

# State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION
MAIL CODE 401-02B

WATER RESOURCES MANAGEMENT
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Commissioner

SHEILA Y. OLIVER

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Governor

December 19, 2018

### 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 FFY2018/SFY2019 and FFY19/SFY2020 Clean Water State Revolving Fund and Drinking Water State Revolving Fund:

#### Clean Water State Revolving Fund (CWSRF) Program

Proposed Federal Fiscal Year 2019/ State Fiscal Year 2020 Intended Use Plan

#### Drinking Water State Revolving Fund (DWSRF) Program

Supplemental Amendments to the Proposed Federal Fiscal Year 2018/ State Fiscal Year 2019 Intended Use Plan Update to October 2018 amendments

Proposed Federal Fiscal Year 2019/ State Fiscal Year 2020 Intended Use Plan

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 grants used to finance water infrastructure projects.

The FFY2018 CWSRF and DWSRF IUPs were proposed in November 2017 and a public hearing held on December 6, 2017. The Department's CWSRF FFY2018 IUP is finalized with no changes and has been approved by USEPA.

The Department is proposing additional changes to the DWSRF FFY2018 IUP (proposed in November 2017, amendments proposed in October 2018) for the reasons described below.

The FFY2019 CWSRF and DWSRF capitalization grants are targeted to be awarded to the Department in September 2019 or sooner, for use in the State Fiscal Year 2020 Financing Program (July 1, 2019 to June 30, 2020).

## Clean Water State Revolving Fund (CWSRF) Program

The Department and the NJ Infrastructure Bank (I-Bank) have proposed several changes to the CWSRF program for FFY19/SFY20 in recognition of concerns that the CWSRF Programs faces a potential shortage of available funds to meet projected future needs at the current rates. Although this will result in slightly higher interest rates for projects proceeding in SFY20, the changes allow the Program to still offer competitive loan rates and at the same time ensuring long-term viability for the Water Bank. The proposed adjustments to the Department and I-Bank shares for SFY20 are identified below:

Project Category CSO Abatement	Financing Package 75% DEP Interest Free/25% I-Bank Market Rate (for the first \$10M in allowable costs; costs above \$10M to be financed with 50% DEP Interest Free/50% I-Bank Market Rate)
All Other Water Quality Projects Private Conduit Projects	50% DEP Interest Free/50% I-Bank Market Rate 25% DEP Interest Free/75% I-Bank Market Rate

In addition, the Department plans to utilize any unallocated principal forgiveness funds carried over at the end of SFY19 for their intended categories (including Combined Sewer Overflow (CSO) – Green Infrastructure, Barnegat Bay, Coastal Water Quality Restoration and Small System Asset Management Plans) and supplement those principal forgiveness funds with approximately \$16 million projected to be available under the FFY19 CWSRF grant from USEPA with \$6M for CSO-Green Infrastructure projects and \$10M for CSO-Grey Infrastructure projects.

## **Drinking Water State Revolving Fund (DWSRF) Program**

Over the last two years, the NJ Water Bank funded a record number of projects and currently has more project applications in-house in FFY2018 than in previous years. To accommodate the maximum number of these projects, and comply with the federal requirements, on September 24, 2018 the Department proposed to amend the loan rates and certain project set-asides in the Proposed FFY2018 DWSRF IUP (November 2017) and continue the DWSRF program modifications in FFY2019. By funding DWSRF projects in project priority order and amending loan rates based on Department priorities, the highest priority public health projects would be able to be funded in FFY2018 and FFY2019 with the funds available. Two public hearings were held on October 12, 2018 in Trenton and on October 16, 2018 in Newark, NJ. The comment period closed October 24, 2018.

In response to comments received on the October 2018 proposed amendments, the Department is proposing to reestablish the loan repayment period back to 30 years, maintain the population cut-offs for the Nano program back to 10,000 for principal forgiveness (PF), maintain the Asset Management Program for small systems with high-ranking projects, and maintain \$30M PF available for Lead Service Line (LSL) replacement, and a modify the amounts available per system with a \$1M/5M/10M project cap per system based on population.

For those projects that have already received an approval of an Asset Management Plan contract, an authorization to advertise or an authorization to award by July 31, 2018, your project will continue to qualify for financing under the terms of the original IUP issued for FFY2018/SFY2019 (November 2017), provided you close on a short-term loan by June 30, 2019.

A hearing on the Proposed FFY2019 CWSRF IUP, the Supplemental Amendments to the Proposed DWSRF FFY2018 IUP, and the Proposed FFY2019 DWSRF IUP will be held at the offices of the NJ Environmental Infrastructure Trust, 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey, in the large conference room on Wednesday, January 9, 2019. The hearing will commence at 10:00 a.m. and conclude at noon or the end of testimony (whichever is sooner). 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 19, 2019 (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
Patricia L. Gardner, Director
Division of Water Supply and Geoscience
PO Box 420
401 East State Street, 4<sup>th</sup> 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 <a href="http://www.nj.gov/dep/dwq/cwpl.htm">http://www.nj.gov/dep/dwq/cwpl.htm</a> .

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.

If you have any questions regarding the DWSRF IUP proposal, please contact the following Department staff below:

Linda Doughty	Drinking Water SRF Project List and Policies	609-292-5550
Kristin Tedesco	Drinking Water SRF Project List and Policies	609-292-5550
Nina Odunlami	Drinking Water SRF Project List and Policies	609-292-5550
Scott Shymon	Clean Water SRF Project List and Policies	609-292-8961
Paul Hauch	Clean Water SRF Project List and Policies	609-292-8961
Charles Jenkins	Clean Water SRF Project List and Policies	609-292-8961

Sincerely,

Patricia Gardner, Director

Division of water Supply and Geoscience

Janice Progle, Director Division of Water Quality

<sup>&</sup>lt;sup>1</sup> Proposed changes to the FFY2018 DWSRF IUP (proposed in October 2018) included modified loan rates in the base program to 50% funding from the Department and 50% funding from the I-Bank for publicly-owned water systems and 25% funding from the Department and 75% funding from the 1-Bank for privately-owned water systems, for projects that are anticipated to be ready for funding in the next two years; revised loan duration from 30 years to 20 years; requirement to have an action level exceedance to qualify for principal forgiveness for lead service line replacement, elimination of the asset management funds for small systems, caps on loan amounts, and reduced availability of principal forgiveness (PF) for some small systems.