

**Principal Forgiveness Funding for Private Lead Service Line Replacements in 2022
Amendment to SFY 2022 SDWLP Intended Use Plan
November 2021**

The Water Infrastructure Financing Transfer Act (WIFTA), which was passed on October 4, 2019, allowed a one-time transfer of funds from the Clean Water Fund Program (CWFP) to the Safe Drinking Water Loan Program (SDWLP), as principal forgiveness, for the purpose of addressing a threat to public health as a result of heightened exposure to lead in drinking water. WIFTA allowed an amount equal to no more than 5% of the cumulative clean water state revolving fund capitalization grants made to the state to be transferred for this purpose. In Wisconsin, 5% of the cumulative CWFP capitalization grants received through October 1, 2020 came to \$63,809,549. These funds were transferred on October 1, 2020. In addition to the transferred funds, any funding released from the previous two-year Private Lead Service Line (LSL) Replacement Program will be added to the total funding available. Awards made in 2017 are being closed out; municipalities with awards made in 2018 had through the end of June 2021 to incur costs under those awards and those awards will be closed out by the end of the year.

Applications submitted for the 2021 construction season are expected to utilize approximately \$34 million of the currently available funding. We are aware that the federal infrastructure bill was just passed and that this will provide additional funding for the Private LSL Replacement Program. The new funding is being provided to the states as 49% principal forgiveness and 51% loan. Information on how this funding will be utilized and how soon it will be available will be announced in the coming months.

The private LSL replacement program is open to any municipality that has reported private lead or galvanized service lines to the PSC on Schedule W-29 of their annual report. Unlike the previous two-year LSL replacement program, which awarded funding in SFYs 2017 and 2018, the funding is not restricted to municipalities meeting the disadvantaged criteria. Reporting to the PSC completed through August 12, 2021 shows 202 municipalities reporting at least one lead or galvanized customer-side service line for a combined total of at least 184,704 private LSLs in Wisconsin. In addition to this, another 50,038 customer-side service lines have been reported as “unknown – may contain lead”. These numbers are an increase from the previous year’s reporting. The number of known private LSLs is expected to increase as municipal inventory efforts are completed.

For SFY 2022, we initially planned to set an application deadline of Monday, November 15, 2021. **This deadline is being pushed back to January 18, 2022.** It is our intention to have the revised LSL application and Priority Evaluation and Ranking Form (PERF) posted by early December 2021.

Once the forms are available, municipalities should submit their application and PERF via email to DNRLSLfunding@wisconsin.gov rather than through the online application system. The application will also serve as the Intent to Apply for the project. **No separate ITA submittal is required.** Applications will be scored utilizing the scoring system described below.

Awards will be 100% principal forgiveness and will be made for one construction season at a time. Final disbursements under the awards will be due by the last disbursement deadline in December (December 30, 2022 for the 2022 construction season) and awards will be closed out at that time. Shortly thereafter, funds available for the next construction season, if any, will be calculated. Any eligible excess expenses from program participants from the previous construction season will be given first priority for funding in the following construction season as long as sufficient funding is available.

Private LSLs eligible for replacement under this program include:

- Residential LSLs (including multi-family buildings and buildings that contain both business and residential occupants);
- LSLs serving schools; and

- LSLs serving child daycares.

In addition, some non-residential properties (other than schools or daycares) will be considered eligible for private LSL replacement funding under the following circumstances:

- The non-residential LSL is connected to a watermain that is being replaced utilizing funding provided by the SDWLP; and
- At least 50% of the LSLs on the block in which the non-residential LSL is located are otherwise eligible for replacement through the private LSL replacement program (LSLs serving residences, schools, or daycares). A block is considered to be the segment between cross streets and includes all service lines connected to the watermain on that segment of the street.

Note that galvanized service lines that are currently or have previously been downstream of lead components, brass service lines, and lead goosenecks, are considered LSLs for purposes of this program.

Awards will be based on the following:

- The estimated number of LSLs that the municipality can replace in one construction season;
- An assumed average cost per LSL replacement, based on data collected from previous LSL replacement program funding recipients, and other local data, or if a municipally-bid contract is utilized, the award will be based on eligible contracted costs;
- Whether any cost-sharing from homeowners will be required. In this instance, the awarded amount per LSL would be reduced accordingly.
- The amount of available funding may have an impact on the size of awards.

Awards will only cover construction costs, with the following exceptions:

- Up to \$5,000 for engineering and administrative support will be available for small systems (municipal population under 3,300);
- Up to \$5,000 for costs related to developing a mandatory replacement ordinance will be available to all applicants.

A mandatory replacement ordinance is not required for the private LSL replacement program (unless a municipality is also participating in the PSC-approved program to use ratepayer funds), but it is strongly encouraged. Past experience has shown that even when 100% of the costs are being covered, many homeowners still choose not to have their LSL replaced.

Municipalities will be free to choose whether to develop a list of prequalified plumbers/contractors for homeowners to contract with directly, or whether to bid a municipal contract for the work. Whether 100% of the private LSL replacement cost is covered through the private LSL replacement program, or cost-sharing is required, is also a municipal decision.

Scoring and ranking of private LSL replacement projects will be based on the system described below.

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

The PERF used for 2021 Private LSL Replacement projects is being revised for 2022 projects. Applicants are required to submit the revised PERF no later than the application submittal deadline (January 18, 2022). The 2022 PERF will establish a priority score based on the following criteria:

- **Poverty Percentage:** Using data from the American Community Survey (ACS), the percent of a municipality's population below 200% of the federal poverty level will generate points equal to the percentage, adjusted to the nearest whole number.
- **Percent of Population Under Age 5:** Using data from the ACS, the percent of a municipality's population under the age of five will generate points as follows:
 - Up to 2.5% = 5 points
 - Greater than 2.5% up to 5% = 10 points
 - Greater than 5% up to 7.5% = 15 points
 - Greater than 7.5% up to 10% = 20 points
 - Greater than 10% = 25 points
- **Mandatory Replacement Ordinance:** Municipalities will receive 10 points for having enacted an ordinance that requires each owner of a property that is serviced by a customer-side water service line containing lead to replace that customer-side water service line under certain conditions. Municipalities must provide documentation to support claims that a mandatory ordinance has been enacted.
- **Lead Sampling Results or Large System Optimization:** There are two ways to receive points in this category. If an applicant scores in more than one of the subcategories described below, the applicant will receive points for the highest scoring subcategory, not additive points for each subcategory they score in. The most that one applicant may score in this category is 30 points.
 - **90th Percentile Lead Levels:** Water systems whose 90th percentile result is 5 µg/L or greater are eligible for points in this category. Data for the last ten years will be provided by DNR's Drinking and Groundwater Program. This report will be provided at the same time data for the other metrics is obtained. The breakdowns are as follows:
 - Greater than 15 µg/L = 30 points (Greater than 15 µg/L is a lead action level exceedance.)
 - Greater than 10 µg/L up to 15 µg/L = 20 points
 - 5 µg/L up to 10 µg/L = 10 points
 - **Systems with Large Service Populations:** Water systems that serve a population of greater than 50,000 individuals are eligible for 20 points. Service population data will be provided by DNR's Drinking and Groundwater Program.
- **Whether all remaining LSLs can be removed in the upcoming construction season:** Municipalities that are positioned to remove all their remaining LSLs in one construction season will be awarded 20 points. This metric will be evaluated using the following criteria:
 - Whether a mandatory LSL replacement ordinance has been adopted.
 - The status of inventory efforts and reporting of inventory to the PSC.
 - The municipality's detailed plan for removing all LSLs.
- **Municipal Population:** This will be used as a tiebreaker only, with the lower population receiving priority.

This amendment to the LSL portion of the SDWLP SFY 2022 Intended Use Plan is being published for 21-day public comment on November 8, 2021. Comments should be submitted by November 30th via email to rebecca.scott@wisconsin.gov. A Zoom informational meeting discussing the Private LSL Replacement Program and changes being made to the program for 2022 will be held on Friday, November 19, 2021 starting at 11:30. Further details will be announced shortly through our email distribution list and the LSL GovDelivery list.