**State of Wisconsin**

**Department of Natural Resources**

**Response to Public Comments**

**SFY 2027 Safe Drinking Water Loan Program Intended Use Plan**

*A public comment period for the SFY 2027 Safe Drinking Water Loan Program (SDWLP) Intended Use Plan (IUP) opened on April 23, 2026, and closed on June 8, 2026. 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

**Submitted by Fern Mary Schultz, Great Lakes Community Action Partnership**

**Comment 1:**
**Affordability + Principal Forgiveness (PF)**

The draft IUP indicates the SDWLP is using the minimum required 12% principal forgiveness under federal authority in order to preserve revolving fund capacity and maximize loan volume. While, I understand the need to keep the program financially sustainable, but in practice I don't think this is matching what we are seeing on the ground.

The IUP also notes significant program capacity, including about $190 million in annual lending capacity and $21 million in unused authorization carried over from SFY 2026. To me, unused authorization is not necessarily a sign of low need — it often reflects that some systems simply cannot take on the debt, even with current PF levels.

From direct technical assistance work with small and disadvantaged systems in Wisconsin, we regularly see communities delay or walk away from needed infrastructure projects because the resulting user rates are still too high. In those cases, the issue is not project eligibility, it's affordability.

I know that there will be an update that when a water system extends service to a disadvantaged community, the extending system may also be treated as disadvantaged for purposes of that project. Building on that concept, DNR should also consider targeted principal forgiveness incentives for regionalization, consolidation, interconnection, and shared-service projects involving small or disadvantaged systems, since these projects often improve long-term affordability and sustainability but can require significant upfront planning and coordination costs.

**Recommendation:** I would strongly encourage DNR to consider increasing principal forgiveness within the allowable federal range (12–35%) for small, rural, and disadvantaged systems so that more projects actually move forward instead of sitting in the pipeline.

> ***Response:*** The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), provided over $300,000,000 additional dollars in principal forgiveness in state fiscal years (SFY) 2023-2027. With SFY 2027 being the final year with the supplemental

federal funding, the DNR believes using the minimum from the allowable federal PF range from the Base capitalization grant is appropriate. Starting in SFY 2028, the amount of PF available will be significantly less, as such the DNR will be revising the PF policy.

**Recommendation:** Consider establishing a principal forgiveness category for regionalization, consolidation, interconnection, or shared-service projects involving small or disadvantaged systems.

***Response:*** The Priority Evaluation and Ranking System (PERF) will award 30 points for each existing water system that is consolidated that are eligible in accordance with s. NR 166.06(1)(c), Wis. Adm. Code. With SFY 2027 being the final year of IIJA supplemental funding, we didn't want to make significant changes to the PF criteria. Additionally with the drop in PF funding beginning in SFY 2028, it didn't make sense to make a special PF program for one year for it to go away in SFY 2028.

**Comment 2:**
**Affordability Methodology (MHI vs real-world rate burden)**

The current affordability model is already more sophisticated than MHI alone. It includes population, population trends, poverty, lowest quintile income, and unemployment. That's a solid approach, and I think it's better than many other states.

That said, I still think something is missing for very small systems. Even if a community doesn't look "poor" on paper, the per-household cost of infrastructure can be extreme when you only have a small number of users paying for it.

**Recommendation:** Consider adding a simple "rate burden" check (for example: projected monthly bill increase or bill as a percent of income) as a supplemental factor for PF decisions. It would keep things simple but better capture small-system reality.

***Response:*** With SFY 2027 being the final year of IIJA supplemental funding, we prefer to maintain the existing, functional PF criteria for the final year rather than introduce significant changes. Starting in SFY 2028, the amount of PF available will be significantly less and the DNR will be revising the PF policy. Additionally, municipal water rates vary widely based on local factors, making it nearly impossible to make a fair comparison between different communities. We have also found there is no publicly-available water rate data, making it difficult for the DNR to consistently assess rate burdens across all applicants.

**Comment 3:**
**ITA / Application Process + Planning Gap**

The Intent to Apply (ITA) process makes sense for statewide planning, but in practice it assumes a level of technical and financial readiness that a lot of small systems just don't have yet.

A lot of systems are being asked to signal intent, develop scope, and think through costs before they've even had a chance to do real planning work or get engineering help. That's where we see smaller systems fall behind early.

I also think there's a gap between ITA, preliminary engineering review planning, design work, and getting to a fundable project. Those steps are often happening in sequence, but they're not always supported in a way that small systems can realistically keep up with.

**Recommendation:** Add more upfront help through set-asides and consider a simple pre-application planning grant or structured planning assistance path so systems aren't forced to pay for engineering work before they even know if funding is realistic.

**Set-Asides + Technical Assistance Capacity** The IUP already uses set-aside funding for technical assistance and capacity development, which is good and absolutely necessary for small systems. But from what I see in the field, many systems still don't have enough support to actually get through the front end of the funding process like ITA, planning, environmental review, and application prep. That's where projects stall out, not at construction.

**Recommendation:** I would like to see a stronger focus on using set-aside dollars to directly fund: Third party nonprofit technical assistance providers, pre-application engineering support, and planning assistance for small and disadvantaged systems.

**Administrative Burden / Program Accessibility** A big reason small systems don't apply is not because they don't need the funding, it's because the application process is a heavy lift. Between engineering, environmental review, financial documentation, and compliance requirements, a lot of small utilities just don't have the staff or capacity to navigate it.

**Recommendation:** Simplify early-stage application requirements for small systems and expand pre-application technical assistance. Also consider whether the balance between program administration and direct support to applicants is appropriate for disadvantaged systems.

> ***Response:*** The DNR is committed to providing financial assistance to small and disadvantaged communities. Some of the current programs are explained below.
>
> - The DNR supports small and disadvantaged water systems through its Small Systems Technical Assistance set-aside, as well as through EPA's National Priority Area (NPA1) Small Systems Technical Assistance contracts.
> - We also encourage small and disadvantaged water systems to utilize free technical assistance via EPA's RealWaterTA and Water Engineering Support Services programs.
> - Small and disadvantaged systems also can receive support through the Underserved Drinking Water System (UDWS) and Emerging Contaminants- Small or Disadvantaged Communities (EC SDC) grant programs, in addition to through the SDWLP.
> - The DNR's Capacity Development Program prioritizes small and disadvantaged water systems for targeted technical assistance.
>
> Additionally, we are currently exploring an optional planning and design loan program to assist applicants with getting projects started. DNR plans to follow-up with another effort to gauge interest and solicit feedback.

**Comment 4:**
**Interest Rate vs Principal Forgiveness Alignment**

The IUP uses two different approaches: Interest rate subsidy is based mainly on population and MHI thresholds, and Principal forgiveness uses a broader affordability scoring model.

That creates situations where some systems may qualify for one type of help but not the other, even though the real-world affordability problem is the same. For small systems especially, affordability is driven by total monthly bill impact not whether relief comes from interest or principal.

**Recommendation:** Consider better aligning interest rate subsidy criteria with the broader affordability framework already used for PF so the two tools work together more consistently.

> ***Response:*** The median household income criteria are set by s. 281.61(11)(a), Wis. Stats., and s. NR 166.13, Wis. Adm. Code, which restricts the DNR's flexibility on changing the interest rate subsidy criteria to align with the principal forgiveness framework.

# Comment Letter 2

**Submitted by Joe Fitzgerald, Milwaukee Water Commons**

**Comment 1:**

**Bring together municipalities, advocacy organizations, technical assistance providers, and program staff to discuss changes to the states Safe Drinking Water Loan Program**. Wisconsin communities should have an early opportunity to learn about, and to speak into, the planning for changes to such a critical program for ensuring access to clean, safe and affordable water. As the WDNR navigates changes to the federal SRF program, it is important that these partners in the implementation of those funds are engaged to discuss how to manage the program moving forward to support water projects around Wisconsin, prioritizing disadvantaged communities and water affordability.

> ***Response:*** We agree that it is important to communicate with our stakeholders often. The DNR public comment period is the formal opportunity for the public to submit written feedback on the Intended Use Plan. The DNR also solicited public comments on upcoming changes to our PF policies and proposed process improvements to the programs.

**Comment 2:**

**Continue to build out investments in pre-application technical assistance to support small and disadvantaged municipalities navigating project planning and development ahead of and during the application process.** Milwaukee Water Commons endorses comments from the Great Lakes Community Action Partnership that suggest actions to help address barriers in pre application planning and project administration that limit small and disadvantaged communities' ability to leverage funding from the SDWLP. We encourage the WDNR to consider opportunities through programmatic changes, technical assistance, and even set aside grant funding to assist utilities in small and disadvantaged communities as they manage the upfront costs of project planning and application development.

> ***Response:*** See our response to the third question posed by the Great Lakes Community Action Partnership. In addition, for the LSL capitalization grant, the DNR is maxing out the allowable amounts from the FFY 2026 allocations for the small system technical assistance and the local assistance and other state programs set-asides. We also have to balance our program needs between the set-aside dollars and loan dollars.

**Comment 3:**

**Include an assessment of household water rate burden as one criterion for designating disadvantaged communities in Wisconsin.** Many communities already weigh the affordability of water rates against the costs of delaying water infrastructure projects. This will be increasingly true as the proportion of supplemental funding and support for providing principal forgiveness decreases through the federal SRF program. Including water rate burden within the SDWLP will help to ensure that both state and local programs monitor the household costs of necessary water infrastructure projects, and will add additional context to ensure that SRF funding is distributed equitably to help accelerate water infrastructure projects around the state.

> ***Response:*** We agree that affordability is important. However, we have found that municipal water rates vary widely based on local factors, making it nearly impossible to make a fair comparison between different communities. We have also found there is no publicly-available water rate data, making it difficult for the DNR to consistently assess rate burdens across all applicants. Past experience with the state-funded CWF Hardship Grant Program demonstrated that including water rates in the affordability calculation is problematic.

**Comment 4:**

**Look at opportunities to leverage state authorized funding to increase the amount of principal forgiveness made available through the Safe Drinking Water Loan Program.** Over the last few years of supplemental funding Wisconsin has seen drastically increased demand for project requests through the SDWLP, in large part driven by the availability of increased access to principal forgiveness helping to alleviate the localized cost of water infrastructure projects. Recognizing that the WDNR has a fiscal responsibility to ensure the sustainability of the SDWLP as a revolving loan program, we encourage the WDNR to increase the states contributions increasing the availability of principal forgiveness in Wisconsin to help meet the demand for water infrastructure projects around Wisconsin.

> ***Response:*** The SDWLP doesn’t receive any funding via the state budget that could be used as principal forgiveness. Federal funding, via the capitalization grants, provides the principal forgiveness dollars, and congress authorizes principal forgiveness through its annual appropriations and the Safe Drinking Water Act. The larger the capitalization grant, the more PF that can be provided. However, any dollar that is provided as PF does not revolve back into the fund which impacts future loan capacity. We are seeing project costs continue to increase, so the need for our annual capacity to grow is also greater. Additionally, as base cap grant amounts are trending lower, using more of the available funding as PF would further reduce the rate at which annual capacity is able to grow. We have to keep in mind the decisions we make today affect the program 20-30 years down the road. We have a commitment to manage the revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity. Most municipalities can still expect savings by using the low interest SDWLP loans as compared to financing a project on the open market.

**Comment 5:**

**Incentivize municipalities to partner in connecting businesses to the process for becoming certified as a Disadvantaged Business Enterprise.** Following changes to the Department of Transportations DBE classification criteria, the states list of DBEs went from around 2000 certified businesses to only 200 businesses who have recertified. For the DBE certification program to function effectively for the state SRF program and for businesses across Wisconsin, the DOT's program needs assistance connecting with and recertifying businesses from across the state who could benefit from access to these public contracting opportunities.

**Incentivize municipalities to implement and maintain procurement practices that encourage or require the participation of disadvantaged businesses beyond good faith solicitation.** The designation of policies for ensuring that public spending encourages the participation of DBE's are rooted in victories from the American Civil Rights Movement. These policies attempt to address the known gap in access to credit and capital that exist for women and people of color and begin to account for the distinct ways that racism and sexism foster discrimination that continues to marginalize these businesses from participating in public contracting opportunities. Nationally and in Wisconsin, women owned and minority owned businesses are less likely to receive loans and more likely to have higher interest rates on the loans that they do receive, putting those businesses at a distinct competitive disadvantage during the public bidding process. To ensure that DBE's have access to economic opportunities connected to the implementation of SDWLP funding, we encourage that the WDNR should incentivize municipalities showing a commitment to the participation of DBE's through set goals and requirements for the participation of DBE's on publicly funded water projects.

> ***Response:*** Procurement incentives that a municipality practices don't come into play until the project is bid. At the time we are developing the funding list, which includes scoring projects and allocating PF, the construction contract has not been bid. Providing an incentive at that point would leave no assurances that a municipality would follow through on a plan to solicit DBEs.
>
> The SDWLP currently requires all municipalities and their prime contractors to make good-faith efforts to solicit and use DBEs when financing projects through the state revolving fund. The DNR has a DBE compliance contract packet available and encourages consulting engineers to include the entire packet in bidding documents and the construction contract in order to facilitate compliance with DBE regulations. The DNR accepts DBEs on the U.S. Small Business Administration's directory, in addition to Wisconsin's and neighboring state's Unified Certification Program directories. A sanction of up to 8 percent of the construction costs of the project may be applied if a municipality and/or their prime contractor fails to comply with the DBE requirement.