Mr. Jim McGoff, Chief Operating Officer and Director of Environmental Programs, Indiana Finance Authority, On behalf of the Council of Infrastructure Financing Authorities

The Honorable Cathy McMorris Rodgers (R-WA)

1. Are there burdensome, direct or indirect, unfunded or underfunded mandates that are being imposed on States or municipalities in IIJA/BIF?

RESPONSE: Yes. The Infrastructure Investment and Jobs Act (IIJA) has several unfunded mandates on States and borrowers of the Drinking Water State Revolving Funds (SRFs). While well-intentioned, federal mandates increase the cost of water infrastructure, which disproportionately impacts small, rural and disadvantaged communities that can least afford it and have few, if any, other options for affordable financing. Federal mandates also threaten the long-term financial integrity of the SRFs.

Domestic Preference Procurement Requirements: The IIJA includes the Build America Buy America Act (BABA), which establishes domestic preference procurement requirements for iron, steel, construction materials, and manufactured products. Under the law, borrowers of the Drinking Water SRFs must demonstrate compliance with procurement rules established by The White House Office of Management and Budget Made in America Office and the U.S. Environmental Protection Agency (EPA).

Until EPA provides final implementation guidance for BABA, the full cost of compliance with these mandates remains unknown. However, SRFs are concerned that the cost of compliance could erase the savings provided by subsidized loans, which would exacerbate affordability for ratepayers and deter participation in the program.

Mandated Additional Subsidy: The IIJA includes the Drinking Water and Wastewater Infrastructure Act, which mandates that Drinking Water SRFs give
away 12% of the annual capitalization grant as additional subsidy to disadvantaged communities – doubling the previous mandate in the Safe Drinking Water Act. The IIJA also mandates that Drinking Water SRFs give away 49% of annual supplemental capitalization grants as additional subsidy.

Mandated additional subsidy permanently eliminates a recurring source of revenue to meet future needs for water infrastructure, which places a greater financial burden on generations to come.

2. Intended Use Plans prioritize DWSRF loans to communities that are out of compliance with the Safe Drinking Water Act, that non-compliance is causing a threat to human health, and the community itself cannot afford making changes on its own – on a per capita basis. The EPA memo suggests states will need to make changes to their Intended Use Plans for the next 5 years.

   a. How much pressure do your members feel to change their Intended Use Plans?

   RESPONSE: SRFs are concerned that EPA’s new Oversight Guidance for Intended Use Plans (IUPs) may be used to pressure States to change their programs in order to gain approval of their capitalization grant application for funding provided by Congress in the IIJA. A copy of the new guidance is attached in Appendix A.

   The Oversight Guidance establishes an evaluation checklist with 28 measures, including six based on statutory requirements and 22 based on EPA’s recommendations to meet Administration priorities, referred to as “best practices.” The Oversight Guidance is designed to “engage states on EPA’s expectations for implementing BIL funding programs and their plan for meeting those expectations” and to encourage States to integrate “these priorities into their base SRF program.”

   The Oversight Guidance identifies 11 priority measures, including all statutory requirements and five priorities of the Biden-Harris Administration. If an IUP doesn’t comply with one or more of these measures, EPA Regions are required to send the capitalization grant application to EPA Headquarters for further review.

   Changes to the process are also a concern. Some EPA Regions provided the new guidance to SRFs, while others didn’t share the guidance until asked. Typically, SRFs provide a draft IUP to EPA when it’s posted for public comment. Now, EPA has asked SRFs to provide a draft IUP before it’s posted for public comment.
Some SRFs have already applied for a capitalization grant for the supplemental funding in the IIJA, but the review process has only just begun.

b. What will these changes mean for communities that might otherwise qualify based on the priority criteria, but will now be bumped down because of new IUP criteria?

**RESPONSE:** Based on the SRF Implementation Memo and Oversight Guidance, EPA expects SRFs to change the affordability criteria to significantly expand eligibility for additional subsidy, which is the part of an SRF loan that doesn’t need to be repaid and comes in the form of grants or principal forgiveness.

SRFs are committed to helping communities that can’t afford to pay for infrastructure to provide safe, reliable drinking water. However, SRFs are concerned about the unintended consequences of watering down the affordability criteria for additional subsidy, especially when so many communities meet the existing criteria. As one SRF manager said, “If all water systems are disadvantaged, then no water systems are disadvantaged, and funding won’t be prioritized for the most disadvantaged who truly can’t afford safe drinking water without a grant or principal forgiveness.”

Additionally, SRFs are concerned about compliance with the Safe Drinking Water Act, which clearly requires the affordability criteria to be based on the entire service area of a water system, not pockets of poverty within a community.

3. One of the major criteria for the drinking water state revolving loan fund is that recipients need to be able to demonstrate the technical, managerial, and financial capacity to operate their systems.

a. I know this is a sensitive issue, but with so much mandatory loan subsidization and principal forgiveness being required by the IIJA and EPA’s memo, are we creating a conflict between these requirements and the intent and interpretation of IIJA?

**RESPONSE:** Requiring water systems to demonstrate technical, managerial and financial capacity is essential for protecting public health, as well as ensuring taxpayer investments in water infrastructure can be operated and maintained.

b. If yes, what systems would suffer the most?

**RESPONSE:** Many SRFs work with potential borrowers to help them develop the technical, managerial, and financial capacity to safely run their water system as well as qualify for an SRF subsidized loan, which is often accompanied by
significant additional subsidy. Without this requirement, some water systems wouldn’t otherwise develop the operational capacity needed to provide safe drinking water to their community.

c. Are there other conflicts between IIJA and SDWA that complicate implementation of either one?

**RESPONSE:** Providing safe drinking water is the priority. However, ensuring water infrastructure projects provide a sustainable solution is also critically important. In the long term, communities are not helped by building water infrastructure that can’t be operated and maintained with affordable user rates.

4. EPA’s Implementation Memo takes pains to claim that it is giving the States lots of flexibility to implement the provisions within IIJA. Yet, some are suggesting that these statements oversell the amounts and types of flexibility provided.

**COMMENT:** The flexibility summarized in EPA’s SRF Implementation Memo was established in the Safe Drinking Water Act. With the exception of federal mandates for additional subsidy and Build America, Buy America, the IIJA didn’t expand flexibilities or impose new restrictions on the Drinking Water SRF.

a. What are the areas where CIFA members really need flexibility, but EPA is not suggesting they have it?

**RESPONSE:** The Drinking Water SRFs need more flexibility to effectively and efficiently implement programs to replace lead service lines.

**Lead Water Mains:** Replacement of lead water mains is eligible under the base program but isn’t eligible for funding dedicated to lead service line replacement.

Providing SRFs with the ability to fund replacement of lead water mains with dedicated funding for lead service line replacement will maximize the use of federal funding. Replacing lead water mains at the same time lead service lines are replaced is the most effective and efficient way to mitigate lead in drinking water.

**Additional Subsidy:** While well-intentioned, restricting the use of additional subsidy to communities that meet affordability criteria is counterproductive. In particular, this restriction on lead service line replacement is further complicated by EPA’s expectation that “projects on the IUP fully pay for both public and private [lead service lines]” (EPA Oversight Guidance for Intended Use Plans #12).
Providing the SRFs with the flexibility to use additional subsidy for any eligible project ensures protection for public health remains the priority. Moreover, providing this flexibility for lead service line replacement will accelerate the development and implementation of these challenging and complex projects. Because replacing lead service lines is a one-time project that provides significant health benefits, allowing the use of additional subsidy for projects in any community will more quickly eradicate this serious threat to public health.

**Set-Asides for Lead Service Line Inventories:** Some SRFs want to use set-asides to pay 100% of the cost of lead service line inventories to identify projects for lead service line replacement. However, SRFs can’t access funding for set-asides without providing a complete Project Priority List. As a result, some SRFs are using set-asides from the base program to build a project pipeline for the funding dedicated to lead service line replacement, which is displacing other projects to improve, rehabilitate and replace aging water infrastructure.

Providing SRFs with the flexibility to access funding for set-asides to conduct inventories would help build the project pipeline for lead service line replacement projects.

Conditional approval of a capitalization grant may allow access to set-asides, but additional guidance is needed to provide clarity and certainty to the process. Also, SRFs need additional guidance that clearly explains how each set-aside can be used to pay for inventories, particularly the set-asides for capacity development and source water projects.

CIFA believes additional flexibility for lead service line replacement and remediation of emerging contaminants is needed but may require changes to the law.

**Additional Subsidy:** Providing the Drinking Water SRFs with the flexibility to use up to 100% of their capitalization grant for additional subsidy for lead service line replacement will accelerate the development of a project pipeline for these challenging and complex projects. Providing the Drinking Water SRFs with the flexibility to use additional subsidy for any eligible recipient, instead of limiting to disadvantaged communities, will also accelerate these critical public health projects.

**Statewide Initiatives:** Providing Drinking Water SRFs with the flexibility to implement statewide strategies for lead service line replacement and emerging contaminants will allow SRFs to fully scope the breadth of these challenges so they can be addressed appropriately by Congress.
Developing successful statewide approaches would require relief from a requirement in the Safe Drinking Water Act that financial assistance be provided through an assistance agreement with a water system or utility. While this works exceedingly well for projects to improve, rehabilitate or replace aging infrastructure, this requirement limits the ability of an SRF to implement more effective and efficient statewide strategies for special category funding, such as to conduct inventories for lead service lines or remediate emerging contaminants.

b. Why is flexibility in these areas very important to CIFA members?

RESPONSE: SRFs understand the tremendous need for water infrastructure financing and want to make the most of the funding provided by Congress to address these challenges. Providing additional flexibility for these special category challenges will ensure funding is spent efficiently and effectively to achieve the intent of Congress.

SRFs also believe it’s critical to develop a high-quality inventory of lead service lines to fully understand the scope of the problem. Without inventories, the full cost of lead service line replacement will remain unknown.

5. Past EPAs have promoted the ability of the SRFs to revolve.

a. As we approach the end of the very first SRF loans, is self-sustainment still possible?

RESPONSE: No. Under current law, only 20% of the annual capitalization grant must be used for subsidized loans, which provides the permanent capital needed to sustain the program without annual capitalization grants.

First, SRFs must offer interest rates below the public financing market. In 2021, the average interest rate for a Drinking Water SRF subsidized loan was 1.074% - about half the rate of inflation. Historically low interest rates in the public finance market have significantly reduced revenue from interest payments needed to build a sustainable revolving pool of funds.

Second, congressionally mandated additional subsidy has reduced sustainability of the SRFs. Under the Safe Drinking Water Act and annual appropriations for 2022, SRFs are required to give away at least 26% of the capitalization grant in additional subsidy, which permanently eliminates recurring funding needed to make the SRFs sustainable.

Third, SRFs face significant pressure to use the maximum amount of additional subsidy and set-asides allowed under the Safe Drinking Water Act. SRFs may
give away an additional 23% of the capitalization grant for additional subsidy, plus an additional 31% in set-asides for technical assistance, water quality programs, and administration.

For example, the SRF Implementation Memo strongly encourages the use of set-asides and the maximum amount of allowable additional subsidy. Further, the EPA Inspector General has undertaken an audit of the Drinking Water SRFs to identify and address barriers “that hindered states from spending the maximum allowed on loan subsidies for disadvantaged communities in their drinking water state revolving funds.”

Fourth, this year, Congress used the Drinking Water SRF capitalization grant to fund earmarks, which cut funding to the states by 36%. Funding earmarks using the capitalization grant exacerbates the ability of Drinking Water SRFs to become sustainable.

Finally, the cost of treating water to new and more stringent water quality standards is increasing. Continual capitalization is needed to ensure subsidized financing is available to address these increased costs, especially for small, rural and disadvantaged that couldn’t otherwise access or afford financing on the public market.

b. If so, when?

RESPONSE: The increased cost of providing safe, reliable drinking water, coupled with pressure to transform the SRFs into a traditional federal grant program, makes it increasingly difficult to achieve sustainability. Spending more federal funding on additional subsidy, instead of subsidized loans, only exacerbates this challenge.

c. Has IIJA complicated or sped up that matter?

RESPONSE: Allowing SRFs to use up to 49% of the annual capitalization grants for additional subsidy, instead of requiring SRFs to give away those funds, would foster greater sustainability of the Drinking Water SRFs.

6. Your testimony mentions that the history of the SRFs have been one of Federal-State partnership and flexibility. Some would argue EPA’s implementation memo for IIJA takes a very different approach to its relationship with the States.

a. What are some of the main items that CIFA members fear will be problematic for them?
RESPONSE: The SRFs are most concerned about efforts, direct and indirect, to transform this successful, state-run subsidized loan program into a traditional federal grant program with a one-size-fits-all approach. This trend started a decade ago with federal mandates for workers’ wages (Davis Bacon), construction materials (American Iron and Steel, and now Build America, Buy America) and additional subsidy. Continued federalization of the programs will only diminish the SRFs ability to efficiently and effectively meet the diverse needs of communities across the nation.

7. You testified that the majority of SRF loans go to communities serving up to 10,000 customers, but the majority of SRF dollars go to cities serving more than 100,000 customers.

a. Based on the criteria in IIJA and the implementing guidance from EPA, how does CIFA see these items changing?

RESPONSE: Changes to the affordability criteria, which is used solely to determine eligibility for additional subsidy, is likely to increase funding for grants and principal forgiveness for projects in larger water systems.

b. Will certain kinds of rural communities be left behind or otherwise disadvantaged? Please explain.

RESPONSE: SRFs are committed to helping small, rural communities build needed water infrastructure. Given the historic funding in the IIJA, SRFs are confident that small and rural communities will get the federal assistance needed to provide safe, reliable drinking water. However, pressure to provide additional subsidy to larger water systems, which may have little impact on user rates, may impact the availability of additional subsidy for smaller water systems whose user base can’t afford the needed infrastructure.

Additionally, SRFs have expressed concern about the long-term impact of changing the affordability criteria to meet the Administration’s goal of expanding eligibility for additional subsidy. Newly eligible communities may come to expect grants and principal forgiveness, which may impact small and rural communities when supplemental funding in the IIJA ends.

8. A high bond rating is important for SRF’s ability to continue to offer loans with reduced borrowing costs.

a. Are there provisions in IIJA or the implementation memo that CIFA believes might jeopardize these ratings?
RESPONSE: SRFs need borrowers with strong credit ratings to ensure a diversified and balanced loan portfolio to maintain AAA bond ratings. Offering financing only to water systems that are disadvantaged, which are more likely to have lower credit ratings, may impact an SRF’s bond rating.

b. How does this impact the ability to leverage?

RESPONSE: Mandates to give away a portion of the capitalization grant in additional subsidy reduces the funding available for subsidized loans. Interest payments from subsidized loans are needed to repay bonds. As a result, the more funding used for additional subsidy, the less leveraging power available to an SRF.

9. Your testimony mentions how sometimes requirements on SRFs monies can be a disincentive to communities to apply for loans.

   a. Please speak to some of these hurdles and if well-meaning approaching are stunting the effectiveness of the funding.

RESPONSE: Many small and rural communities don’t have the professional capacity to manage a capital improvement project and ensure compliance with the myriad of federal mandates on SRF borrowers. Often, these communities must contract for additional support to implement mandated procedures and complete required paperwork, which increases the administrative cost of water infrastructure on those who can least afford it. In very small communities, federal mandates can be a deterrent to undertaking much needed infrastructure.

Conversely, larger communities with access to historically low interest rates in the public finance market often opt for tax-exempt municipal bonds which offer affordable financing without the federally mandates processes and paperwork.

b. What should be done to alleviate these concerns?

RESPONSE: CIFA believes less process and paperwork will result in more protection for public health and the environment.

Congress should consider waiving federal mandates for Davis Bacon, American Iron and Steel, Build America, Buy America, and crosscutters for small and rural communities, particularly those with declining populations and depressed economies. Providing regulatory relief to these communities will reduce the cost of water infrastructure, which can incentivize investment.
Additionally, Congress should consider ways to reduce compliance procedures and paperwork for all borrowers. For example, Congress could waive compliance procedures for Davis Bacon in states with state prevailing wage laws, which would reduce duplicative administration without impacting wages for workers.

10. What are the best uses for funds to improve drinking water infrastructure? Does IIJA/BIF maximize those?

**RESPONSE:** The best uses of funds are based on a variety of factors, including the project, compliance, threat to public health and affordability.

Generally, subsidized loans provide a recurring source of revenue to meet the perpetual need for infrastructure investment. Conversely, additional subsidy (grants and principal forgiveness) permanently eliminates a permanent source of recurring revenue to meet the needs of future generations. Because of this, additional subsidy is often used for projects that couldn’t or wouldn’t otherwise be built, to address a serious threat to public health, or to tackle other significant challenges.

For example, using 100% of the capitalization grant as additional subsidy to replace lead service lines may be the best use of funds to accelerate these “one-time” projects needed to remove a significant threat to human health, especially for the most vulnerable. Conversely, using 100% of the capitalization grant for subsidized loans (which was allowed for the first two decades of the Clean Water SRFs) may be the best use of funds to replace aging infrastructure, which is a permanent, recurring need.

Additionally, limiting the use of additional subsidy doesn’t mean small, rural and disadvantaged communities won’t receive the assistance needed to provide safe, reliable drinking water. Most states have grant programs with fewer mandates to help those vulnerable communities.

11. In your opinion, is an “eligible recipient” of Drinking Water SRF funding always the same as a state-defined “disadvantaged community” under section 1452(d)(2) of the Safe Drinking Water Act?

**RESPONSE:** CIFA interprets “eligible recipient” in IIJA as any entity or project that is otherwise eligible for funding by the Drinking Water SRF.

SRFs are concerned that limiting eligibility for additional subsidy to disadvantaged communities may conflict with the statutory requirement that the “priority for the use of funds be given to projects that address the most serious risk to human health.” Providing SRFs with maximum flexibility to use
supplemental funding in the IIJA ensures the priority remains protection for public health.

12. The Infrastructure Investment and Jobs Act makes additionally subsidized Drinking Water SRF funding available to “eligible recipients,” but EPA’s implementation memorandum restricts the availability of these funds to “disadvantaged communities” defined by states under section 1452(d)(2).

a. Does this restriction give states less flexibility in getting these funds to assist low-income populations, wherever they are located?

**RESPONSE:** Restricting additional subsidy to only disadvantaged communities limits options for SRFs to help a variety of communities. Many SRFs would consider providing additional subsidy to larger communities with vulnerable populations but are concerned about the long-term unintended consequences of changing their affordability criteria to qualify these communities.

13. How does the Infrastructure Investment and Jobs Act affect the ability of the States to meet their match requirements, including as it relates to bonding?

**RESPONSE:** Mandated additional subsidy threatens the ability of a state to provide match. Some states issue bonds to generate state match; these bonds are secured with loan repayments. Mandates for additional subsidy reduces funding for loans, which, in turn, reduces revenue to secure bonds for state match.

14. I noticed that your testimony calls out challenges and barriers faced by communities -- many without expertise -- in navigating processes for requirements that some members find politically popular, like Buy America, Build America (BABA) and Federal prevailing wage requirements.

a. Why do you call for the development of waivers for these requirements in limited circumstances?

**RESPONSE:** Until EPA releases implementation guidance for the SRFs, there is a great deal of uncertainty about what BABA waivers may be necessary.

First, a national waiver may be needed to allow SRFs needed time to educate the SRF community, which includes local elected officials, borrowers, contractors, technical assistance providers, and others, about the requirements and compliance procedures for the domestic procurement preferences. Waivers may need to be different lengths of time for different product categories. For example, SRFs have been complying with procurement for American iron and steel (AIS) for a decade. If the process for BABA mirrors the process for AIS, a waiver may be needed for
a relatively short time. However, implementing compliance rules for manufactured products is complex and may require a waiver for a longer period to ensure ultimate compliance. Inflation and supply chain disruptions may further complicate this process.

Second, a national waiver may be necessary for certain manufactured products that have never been made in America.

Third, a national waiver may be necessary to allow manufacturers time to bring production back to the United States.

Fourth, a national waiver may be necessary to alleviate the cost of compliance for small, rural and disadvantaged communities. Waiving requirements for small communities will also make their projects more attractive in a very competitive environment for infrastructure construction.

Finally, waivers for individual projects can be time-consuming, which can delay construction and increase costs. To streamline the process, if a waiver is approved for one project, it should apply to all projects.

b. What did your officials learn from the use of waivers to similar requirements in 2009’s American Recovery and Reinvestment Act?

RESPONSE: Implementation of procurement requirements for American Iron and Steel provides lessons for implementation of BABA. First, it takes time to educate borrowers and grant recipients about the new rules and requirements. Second, clear, unambiguous guidance is essential for implementation and compliance. Third, there needs to be a recognition that waivers are a legitimate component of compliance and the process for waivers needs to objective, consistent, and streamlined.
Attachment A
Bipartisan Infrastructure Law
Drinking Water SRF Intended Use Plan
Oversight Guidance

EPA regions are responsible for awarding the annual SRF capitalization grants and Bipartisan Infrastructure Law (BIL) (also known as the Infrastructure Investment and Jobs Act, or IIJA) SRF capitalization grants. Part of this responsibility includes review of the state Intended Use Plans (IUPs) to ensure compliance with all statutory and regulatory requirements. The BIL includes several key priorities which EPA is committed to collaborating with states to advance. This BIL Drinking Water SRF IUP Oversight Guidance establishes a common approach to assess if IUPs comply with all requirements. Recognizing the flexibility in state decisions inherent in the SRF programs, the guidance also provides a common approach for providing EPA’s recommendations to best meet the goals of Congress under the Bipartisan Infrastructure Law as well as Administration priorities. The guidance draws from the Implementation Memorandum for the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law.

It is important for EPA to engage with the states early in the IUP development process. Regions should use the IUP Initial Discussion Guide (below) to engage states on EPA’s expectations for implementing the BIL funding programs and their plan for meeting those expectations. The questions in this discussion guide are intended to assist the region in engaging the state in a meaningful discussion surrounding the elements that should be reflected in their IUP. The IUP Initial Discussion Guide includes questions that provide an understanding of best practices and EPA recommendations. The guide also includes questions regarding statutory requirements that include the reference to the applicable provision. These discussions are part of ongoing conversations with the state programs. The Region must complete one discussion guide per each state per year and may update it based upon follow-up conversations, if necessary.

Some things to keep in mind:

- The discussion guide is organized by topic for easy reference and does not represent a suggested order for conducting the IUP review or conversations with the states.

- Green questions indicate high priority questions; if the answer is no for these questions in year one, the IUP may need to be elevated for discussion with HQ.

- The region should feel free to diverge from this discussion guide to ask follow-up questions and delve into more detail on issues pertinent to the state. The comments section should be used to provide notes on the conversation.
• Some questions in the discussion guide are open-ended and require the region to enter a detailed response. The Regional review team may find it useful to summarize the state’s response in 1-2 sentences for the purposes of completing the checklist and maintain a more thorough collection of notes for their own use.

• An effective approach may be for one person on the review team to lead the discussion with the state, while a second person takes notes on the state’s response.

• Following the interviews, the region can condense and summarize the notes to complete the checklist. The completed IUP Initial Discussion Guide should be shared with OW for review prior to the IUP public review period. HQ will not provide “approval” but may provide feedback on a case-by-case basis.

States have the flexibility to combine IUPs for the BIL and base funding or submit separate IUPs for BIL and base funding. The questions in this discussion guide are specific to BIL and the conversations should help to shape the development of the BIL IUPs or BIL portions of IUPs. However, many of the questions are related to broader priorities applicable to both BIL and the base SRF programs. To the extent practicable, the region should discuss with the state how they are integrating these priorities into their base SRF program.

Once the IUP is received by the region, the IUP Checklist (attached) should be used to ensure that all required elements are addressed. Questions in the IUP checklist compliment and follow up on those used in the initial discussion guide and serve as another touch point to ensure consistent messaging. The IUP checklist should be shared with OW for review as soon as it is completed and prior to grant award. HQ will not provide “approval” but may provide feedback on a case-by-case basis.

**IUP Initial Discussion Guide**

State:

Date(s) of IUP Pre-Review Discussion:

Fiscal Year:

Participants:

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<tr>
<th>I. Increase Investment in Disadvantaged Communities</th>
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<tr>
<td><strong>Item</strong></td>
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<tr>
<td>1. Does the state have a plan to provide 49% of funds through the DWSRF General Supplemental Funding as grants and/or forgivable loans to disadvantaged communities?</td>
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<td>2. Has the state evaluated and revised the DWSRF disadvantaged community definition since the previous IUP? If so, what has changed?</td>
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<td>3. Is the disadvantaged community definition consistent with the SDWA (&quot;the service area of a public water system that meets affordability criteria established after public review and comment by the state in which the public water system is located&quot;)?</td>
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<td>4. Does the definition capture both urban and rural disadvantaged communities?</td>
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<td>5. Does the state’s SRF priority point system ensure disadvantaged communities are receiving funding given the weight associated with points for project ranking criteria?</td>
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<td>6. Does the state plan to use the full DWSRF 2% small system TA set-aside to proactively identify, reach out to, and assist small drinking water systems, particularly in disadvantaged communities?</td>
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<td>7. Has the state reached beyond traditional stakeholder organizations to engage neighborhood and other organizations connected to the community to help identify needs, comment on IUPs, and communicate priorities?</td>
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<td>8. Does the state plan to take their full BIL General supplemental allotment?</td>
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### II. Make Rapid Progress on Lead Service Line Replacement

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9. Does the state have a plan to provide 49% of funds through the DWSRF LSL Funding as grants and/or forgivable loans to disadvantaged communities?

10. Is the state using set asides or other funding to help local water systems develop LSL inventories and undertake replacement planning?

11. Do the projects on the IUP fully replace both public and private LSLs?

12. Do the projects on the IUP fully pay for both public and private LSLs?

13. Does the state plan to take their full Emerging Contaminant allotment?

### III. Address PFAS and Emerging Contaminants

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<tr>
<td>14. Does the state have a plan to provide 25% of funds through the DWSRF Emerging Contaminants Funding as grants and/or forgivable loans to disadvantaged communities or public water systems serving fewer than 25,000 people?</td>
<td>SDWA 1452(a)(2)(G)(ii)(I)</td>
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<td>15. Are projects that address PFAS prioritized above projects addressing other contaminants?</td>
<td>BIL Law; STAG Section</td>
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<td>16. Does the state plan to take their full allotment?</td>
<td>Best Practice</td>
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### IV. Support Resilience and One Water Innovation

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<td>17. Is the state prioritizing projects that foster resilience to all threats and hazards, consistent with <a href="#">Presidential Policy Directive (PPD) 21</a>?</td>
<td>Best Practice</td>
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<td>18. Does the state support water, infrastructure projects that apply the best available and most geographically relevant climate information, projections, and standards, such as the Federal Flood Risk Management Standard?</td>
<td>Best Practice</td>
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<td>19. Does the state incorporate climate resilience criteria into their prioritization of SRF funding under the BIL?</td>
<td>Best Practice</td>
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<td>20. How does the state SRF program support local water agencies’ efforts to reduce nitrous oxide and methane emissions, incorporate renewable energy generation, and complete other projects that reduce the greenhouse gas footprint of the water industry (e.g., priority points, financial incentives, etc.)?</td>
<td>Best Practice</td>
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<td>21. Does the state encourage or participate in pre-apprenticeship, registered apprenticeship, and youth training programs to support the water workforce?</td>
<td>Best Practice</td>
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<td>22. Does the state inform and encourage SRF funding recipients to support safe, equitable, and fair labor practices?</td>
<td>Best Practice</td>
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23. Is the state interested in learning more about these practices?  

**Best Practice**

### VIII. Refine State SRFs to Build the Pipeline of Projects

<table>
<thead>
<tr>
<th>Item</th>
<th>Citation</th>
<th>Y, N, or N/A</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>24. Has the state taken actions to reduce the burden of applying to the SRFs? (Examples: moving to a digital application process or coordinating applications and requirements across funding programs)</td>
<td>Best Practice</td>
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<td>25. Has the state maximized flexibility for project application timeline, such as eliminating application deadlines or operating a year-round application cycle with quarterly project ranking?</td>
<td>Best Practice</td>
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<tr>
<td>26. Does the state offer pre-development and pre-construction funding to seed project development for small and disadvantaged communities?</td>
<td>Best Practice</td>
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<tr>
<td>27. Does the state encourage regionalization, partnerships, and/or nonphysical consolidation through the application process? This could be through ranking criteria, financial incentives, loan condition, application requirements, or another mechanism.</td>
<td>Best Practice</td>
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<td>28. Has the state worked to increase internal and external outreach and communications about the SRF programs and the BIL funding? If so, how?</td>
<td>Best Practice</td>
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</tbody>
</table>