).

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.

Lead Service Line Replacement Program⁴

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.

Section IV (System and Consolidated System Capacity Points) of the PERF:

- **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 action level exceedance (ALE) to receive these points.

Under Section III (Secondary Contaminant Violation and System Compliance), scoring priority is given to LSL projects (see below) 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

References

- 1 Department of Natural Resources. (2022, Sep). State of Wisconsin Safe Drinking Water Loan Program Intended Use Plan for FFY 2022 Capitalization Grants for the SFY 2023 Funding Cycle, p. 1-2.
https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/intendedUsePlan/SDWLP_SFY2023_IUP.pdf
- 2 Department of Natural Resources. (2022, Sep). State of Wisconsin Safe Drinking Water Loan Program Intended Use Plan for FFY 2022 Capitalization Grants for the SFY 2023 Funding Cycle, p. 12-15.
https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/intendedUsePlan/SDWLP_SFY2023_IUP.pdf
- 3 Department of Natural Resources. (2022, Sep). State of Wisconsin Safe Drinking Water Loan Program Intended Use Plan for FFY 2022 Capitalization Grants for the SFY 2023 Funding Cycle, p. 11-12.
https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/intendedUsePlan/SDWLP_SFY2023_IUP.pdf
- 4 Department of Natural Resources. (2022, Sep). State of Wisconsin Safe Drinking Water Loan Program Intended Use Plan for FFY 2022 Capitalization Grants for the SFY 2023 Funding Cycle, p. 1, 11-12.
https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/intendedUsePlan/SDWLP_SFY2023_IUP.pdf