



STATE OF MICHIGAN
 DEPARTMENT OF
 ENVIRONMENT, GREAT LAKES, AND ENERGY
 LANSING




GRETCHEN WHITMER
 GOVERNOR

LIESL EICHLER CLARK
 DIRECTOR

VIA E-MAIL

TO: Senator Curt VanderWall, Chair, Senate Health Policy and Human Services Committee
 Senator Rick Outman, Senate Environmental Quality Committee
 Senator Ed McBroom, Chair, Senate Natural Resources Committee
 Representative Hank Vaupel, Chair, House Health Policy Committee
 Representative Gary Howell, Chair, House Natural Resources and Outdoor Recreation Committee

FROM: Liesl Eichler Clark, Director 

DATE: November 30, 2020

SUBJECT: Report on Drinking Water State Revolving Fund's Final Project Priority List and Final Intended Use Plan for Fiscal Year (FY) 2021

In accordance with Section 5406(2) of Part 54, Safe Drinking Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, attached is the Department of Environment, Great Lakes, and Energy's (EGLE) report on the Drinking Water State Revolving Fund's Final Project Priority List and Final Intended Use Plan for FY 2021.

If you need further information, please contact Paul McDonald, Director, Finance Division, at 517-284-5004; or you may contact me at 517-284-6708.

Attachment

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 Mary Ann Cleary, Director, House Fiscal Agency
 Chris Kolb, Director, State Budget Office
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MICHIGAN DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY

Legislative Report

Drinking Water State Revolving Fund's Final Project Priority List and Final Intended Use Plan

Report Period:
Fiscal Year 2021

Authority:
Section 5406(2) of Part 54, Safe Drinking Water Assistance, of the Natural
Resources and Environmental Protection Act, 1994 PA 451, as Amended

Background

The Drinking Water State Revolving Fund (DWSRF) is a federal-state partnership created to help ensure the protection of human health. In Michigan, the Department of Environment, Great Lakes, and Energy (EGLE) administers the program with assistance provided by the Michigan Finance Authority. The DWSRF program operates as a revolving fund financing mechanism that offers reduced rate loans to municipalities that are undertaking drinking water infrastructure improvements, such as lead service line replacements, upgrades to existing facilities, transmission main upgrades, new wells, and other related waterworks enhancements. Since 1998, Michigan has awarded over \$1 billion in financial assistance to over 320 borrowers.

Each year, Congress appropriates funding for the DWSRF program to the United States Environmental Protection Agency (EPA). Using an internal allocation methodology, the EPA then awards capitalization grants to each state based on the results of the most recent Drinking Water Infrastructure Needs Survey and Assessment. In order to accept any allocated DWSRF federal grant funds, states are required to provide a 20 percent match.

In addition to providing financing to local units of government, states have the option of taking up to 31 percent of their capitalization grant to be used as set-asides. Set-asides help fund state programs and activities that enhance public health protection, as well as the protection of surface water and ground water used as drinking water sources across the state. In recent years, as other federal funding has decreased and new drinking water regulations increase, Michigan has become more reliant on utilizing set-asides to effectively administer programs.

Fiscal Year (FY) 2021 Allocation of Funds

The EPA capitalization grant allocated to Michigan for FY 2021 projects is \$27,029,000. The state is utilizing 42.4 percent of the grant as set-asides, leaving \$15,571,770 for financing new projects. Additional subsidy from the 2017 Reserves will be used for the set-asides. Combined with match dollars and money that has revolved back into the program, EGLE is able to finance all 28 projects that have applied under the DWSRF. The cost of these projects total \$247,310,000.

Allocation of Set-Asides

Set-Aside	Percent of Cap Grant	Dollar Amount
DWSRF Administration	4.0%	\$1,081,160
FY 2017 DWSRF Administration Reserves Transfer	3.7%	\$1,026,080
Small System Technical Assistance	2.9%	\$797,100
Public Water System Supervision	16.6%	\$4,498,540
Local Assistance for Capacity Development	5.0%	\$1,351,450
Wellhead Protection	10%	\$2,702,900
Total Used for Set-Asides	42.4%	\$11,457,230
Amount of Cap Grant Available for Loans	57.6%	\$15,571,770

The provision of additional subsidy is a requirement of the capitalization grant and the federal Safe Drinking Water Act (SDWA). In 2018 America's Water Infrastructure Act (AWIA) was signed into law. The AWIA changed the SDWA to mandate that states use at least 6 percent, but no more than 35 percent, of the capitalization grant amount for additional subsidy for state-defined disadvantaged communities.

Additionally, the terms and conditions of the capitalization grant require states to use 14 percent of the grant to provide additional subsidization to eligible entities. To meet these requirements, EGLE is providing \$10,257,348 of the capitalization grant to both disadvantaged communities and communities replacing lead/galvanized service lines.

Disadvantaged Communities
9 Percent of Loan Amount Forgiven

Community	Estimated Loan Amount	Principal Forgiveness
Bay City	\$2,005,000	\$180,450
Benton Township	\$9,410,000	\$846,900
Bessemer	\$705,000	\$63,450
Calumet Township	\$450,000	\$40,500
Escanaba	\$20,000,000	\$1,800,000
GLWA/DWSD	\$21,000,000	\$1,890,000
Grand Rapids	\$4,165,000	\$374,850
Highland Park	\$19,200,000	\$1,728,000
Ironwood	\$9,724,000	\$875,160
Kaleva	\$420,000	\$37,800
McBain	\$520,000	\$46,800
Muskegon	\$5,025,000	\$452,250
Wakefield	\$220,000	\$19,800
Howell	\$1,400,000	\$126,000
Total		\$8,481,960

Lead Service Line Replacement (LSLR)
4 Percent of Construction Cost Forgiven

Community	Estimated LSLR Construction Cost	Principal Forgiveness
Lake Orion	\$532,000	\$21,280
Bay City	\$2,005,000	\$80,200
Bessemer	\$705,000	\$28,200
Escanaba	\$15,000,000	\$600,000
Ferndale	\$3,710,000	\$148,400
GLWA/DWSD	\$4,000,000	\$160,000
Grand Rapids	\$4,165,000	\$166,600
Rochester	\$108,790	\$4,352
Livonia	\$510,000	\$20,400
Highland Park	\$7,925,400	\$317,016
Kaleva	\$420,000	\$16,800
McBain	\$520,000	\$20,800
Howell	\$100,000	\$4,000
Menominee	\$1,137,500	\$45,500
Muskegon	\$2,546,000	\$101,840
St. Joseph	\$1,000,000	\$40,000
Total		\$1,775,388

EGLE commits loans for qualified projects based on project plans that were submitted to the department by July 1, 2020. The DWSRF must give priority to projects that:

- Address the most serious risks to human health
- Are necessary to ensure compliance with the requirements of the SDWA
- Assist systems most in need according to the state's disadvantaged criteria

Michigan's priority ranking system is defined in Section 5406 of Part 54, Safe Drinking Water Assistance, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA). The EGLE Director has established the interest rate for FY 2021 projects at 1.875 percent for 20-year loans, 2.125 percent for 30-year loans, and 1.875 percent for 40-year loans available to disadvantaged applicants only. The table on pages 5 and 6 displays all qualifying projects in FY 2021 and proposed future projects in priority order based on Michigan's ranking system.

Water Infrastructure Funding Transfer Act

On October 4, 2019, the Water Infrastructure Funding Transfer Act (S.1689) (WIFTA) was signed into law. This statute temporarily expands the Clean Water State Revolving Fund (CWSRF) transfer authority specifically to address lead-related public health threats. The WIFTA authorizes states to transfer no more than five percent of the amount of the state's cumulative CWSRF federal grants to the state's DWSRF. Funds transferred must be used as additional subsidy in the form of principal forgiveness, negative interest loans, or grants to address lead in drinking water. States could make transfers under this authority until October 5, 2020. Once transferred, funds should be committed and expended in an expeditious and timely manner.

EGLE is choosing to exercise their full transfer authority of \$102,175,063 and apply this in the form of principal forgiveness to disadvantaged communities undertaking LSLR projects. Beginning in FY 2022, DWSRF applicants that are scored and ranked, and qualify as a disadvantaged community under Section 5402 of Part 54 of the NREPA, will be eligible for 100 percent principal forgiveness. Maximum principal forgiveness per applicant will be based on three tiers defined by the population served by a water system. Maximum principal forgiveness amounts have initially been set as follows:

- For populations served below 50,000, the maximum will be \$3,000,000
- For populations served between 50,000 to 99,999, the maximum will be \$5,000,000
- For populations served at or above 100,000, the maximum will be \$10,000,000

The Michigan Finance Authority and EGLE's Finance Division have performed capacity analyses and determined the transfer of these funds will not significantly impact the CWSRF program.



Department of Environment, Great Lakes, and Energy

Current Project Priority List

DWSRF

Rank	Project #	Project Name, Location and Description			Population	Total Points	Binding Com Date	Binding Com Amount
PROJECTS WITH PRIOR YEAR SEGMENTS								
1	7507-99	Benton Charter Township	Berrien County	Water system improvements	6,733	630	Future	\$19,580,000
2	7473-99	City of Highland Park	Wayne County	Watermain replacement, LSLR	11,398	515	Future	\$62,325,000
3	7496-99	Oscoda Charter Twp	Iosco County	Watermain extension	6,797	430	Future	\$7,730,000
4	7461-02	GLWA	Oakland County	Transmission main loop	3,600,000	400	08/09/2021	\$91,000,000
5	7445-03	GLWA	Wayne County	NE Transmission main improvements	3,600,000	375	Future	\$92,180,000
5	7445-05	GLWA	Wayne County	NE Transmission main improvements	3,600,000	375	Future	\$80,300,000
5	7445-04	GLWA	Wayne County	NE Transmission main improvements	3,600,000	375	08/09/2021	\$9,000,000
6	7493-99	City of St Clair Shores	Macomb County	LSLR	60,922	375	Future	\$6,000,000
7	7511-99	City of Escanaba	Delta County	Watermain replacement, LSLR	12,181	365	Future	\$12,000,000
8	7492-99	City of Grand Rapids	Kent County	WTP, pump station, & watermain improvements, LSLR	380,815	350	Future	\$36,510,000
9	7512-99	Village of White Pigeon	St Joseph County	Watermain replacement, LSLR	1,522	295	Future	\$5,500,000
10	7481-02	City of Marquette	Marquette County	Watermain replacement	20,629	240	05/17/2021	\$1,330,000
11	7499-99	City of Ferndale	Oakland County	LSLR	19,900	215	Future	\$6,360,000
PROJECTS WITHOUT PRIOR YEAR SEGMENTS								
12	7497-01	City of Owosso	Shiawassee County	Watermain, storage tank, well work	14,539	665	Future	\$8,490,000
13	7507-01	Benton Charter Township	Berrien County	Watermain improvements	6,733	630	05/17/2021	\$9,410,000
14	7467-01	City of Muskegon	Muskegon County	WTP, watermain, LSLR	38,500	590	08/09/2021	\$5,025,000
15	7510-01	City of Cadillac	Wexford County	New well field	9,800	530	02/26/2021	\$10,025,000
16	7491-01	City of Owosso	Shiawassee County	Watermain, LSLR, SCADA	14,539	515	Future	\$2,690,000
17	7458-01	City of Owosso	Shiawassee County	Watermain, LSLR	14,539	515	Future	\$1,795,000
18	7490-01	City of Highland Park	Wayne County	Watermain, LSLR	11,398	515	08/09/2021	\$19,200,000
19	7487-01	City of St Joseph	Berrien County	WTP, watermain, LSLR	33,000	490	Future	\$12,865,000
20	7488-01	City of St Joseph	Berrien County	Watermain, LSLR	33,000	490	Future	\$5,340,000
21	7486-01	City of St Joseph	Berrien County	Watermain, LSLR	33,000	490	02/26/2021	\$3,210,000
22	7503-01	City of Ironwood	Gogebic County	Pump station, iron and manganese removal work	5,387	480	05/17/2021	\$9,725,000
23	7470-01	City of Howell	Livingston County	Watermain replacement	9,203	430	Future	\$2,675,000



Department of Environment, Great Lakes, and Energy

Current Project Priority List

DWSRF

24	7489-01	Sorina Arbor Two	Jackson County	New well field	8,267	430	08/09/2021	\$1,405,000
25	7469-01	Citv of Howell	Livingston County	Watermain replacement	9,203	430	02/26/2021	\$1,400,000
26	7496-01	Oscoda Charter Twp.	Iosco County	Watermain extension	6,797	430	05/17/2021	\$1,975,000
27	7426-01	City of Rochester	Oakland County	Watermain replacement & transmission main work	13,660	415	11/16/2020	\$6,800,000
28	7442-01	East Lansing	Ingham County	WTP filter and controls	79,585	400	05/17/2021	\$4,560,000
29	7492-01	Citv of Grand Rapids	Kent County	LSLR	200,217	400	05/17/2021	\$4,165,000
30	7430-01	Village of Lake Orion	Oakland County	Watermain replacement	3,032	395	02/26/2021	\$4,390,000
31	7484-01	GLWA/DWSD	City of Detroit	Watermain replacement, LSLR	714,000	375	05/17/2021	\$21,000,000
32	7485-01	GLWA/DWSD	City of Detroit	Watermain replacement	714,000	375	Future	\$4,500,000
33	7493-01	Citv of St. Clair Shores	Macomb County	LSLR	60,922	375	Future	\$4,000,000
34	7511-01	Citv of Escanaba	Delta County	Watermain replacement, LSLR	12,181	365	05/17/2021	\$20,000,000
35	7509-01	Citv of Bav Citv	Bay County	LSLR	33,644	365	05/17/2021	\$2,005,000
36	7495-01	Charter Twp. of Calumet	Houghton County	Water tower upgrades	6,300	355	05/17/2021	\$450,000
37	7479-01	Charter Township of White Lake	Oakland County	Iron filtration, watermain extension	6,000	345	08/09/2021	\$6,995,000
38	7506-01	City of McBain	Missaukee County	LSLR	656	345	05/17/2021	\$520,000
39	7504-01	City of Bessemer	Gogebic County	LSLR	1,900	345	02/26/2021	\$705,000
40	7508-01	Village of Kaleva	Manistee County	LSLR	282	335	05/17/2021	\$420,000
41	7453-01	Livonia	Wayne County	Watermain replacement	94,060	325	05/17/2021	\$5,305,000
42	7454-01	Livonia	Wayne County	Watermain replacement	94,060	325	Future	\$4,815,000
43	7513-01	City of Menominee	Menominee County	LSLR	8,108	305	05/17/2021	\$3,360,000
44	7512-01	Village of White Pigeon	St. Joseph County	Watermain replacement, LSLR	1,522	295	Future	\$6,065,000
45	7499-01	Citv of Ferndale	Oakland County	LSLR	19,900	215	02/26/2021	\$3,710,000
46	7501-01	City of Wakefield	Gogebic County	Watermain extension	1,851	95	05/17/2021	\$220,000

Total 48 Projects **\$629,030,000**