



State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

MAIL CODE 401-02B

WATER RESOURCES MANAGEMENT

401 EAST STATE STREET

P.O. Box 420

Trenton, NJ 08625-0420

TEL: # (609) 292-4543

FAX # (609) 292-0913

PHIL MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

CATHERINE R. MCCABE
Commissioner

December 15, 2020

NOTICE OF OPEN PUBLIC COMMENT PERIOD

Clean Water State Revolving Fund and Drinking Water State Revolving Fund Intended Use Plans

Dear Interested Party:

The Department of Environmental Protection (Department) has prepared the following documents for the administration of the Clean Water State Revolving Fund and Drinking Water State Revolving Fund:

Clean Water State Revolving Fund (CWSRF) Program
Proposed Federal Fiscal Year 2021/ State Fiscal Year 2022 Intended Use Plan
Drinking Water State Revolving Fund (DWSRF) Program
Proposed Federal Fiscal Year 2021/ State Fiscal Year 2022 Intended Use Plan and AMENDED Drinking Water State Revolving Fund Intended Use Plan for Federal Fiscal Year 2020 (and State Fiscal Year 2021)

CWSRF Program and DWSRF Program
Amendments to the Final Clean Water and Drinking Water Intended Use Plans for Federal Fiscal Years 2017, 2018, 2019, 2020 and State Fiscal Years 2018, 2019, 2020, 2021 - Use of Water Infrastructure Finance and Innovation Act Funds

The Intended Use Plans must be developed by the Department, undergo a public participation process and be approved by the US Environmental Protection Agency (USEPA) for the Department to be awarded its capitalization grant used to finance water infrastructure projects.

The Federal Fiscal Year (FFY) 2021 CWSRF and DWSRF capitalization grants are targeted to be awarded to the Department in September 2021 or sooner, for use in the State Fiscal Year (SFY) 2022 Financing Program (July 1, 2021 to June 30, 2022).

The Water Bank anticipates using Water Infrastructure Finance and Innovation Act Funds (WIFIA) funds for a portion of the I-Bank share of long term loans for both the CWSRF and DWSRF. The funds are expected to be available to the I-Bank at a lower interest rate than market rate bonds, thereby freeing up a portion of the DEP share normally allocated to projects. Therefore, long term funding packages will no longer be represented in terms of a “DEP Interest Free Share” and an “I-Bank Market Rate Share” but instead as a blended interest rate consisting of a percentage of I-Bank’s AAA Market Interest Rate. For example, a long term funding package that formerly consisted of a 75% DEP Interest-Free Share and a 25% I-Bank Market-Rate Share will now be described as a “Blended Interest Rate of 25% of I-Bank’s AAA Market Interest Rate”.

Clean Water State Revolving Fund (CWSRF) Program

The FFY 2020 CWSRF IUP was proposed in December 2019 and a public hearing was held on January 7, 2020. The Department’s CWSRF FFY 2020 IUP was finalized in April 2020 with no changes and has been approved by USEPA.

In a continuing effort to ensure the Water Bank’s long-term viability, the SFY 2022 Clean Water IUP will maintain changes originally made in SFY 2020 to the blended interest rate for long term loans for nearly every project category eligible for clean water funds. New for SFY 2022, the blended interest rate for Landfill Construction projects will be increased from 50% to 75% of I-Bank’s AAA Market Interest Rate. In addition, the eligibility of energy conservation, renewable energy and co-generation projects will be limited to the pro rata share of capital costs that provide power to a publicly owned treatment works. The Program will continue to offer competitive loan rates and these changes will enable the Program to continue to fund high priority clean water projects on a readiness to proceed basis.

The proposed Financing Packages (Blended Interest Rates) for SFY 2022 are identified below:

<u>Project Category</u>	<u>Financing Package – Blended Interest Rate</u>
CSO Abatement and Water Quality Restoration Projects	25% of I-Bank’s AAA Market Interest Rate (for the first \$10M in allowable costs; costs above \$10M to be financed at 50% of I-Bank’s AAA Market Interest Rate)
All Other Water Quality Projects	50% of I-Bank’s AAA Market Interest Rate
Private Conduit Projects and Landfill Construction Projects	75% of I-Bank’s AAA Market Interest Rate

The Department plans to utilize any unallocated principal forgiveness funds carried over at the end of SFY 2021 as principal forgiveness in SFY 2022 for categories set forth in this IUP (including CSO Sewershed – Grey and Green Infrastructure, Coastal Water Quality Restoration, and Water Quality Restoration). Principal forgiveness funds for Small System Asset Management Plans are expected to be exhausted in SFY 2021 and will not be available in SFY 2022. The Department will supplement the above principal forgiveness funds with approximately \$25M projected to be available under the FFY 2021 CWSRF grant from USEPA. In SFY 2022, \$15M of the new principal forgiveness funds will be used for CSO Sewershed – Grey and Green Infrastructure projects and \$10M will be allocated to Water Quality Restoration projects.

In setting aside approximately \$10M in new principal forgiveness funds for Water Quality Restoration projects throughout the state, the Department continues a commitment to support projects that will eliminate, prevent or reduce documented occurrences of shellfish bed downgrades, beach closings and advisories due to the presence of harmful algal blooms (HABs). If there is insufficient demand from eligible HAB projects in SFY 2022, unallocated funds may be used for projects that address shellfish bed downgrades, beach closing and advisories due to the presence of pathogens.

Drinking Water State Revolving Fund (DWSRF) Program

On December 20, 2019, the Department proposed the DWSRF IUP for FFY 2020/SFY 2021 and a public hearing held on January 7, 2020. In response to comments received, the Department proposed amendments in February 2020 on the project and principal forgiveness caps for projects that address lead exposure in drinking water that are being funded with the approximately \$113M transferred as a result of the Water Infrastructure Funding Transfer Act (S. 1689). The Department’s DWSRF FFY 2020 IUP was finalized in April 2020 and has been approved by USEPA.

In SFY 2022, the NJ Water Bank will continue to offer very attractive low-cost financing packages, including principal forgiveness (or grant-like funding), interest-free loans, and low interest loans for high priority drinking water projects. For SFY 2022, the DEP is maintaining base loans rates outlined in the SFY 2021 IUP, which included a funding cap of \$25 million per applicant per year for both publicly and privately-owned systems to ensure that limited funds are distributed among multiple high priority projects.

The DEP plans to utilize any allocated principal forgiveness funds carried over at the end of SFY 2021 as principal forgiveness in SFY 2022 for categories set forth in this IUP. Principal forgiveness funds for Small System Asset Management Plans are expected to be exhausted in SFY 2021 and will not be available in SFY 2022. If any principal forgiveness funds remain for carryover in SFY 2022 they will be added to allocated principal forgiveness for Nano projects.

In SFY 2021, the Water Infrastructure Funding Transfer Act “WIFTA” (S. 1689) allowed for a one-time transfer of approximately \$113M of CWSRF funds to the DWSRF to provide principal forgiveness for high-priority projects designed to address lead exposure in drinking water. It did not allocate any new money to the SRF loan program but the transfer from CWSRF to DWSRF provides helpful short-term flexibility. The SFY 2022 IUP will utilize principal forgiveness resulting from WIFTA that was carried over from SFY 2021 for lead remediation projects in communities with a median household income (MHI) less than the MHI for the State. For water systems with a population greater than 1,000, the Water Bank will offer up to 50% of total allowable project costs up to \$1M, \$5M, or \$10M per applicant/year in principal forgiveness (\$2M, \$5M, or \$20M in total project costs) based on the number of known lead service lines (<1,000, 1,000 to 5,000; or >5000). Any remaining project costs may be funded by the I-Bank at Market Rate as capacity allows.

DEP is amending the SFY 2021 IUP and carrying forward those changes in SFY 2022 to help small water systems with populations of 1,000 or less. Many of these small systems face challenges in their ability to achieve and maintain compliance with federal and State rules. This includes the lack of expertise to operate and maintain systems, lack of financial resources, and aging infrastructure. To address this, DEP is offering 100% principal forgiveness loans up to \$1M in total project costs for lead remedial projects (including corrosion control or lead service line replacement) to systems in communities with a MHI less than the MHI for the State through principal forgiveness funds transferred as a result of WIFTA. Further, the DEP is modifying loan packages for small systems with a population of 1,000 or less that receive assistance through the DEP’s Engineering Contract. Those systems will be offered 100% principal forgiveness loans capped at \$750,000 to address these compliance issues.

The DEP is actively pursuing additional funding sources to address the increasing drinking water infrastructure financial needs. The SFY 2021 State budget included a \$60 million appropriation for water infrastructure projects, of which \$10M is allocated to water projects funded in the CWSRF and will be used as Clean Water match. The remaining \$50M will be used to fund additional drinking water projects, split to allocate \$25M to DEP and \$25M to I-Bank that can be leveraged to fund approximately \$113M in projects.

Amendments to the Final Clean Water and Drinking Water Intended Use Plans for Federal Fiscal Years 2017, 2018, 2019, 2020 and State Fiscal Years 2018, 2019, 2020, 2021 - Use of Water Infrastructure Finance and Innovation Act Funds

Amendments to the Final Clean Water And Drinking Water Intended Use Plans for FFYs 2017, 2018, 2019 and 2020 were proposed on October 22, 2020 to address the Water Bank's use of Water Infrastructure Finance and Innovation Act Funds in lieu of a portion of the funds the I-Bank would otherwise secure through the issuance of tax-exempt bonds. These amendments have been subject to the required 30-day public comment period and no comments were received. The amendments are now finalized with no changes to the proposed document.

A hearing on the Proposed FFY 2021 CWSRF and DWSRF IUPs will be conducted on Thursday January 7, 2021. The hearing will commence at 10:00 a.m. and conclude at noon or the end of testimony (whichever is sooner). Due to concerns around COVID-19, this meeting will be held remotely, using Microsoft Teams. If you would like to attend, please contact watersupply@dep.nj.gov, and include "January 2021 IUP Hearing Invitation" in the subject line. Please include your name, phone number, and affiliation in the body of the email. You will then be contacted by a DEP staff person who will provide you a link, and a call-in number for the meeting.

Presentations may be made orally or in writing; if written testimony is prepared, the oral presentation should be limited to a summary of the text. The period for submitting written comments on the proposal will close on January 14, 2021 (all comments must be received by that date). All comments submitted prior to the close of the comment period will be considered in the preparation of the final CWSRF and DWSRF IUPs.

Written comments on the **CWSRF IUP** should be sent to the following address:

Mail Code 401-03D
Eugene Chebra, P.E., Assistant Director
Municipal Finance and Construction Element
Division of Water Quality
PO Box 420
401 East State Street, 3rd Floor, West Wing
Trenton, New Jersey 08625-0420
or
Eugene.Chebra@dep.nj.gov

Written comments on the **DWSRF IUP** should be sent to the following address:

Mail Code 401-04Q
Kristin Tedesco, Bureau Chief
Bureau of Water System Engineering
Division of Water Supply and Geoscience
PO Box 420
401 East State Street, 4th Floor, West Wing
Trenton, New Jersey 08625-0420

or

watersupply@dep.nj.gov with “DWSRF Comments” in the subject line

The Proposed Priority System documents are posted on the Department’s web site at <http://www.nj.gov/dep/dwq/cwpl.htm> .


If you have any questions regarding the CWSRF IUP proposal, please contact Eugene Chebra, Assistant Director, Municipal Finance and Construction Element, Division of Water Quality at 609-292-8961 or Eugene.Chebra@dep.nj.gov.

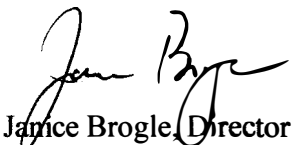
If you have any questions regarding the DWSRF IUP, please contact Kristin Tedesco, Bureau Chief, Bureau of Water System Engineering, Division of Water Supply and Geoscience at 609-292-2957 or Kristin.Tedesco@dep.nj.gov.

Sincerely,

Patricia L.
Gardner

Patricia Gardner, Assistant Commissioner
Water Resource Management

 Digitally signed by Patricia L.
Gardner
Date: 2020.12.15 14:56:54 -05'00'


Janice Brogle, Director
Division of Water Quality