

**State of Wisconsin  
Department of Natural Resources**

**Response to Public Comments  
SFY 2026 Safe Drinking Water Loan Program Intended Use Plan**

*A public comment period for the SFY 2026 Safe Drinking Water Loan Program (SDWLP) Intended Use Plan (IUP) opened on April 8, 2024, and closed on May 23, 2025. The comments and the corresponding responses are listed below. In many cases, the comments have been shorted to highlight their recommendations. We appreciate the engagement we received, and the patience commenters have shown while awaiting responses.*

## Comment letter 1

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**Submitted by Michael Avanzi, Kaukauna Utilities**

- 1. Comment:** Consider a prorated principal forgiveness for all lead service replacements. If a disadvantaged community falls within the municipality, principal forgiveness on lead service line replacements could be awarded on a prorated amount. For example, if 30% of the community is considered disadvantaged then there could be a prorated percentage of principal forgiveness applied to lead service line replacements throughout the municipality.

**Response:** The principal forgiveness score for the municipality as a whole is doing exactly that; it prorates the disadvantaged status of the various census tracts to come up with a score for the municipality as a whole. The option of submitting a project in a disadvantaged census tract is intended to target principal forgiveness funds to the residents that are most in need. If residents of a particular census tract are more disadvantaged than residents of other areas, then the benefits of a higher level of principal forgiveness should accrue to those residents specifically.

- 2. Comment:** On the disadvantaged communities and methodology for distribution of general principal forgiveness, consider the following:
  - Raise the maximum population from 10,000 people to 30,000
  - Award some principal forgiveness points base on priority score. (this example scoring below would add some principal forgiveness to all projects that score over 100 points. For SFY 2025 this would cover five projects that scored above 100. (which only adds one more project that did not get any principal forgiveness)
    - Priority Score 100-199: 60
    - Priority score 200-299: 70
    - Priority score 300-349: 80
    - Priority Score 350-399: 90
    - Priority Score 400+: 100
  - Award some principal forgiveness for green tier legacy communities and projects providing disinfection even if they don't meet the minimum required 60 points from Table 7.

**Response:** Larger utilities can achieve economies of scale not feasible for smaller utilities. Given that financial benefit, smaller municipalities receive higher points under the population criterion.

The general SDWLP principal forgiveness allocation methodology is currently structured to allocate principal forgiveness funds to the highest priority projects in municipalities with the greatest financial need. First projects are put in priority score order, and then the PF score is calculated using the tables defined in the IUP.

The priority goal for allocating principal forgiveness is to distribute the funds to municipalities with the greatest financial need. Regarding Green Tier Legacy Communities and municipalities providing disinfection, if they qualify for PF, they are eligible for an additional 10% PF on top of the percentage as determined by the PF score calculated using the tables defined in the IUP. Furthermore, Section 1452 of the SDWA requires states to allocate the majority of the principal forgiveness to loan recipients who meet the definition of a “disadvantaged community”.

Additionally, we have heard from customers that changes to the scoring system can make it challenging for them to adapt and plan. Projects can take years from planning to completion and annual changes to the system would make it challenging for anyone looking to make estimates on how the project would score. The consistency provides confidence to applicants in the final years of IJIA funding.

## Comment letter 2

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**Submitted by Cory Mason, City of Racine**

- 1. Comment:** The clause in question outlines a two-pass process for distributing private side LSL PF, which we believe may inadvertently impose challenges that could undermine the overall effectiveness and equity of the program. The proposed process for allocating private side PF funding appears to prioritize administrative efficiency over the immediate and pressing need to address lead exposure risks for communities most in need. While we understand the intention to manage increased competition for LSL funding, the capped allocation of no more than 25% of the total PF available in the first pass could unfairly prevent communities with the greatest need in number of lead service lines to be replaced and from an equity and disadvantaged population standpoint from receiving critical funding to deal with the health and safety issues caused by lead service lines. Racine, like many large urban cities in Wisconsin, has a large population of disadvantaged residents with respect to income, education, employment opportunities, housing, and transportation. The two-pass process could delay critical funding for high-priority projects. This is especially concerning for communities with limited resources that rely predominantly on PF allocations to proceed with private side replacements.

Moreover, the multi-pass allocation framework introduces complexity that risks creating procedural bottlenecks, potentially delaying the disbursement of funds and the execution of necessary projects. Communities with higher priority scores may face prolonged uncertainty about the availability of funds for their projects, adversely impacting their ability to plan and implement timely replacements.

To ensure the intended use of the program aligns with the principles of equity, public health urgency, and community support, we respectfully urge the Wisconsin Department of Natural Resources to reconsider the structure of this allocation process. Specifically, we recommend:

- Ensuring that higher proportions of PF funding are allocated in the first pass to projects serving disadvantaged or high-risk communities.
- Streamlining the allocation process to reduce procedural delays and administrative burdens on applicants.
- Providing additional justification and clarity on how the capped first-pass allocation and subsequent distributions will achieve the program's overarching goals.

**Response:** The LSL priority ranking criteria and the methodology for determining the percentage of principal forgiveness an applicant is eligible for both prioritize economically disadvantaged communities. The LSL priority scoring uses family poverty percentage and lowest quintile income – both measures of poverty – while the principal forgiveness methodology uses both of those criteria plus median household income and county unemployment rate. Additionally, the LSL priority scoring uses the percentage of LSLs in the community and lead sampling results along with the percentage of the population under the age of five so that communities with a higher LSL burden and a larger percentage of the population at higher risk are prioritized.

Along with the priority scoring, the five tiers of principal forgiveness eligibility (0%, 25%, 50%, 75%, 100%) serve to allocate higher amounts of principal forgiveness to the most financially needy communities, and the option to apply for projects in disadvantaged census tracts further enhances the targeting of principal forgiveness to those who need it most.

The purpose of instituting the two-pass allocation procedure with a cap on the first pass is to prevent two or three high-priority, but very large, projects from receiving all of the available principal forgiveness. It is not intended to prioritize administrative efficiency. We understand the concerns about uncertainty of funding, but believe that this change to the allocation methodology will actually provide a higher level of certainty that at least some amount of principal forgiveness funding will be received.

In light of this comment and two other similar comments we received, we are slightly modifying the new two-pass allocation methodology. Principal forgiveness allocations on the first pass will be capped at 25% of the available principal forgiveness, unless the applicant's share of LSLs in the statewide total from inventories submitted to the DNR and approved as of the application deadline are greater than 25%. In that instance, the cap will be equal to that applicant's percentage of LSLs in the statewide total.

This methodology will result in an equitable allocation of principal forgiveness to applicants across the state as determined by financial need and LSL burden.

## Comment letter 3

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**Submitted by Patrick Pauly, Milwaukee Water Works (MWW)**

1. **Comment:** MWW's comments are in response to the proposed two-pass process for allocating private side principal forgiveness funding for lead service line replacements and are specifically related to the first pass cap of 25% of the total PF available. Imposing an arbitrary cap will disproportionately harm the community with the greatest need, while potentially allowing

communities with far fewer LSLs to receive a similar or equal PF funding award as the City of Milwaukee.

MWW respectfully requests the consideration of a cap based on each community's proportion of the state's total LSLs, rather than a flat 25% cap for all applicants. Using the proportion of a community's LSLs compared to the statewide total provides a more equitable and justifiable basis for distribution.

MWW appreciates the addition of "Percentage of Lead Service Lines in System" to the LSL Priority Scoring system and recognizes the potential value – if a second PF allocation pass is made. However, based on the 87 LSL Intent to Apply submissions received by October 31, 2024, totaling an estimated \$242,993,548, MWW is concerned that a second pass of funding may not be possible. If that is the case, MWW will likely not receive PF funding for the full private side request for SFY 2026.

MWW recognizes the need for a cap and a multi-pass process to allocate PF allocations. However, a cap based on each system's proportion of the statewide LSL total would lead to a more equitable, needs-based distribution of funding – one that aligns with both the intent of the program and the urgency of addressing public health risks posed by the lead exposure. The community with the highest number of lead service lines carries a disproportionate burden and faces the greatest challenges in protecting residents, particularly vulnerable populations such as children. Funding strategies should reflect this reality to ensure that public health outcomes are improved where the need is greatest.

**Response:** We recognize and understand the concerns raised in MWW's comment. Milwaukee's distribution system contains 43% of the statewide total of LSLs in inventories that have been approved by the DNR to date. In light of this comment and two other similar comments we received, we are slightly modifying the new two-pass allocation methodology. Principal forgiveness allocations on the first pass will be capped at 25% of the available principal forgiveness unless the applicant's share of LSLs in the statewide total from inventories submitted to the DNR and approved as of the application deadline is greater than 25%. In that instance, the cap will be equal to that applicant's percentage of LSLs in the statewide total.

This methodology will result in an equitable allocation of principal forgiveness to applicants across the state as determined by financial need and LSL burden.

## Comment letter 4

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**Submitted by Brenda Coley and Joe Fitzgerald, Milwaukee Water Commons**

- 1. Comment:** We are concerned that utilizing a cap for the SDWLP allocation of set aside funding for lead service line replacement will significantly impede the ability of large cities to urgently addressing lead exposure in disadvantaged communities, while only marginally benefiting communities that could otherwise afford to cover the costs of LSL replacement.

**Response:** We believe that the combination of the LSL priority ranking, and the modified disadvantaged criteria used to determine principal forgiveness eligibility and percentage, work together to ensure that the highest amounts of principal forgiveness are allocated to those with the greatest financial need and highest LSL burden. We also believe that it is important to

spread the allocation of principal forgiveness to as many applicants as possible since the principal forgiveness has its primary impact at the level of individual property owners.

In light of this comment, as well as the comments from Milwaukee and Racine, we are making a modification to our proposed two-pass principal forgiveness allocation. Principal forgiveness allocations on the first pass will be capped at 25% of the available principal forgiveness unless the applicant's share of LSLs in the statewide total from inventories submitted to the DNR and approved as of the application deadline is greater than 25%. In that instance, the cap will be equal to that applicant's percentage of LSLs in the statewide total.

This methodology will result in an equitable allocation of principal forgiveness to applicants across the state as determined by financial need and LSL burden.

2. **Comment:** The Wisconsin Department of Natural Resources should take steps to leverage Wisconsin's State Revolving Fund Program to support equitable workforce development. We were discouraged to see that the SDWLP SFY 2026 IUP removes a short-term goal to "explore avenues to support pre-apprenticeship, registered apprenticeship, and youth training programs that open pathways to employment."

We recommend that the WDNR strongly consider opportunities to take a further beyond that programmatic policy to leverage SRF funding to encourage equitable workforce development.

- Adopt workforce standards for projects financed by the SDWLP that go beyond Davis-Bacon and Build America Buy America.
- Encourage procurement policies that incentivize the use of DBE, WBE, and MBE, and reward programs that help WDNR meet its goals for DBE Utilization.

**Response:** The short-term goal was removed because the DNR has completed what the goal set out to do. Under the previous goal, the DNR considered other ways to support or encourage workforce development at various levels but determined that other approaches, such as those mentioned in the comment, would create additional complexity and burden for applicants while only having an indirect and indeterminate impact on actual workforce development. Although the goal has been removed, the SDWLP continues to support aspects of workforce development via set-aside funding for a technical school education program and existing DBE solicitation requirements that go beyond federally-required minimums.