

## SFY 2020 SDWLP IUP Comment Response

One comment was received on the SFY 2020 SDWLP IUP as follows:

*“These comments are concerning the policy point ‘PERF scoring streamlining’.  
From the 2020 Safe Drinking Water IUP:*

**PERF scoring streamlining:** The DNR evaluates ITAs and PERFs submitted by the October 31 deadline solely for project eligibility; eligible projects are listed on the Project Priority List reflecting the self-scores as submitted by potential loan applicants. The DNR will review the scores of eligible projects for which complete applications are received by the June 30 application deadline. This change also eliminated the PERF score objection process at the time of PERF submittal as the DNR is not reviewing PERF scores at that time. [...]

*We now have the first year of this new ‘non-scoring method’ for SDWLP ITAs/PERFs. We also have heard/seen the hardship that is causing communities because of the increased uncertainty of funding, and not knowing how their needs stack up against the other communities competing for these funds. While PF was never a ‘lock’ for SDWLP, this increased uncertainty impacts planning, decision-making, and affects budgeting. Whether the DNR could argue that it should or not, it has seriously impacted the willingness/ability to move forward on needed projects. To decide to put in an application means also committing significant funds up front for plans & specs, approvals, and assistance with the applications. The time saved for the staffer(s) at DNR is far outweighed by the additional time and stress experienced by the communities trying to figure out the best way to go about meeting their infrastructure requirements.*

*From the DNR’s standpoint, the scoring change heavily interferes with the DNR’s stated goal of assisting the neediest and highest priority projects in the state. The applications the DNR will be getting at this point may be the projects where the communities can see their way clear to afford to put together the app/plans/specs and gamble they will win the funding. So the DNR will be getting more applications for projects that could/would go ahead, SDWLP money or not. The smallest and poorest communities simply cannot afford that method. While this current method ‘may’ meet the letter of the statute, I do not believe it meets the intent to fund the projects that address most serious risk and assist applicants with the most need.*

**281.61(6) (6) PRIORITY LIST.** The department shall establish a priority list that ranks each safe drinking water loan program project. The department shall promulgate rules for determining project rankings that, to the extent possible, give priority to projects that address the most serious risks to human health, that are necessary to ensure compliance with the Safe Drinking Water Act, 42 USC 300f to 300j-26, and that assist applicants that are most in need on a per household basis, according to affordability criteria specified in the rules. [...]

*This method of scoring also cuts out an important feedback tool for the communities. The previous method of scoring effectively/affordably allowed a community to make their case. If the scorer determined the case was not made well enough at the ITA/PERF stage to meet the rules as interpreted, the community had a small window to address that and collect additional evidence, OR decide that they needed to push off the project if possible and consider other options. The current method does not effectively allow for this important feedback on a timeline that permits compliance, municipal decision-making, and coordination and conservation of scarce funds. This current guidance also negates the remedy that exists in the current code.*

*Please reconsider and restore a real **project priority** list. If the annual scoring is too burdensome, then consider allowing the project PERF scoring to follow the project for 3-5 years, with changes to that portion of the score made if new evidence comes to light or the project changes. That stability would help the communities plan better and be a real help in evaluating their options.*

Thank you,  
Respectfully,  
Mary Wagner, MSA”

## SFY 2020 SDWLP IUP Comment Response

### DNR's response to the SFY 2020 SDWLP IUP comment:

The SDWLP will continue to place projects in priority score order as they are submitted to the Department as part of the Intent to Apply (ITA) process. We continue to emphasize that ***the PPL cannot be used as a reliable indicator of funding*** for any particular project for three main reasons:

- we do not know the funding levels available for the program at the time the PPL is generated;
- we don't know which projects will have applications submitted for funding;
- we don't know how circumstances might change for a specific project or municipality in the eight months that lapse between the ITA/PERF deadline and the application deadline.

Since only approximately 10% (~30 of 300) of projects on the PPL submit applications for funding, a lower scoring project may be likely to receive funding if very few higher scoring projects submit applications. Additionally, project scores are evaluated and will be revised by the department, as appropriate, for those submitting applications. While this may alter the 'ranking' of the PPL, it will continue to allow the department to fund those projects with the greatest need first.

Notwithstanding the fallibility of using the PPL as a predictor of funding, if customers choose to try to use the list for this purpose, steps can be taken to secure the most accurate self-score possible. The project scoring (PERF) is submitted through an online system with online help text available for every single question. In addition, DNR staff from the Drinking and Groundwater program are available prior to the PERF submittal deadline to answer questions and provide additional guidance prior to submittal. Lastly, the SDWLP provides additional scoring guidance through our newsletter and website for customers to ensure submitted scores are most accurate.

If a municipality is looking for reassurance relating to the availability of funds, they should consider that in the past 9 years, all projects seeking financial assistance have received funding through the SDWLP. Additionally, leveraging of the SDWLP is currently being considered by the Legislature which, if approved, would increase the amount of available funds. If the SDWLP is leveraged, assuming demand trends continue, loan funding availability would no longer be a limiting factor.

In addition, water systems are encouraged to continually engage in both short-term and long-term asset management planning for their infrastructure needs so they are well-positioned to know which projects should move forward in a given year and to avoid ending up in a dire or noncompliant scenario. Good asset management planning enables systems to keep up with their infrastructure needs and seek out the most appropriate financial assistance for a given project in a given year rather than the reverse of seeking funding first and basing the scope of the project on securing financial assistance from a specific funding source.

While PERF score objections are no longer part of the process, municipalities still have the option to submit a reevaluation request up until 45 days after the application deadline. As mentioned previously, DNR staff are available to answer questions prior to both the ITA/PERF and application deadlines. Changes that occur between the ITA/PERF and application deadlines, such as an MCL or ALE, can be addressed through a reevaluation request.

Modifying the time period of validity for ITA/PERFs would move the SDWLP away from its intent of attracting and financing shovel-ready projects. Ideally, projects should not be on the PPL for five years or longer as they should be close to starting construction when seeking funding from the SDWLP. As mentioned previously, if loan funding availability can be increased through leveraging the fund, there would be low risk in securing funding from the SDWLP, and both the Department and customers would benefit from a more flexible and efficient process with a decreased turnaround time from project funding application to first disbursement. The SDWLP continues to work on streamlining and other improvements to achieve the most efficient, flexible, and least costly administrative process to better serve the financial needs of the customers.