

DRAFT 2025 DRINKING WATER
STATE REVOLVING FUND
INTENDED USE PLAN



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Executive Summary

The Drinking Water Intended Use Plan (IUP) communicates to drinking water systems, the public, the U.S. Environmental Protection Agency (EPA), and other State departments and divisions how money in the Drinking Water State Revolving Fund (DWSRF) will be used and on what terms. The IUP details key aspects of the program, including past performance of the Utah DWSRF, goals, priority project ranking methods, lists of eligible projects, and programmatic requirements to receive funding.

Utah agrees to comply with all EPA DWSRF regulations, federal grant regulations per 2 CFR Part 200, federal cross-cutting authorities, and any specific conditions included with each grant. Utah will apply for federal grants allotted by the EPA in May 2025 (Lead Service Line in November 2025) in the amounts listed below.

Federal SRF Awards Available			
EPA Grant	Allotment	Current Plan	Future Plan
2025 Base	\$ 10,906,000	\$ 10,906,000	\$ -
2025 BIL Supplemental	24,898,000	24,898,000	-
2025 BIL Lead Service Line Replace.	28,650,000	28,650,000	-
2025 BIL Emerging Contaminants	7,640,000	7,640,000	-
Subtotal BIL Funding	61,188,000	61,188,000	-
Total DWSRF Funding	\$ 72,094,000	\$ 72,094,000	\$ -

The Utah Division of Drinking Water Board (DWB, Board) oversees the allocation of the DWSRF. The first requirement for a water system to obtain funding is to be added to the Utah Project Priority List (PPL). Table 4 is the PPL for State Fiscal Year 2026. Additions to the PPL are typically approved each time the Utah Drinking Water Board meets to review applications, regulations, and take public input. The criteria for how a project gets added to the PPL, and presented to the DWB, see Section B-2: [Criteria and Method Used for Distribution of Loan Funds](#).

Utah will expend the requested grant amounts under the terms and conditions included with each grant. Utah's queue of Board approved projects awaiting funds is listed in Table 5. These projects are primarily delayed not by a lack of funds, but by the ongoing process of meeting all federal or bonding requirements necessary to finalize their loan agreements.

Federal grants include an option for states to use a portion of each grant to support the program; these are called set-aside funds. Table 9 details our request for set-asides from each available grant. If we do not need the full set-aside amount available, the difference is reserved for future use, and accounted for on Table 10.

SECTION A: Drinking Water State Revolving Fund (DWSRF)

A-1 Background & Introduction

The federal Drinking Water State Revolving Fund (DWSRF) program was established by the Safe Drinking Water Act (SDWA) Amendments of 1996. Congress determines each year's funding, and authorizes the Environmental Protection Agency (EPA) to award capitalization grants to states. Each state then provides low-cost loans and other types of assistance to eligible public water systems to finance infrastructure projects needed to achieve or maintain compliance with SDWA requirements. States are also authorized to set aside a portion of their capitalization grants to fund a range of activities including administration, technical assistance, source water protection, capacity development, and operator certification.

Congress made significant changes to the Drinking Water State Revolving Fund operating requirements with the Water Infrastructure Improvement for the Nation Act (WIIN) in 2016 and America's Water Infrastructure Act (AWIA) of 2018. Furthermore, with the 2021 Bipartisan Infrastructure Law (BIL), Congress made significant changes to the Drinking Water State Revolving Fund program with the largest investment since the program's initiation. This new investment will be released in grant years 2022-26 (5 years) and will be disbursed in three new grants— Supplemental, Lead Service Line Replacement, and Emerging Contaminants—and for Utah should total about \$305 million. This IUP will reference these BIL grants, as well as the original Base DWSRF grant.

The Utah Legislature enacted Utah Code Annotated (UCA) 19-4-101 et seq. establishing the Utah Drinking Water Board (DWB, Board). UCA 19-4-104 empowers the Board with rule-making authority to meet the requirements of federal law governing drinking water. UCA 19-1-105(1)(b) establishes the Division of Drinking Water (DDW, the Division) which is tasked with the responsibility to administer UCA 19-4-101 et seq. The Board has promulgated rules for making loans incorporating the Federal Safe Drinking Water Act requirements at Utah Administrative Code (UAC) R309-705. Additionally, the Board is authorized by UCA 19-4-104(1)(a)(v) and 19-4-104(2) to promulgate rules for certification of operators and governing capacity development in compliance with Section 1419 and 1420 of the Federal Safe Drinking Water Act.

The responsibility of the Board is to develop policies and procedures for program implementation and to authorize loans in the DWSRF program. The Utah Department of Environmental Quality (DEQ) through DDW directly administers the DWSRF program. DDW's primary DWSRF activities include administering loans and managing and coordinating the fund.

DDW receives support from the DEQ's Office of Support Services, the State Division of Finance, State Attorney General, and State Treasurer. The salaries and benefits of DDW employees, other operating costs, and indirect costs based on direct salary costs, are charged to the DWSRF program set-asides. The DWSRF program is charged a loan administration fee by the Division of Finance.

Funds are included in Utah's *Comprehensive Annual Financial Report (CAFR)*, which uses the modified accrual basis of accounting. The funds being used for the DWSRF program are: (1) 5210 - *State Revolving Fund for Drinking Water Projects*; (2) 5215 - *Drinking Water SRF Hardship Fee Account*; and (3) 5246 - *Drinking Water Origination Fee-Federal*. The State Auditor is responsible to conduct internal reviews and prepare the CAFR. Due to funds being

combined, DWSRF assets, liabilities, and net assets are not identifiable in the CAFR. Due to DWSRF's size, compared to the rest of the state, it typically does not get individually audited, but is scheduled for one in 2026. DDW will not request an independent audit unless explicitly requested by the EPA. However, the funds are available for review by the EPA and Office of Inspector General.

The DWSRF Base and Supplemental grants require the states to deposit funds, called state match, equal to 20% of the respective grant. The LSL and EC grants do not require a state match. Loan repayments made by assistance recipients return to the loan fund and provide a continuing (revolving) source of financing.

The following tables summarize grant awards received by DDW since Congress started the DWSRF. In 2022, the Bipartisan Infrastructure Law (BIL), also known as Infrastructure Investment & Jobs Act (IIJA), added appropriations for the Supplemental, LSL, and EC grants. The allotment between states is based on state needs surveys. DDW was allocated one percent (1.0%) for the federal FY2018 through 2025.

TABLE 1 - DWSRF GRANTS SUMMARY

Table 1									
SUMMARY OF DWSRF GRANTS - Base									
Grant Yr	Award Date	Allocation of Award					State Portion		
		Total	Loan	%	Set-Aside	%	Match \$	%	
1997	Feb-98	\$ 12,558,800	\$ 9,755,575	78%	\$ 2,803,225	22%	\$ 2,511,760	20%	
1998	Sep-99	\$ 7,121,300	\$ 5,633,563	79%	\$ 1,487,737	21%	\$ 1,424,260	20%	
1999	May-00	\$ 7,463,800	\$ 6,019,720	81%	\$ 1,444,080	19%	\$ 1,492,760	20%	
2000	Sep-01	\$ 7,757,000	\$ 6,540,880	84%	\$ 1,216,120	16%	\$ 1,551,400	20%	
2001	Jul-02	\$ 7,789,100	\$ 6,542,844	84%	\$ 1,246,256	16%	\$ 1,557,820	20%	
2002	Aug-03	\$ 8,052,500	\$ 6,384,100	79%	\$ 1,668,400	21%	\$ 1,610,500	20%	
2003	Jul-04	\$ 8,004,100	\$ 6,473,444	81%	\$ 1,530,656	19%	\$ 1,600,820	20%	
2004	Jun-05	\$ 8,303,100	\$ 6,724,604	81%	\$ 1,578,496	19%	\$ 1,660,620	20%	
2005	Jun-06	\$ 8,285,500	\$ 6,709,820	81%	\$ 1,575,680	19%	\$ 1,657,100	20%	
2006	Jun-07	\$ 8,228,900	\$ 6,653,220	81%	\$ 1,575,680	19%	\$ 1,645,780	20%	
2007	Jul-08	\$ 8,229,400	\$ 6,562,696	80%	\$ 1,666,704	20%	\$ 1,645,880	20%	
2008	May-09	\$ 8,146,000	\$ 6,479,296	80%	\$ 1,666,704	20%	\$ 1,629,200	20%	
2009	May-09	\$ 8,146,000	\$ 6,516,800	80%	\$ 1,629,200	20%	\$ 1,629,200	20%	
2010	Jun-10	\$ 19,500,000	\$ 18,915,000	97%	\$ 585,000	3%	\$ 195,000	1%	
2011	Jul-11	\$ 13,573,000	\$ 11,664,275	86%	\$ 1,908,725	14%	\$ 2,519,600	19%	
2012	Jun-12	\$ 18,243,000	\$ 16,265,220	89%	\$ 1,977,780	11%	\$ 3,678,600	20%	
2013	Jun-13	\$ 8,421,000	\$ 6,224,890	74%	\$ 2,196,110	26%	\$ 1,684,200	20%	
2014	Jun-14	\$ 9,229,000	\$ 6,779,460	73%	\$ 2,449,540	27%	\$ 1,845,800	20%	
2015	Jun-15	\$ 9,169,000	\$ 6,645,060	72%	\$ 2,523,940	28%	\$ 1,833,800	20%	
2016	May-16	\$ 8,674,000	\$ 5,903,760	68%	\$ 2,770,240	32%	\$ 1,734,800	20%	
2017	Sep-17	\$ 8,600,000	\$ 5,800,000	67%	\$ 2,800,000	33%	\$ 1,720,000	20%	
2018	Sep-18	\$ 11,107,000	\$ 8,200,000	74%	\$ 2,907,000	26%	\$ 2,221,400	20%	
2019	Aug-19	\$ 11,004,000	\$ 8,199,000	75%	\$ 2,904,000	26%	\$ 2,200,800	20%	
2020	Jul-20	\$ 11,011,000	\$ 8,093,360	74%	\$ 2,917,640	26%	\$ 2,202,200	20%	
2021	Jul-21	\$ 11,100,000	\$ 8,694,900	78%	\$ 2,405,100	22%	\$ 2,239,800	20%	
2022	Sep-22	\$ 7,008,000	\$ 5,020,920	72%	\$ 1,987,080	28%	\$ 1,401,600	20%	
2023	Oct-23	\$ 4,938,000	\$ 3,489,120	71%	\$ 1,448,880	29%	\$ 987,600	20%	
2024	Dec-24	\$ 4,661,000	\$ 4,194,900	90%	\$ 466,100	10%	\$ 932,200	20%	
TOTAL		\$ 264,323,500	\$ 211,086,427	80%	\$ 53,336,073	20%	\$ 49,014,500	19%	

Table 1a									
SUMMARY OF DWSRF GRANTS - Supplemental									
Grant Yr	Award Date	Allocation of Award					State Portion		
		Total	Loan	%	Set-Aside	%	Match \$	%	
2022	Sep-22	\$ 17,992,000	\$ 16,399,000	91%	\$ 1,593,000	9%	\$ 1,799,200	10%	
2023	Oct-23	\$ 21,055,000	\$ 19,030,000	90%	\$ 2,025,000	10%	\$ 2,105,500	10%	
2024	Dec-24	\$ 22,985,000	\$ 17,008,900	74%	\$ 5,976,100	26%	\$ 4,597,000	20%	

Table 1b							
SUMMARY OF DWSRF GRANTS - Lead Service Line							
Grant Yr	Award Date	Allocation of Award					State Match
		Total	Loan	%	Set-Aside	%	
2022	Sep-22	\$ 28,350,000	\$ 20,979,000	74%	\$ 7,371,000	26%	\$ -
2023	Oct-23	\$ 28,650,000	\$ 21,201,000	74%	\$ 7,449,000	26%	\$ -
2024	n/a	\$ -	\$ -		\$ -		\$ -

**state match not required for this grant*

Table 1c							
SUMMARY OF DWSRF GRANTS - Emerging Contaminants							
Grant Yr	Award Date	Allocation of Award					State Match
		Total	Loan	%	Set-Aside	%	
2022	Sep-22	\$ 7,605,000	\$ 6,847,600	90%	\$ 757,400	10%	\$ -
2023	Oct-23	\$ 7,640,000	\$ 7,390,000	97%	\$ 250,000	3%	\$ -
2024	Dec-24	\$ 7,640,000	\$ 6,417,600	84%	\$ 1,222,400	16%	\$ -

**state match not required for this grant*

Utah's DWSRF Program results through SFY25:

- In SFY25, the DWB approved 12 new projects worth \$41 million, and another 37 projects entered into binding agreements totaling \$99 million. Of the closed loans, \$6.5 million were for emerging contaminants (EC), and \$26 million lead service line (LSL). Of the newly approved projects, \$6.7 million are EC projects.
- Utah's DWSRF Fund Use Rate was 78%; meaning the sum of projects with closed/executed loans was 78% of the federal grants awarded. Through SFY25, Utah has been awarded over \$406 million, and contributed over \$57 million in matching funds.
- Utah's pace of construction reached 91%. This is the amount of funds we have disbursed to projects over the total amount of closed/executed loans to projects. It is an indicator of how fast construction is moving.
- Utah's undisbursed to disbursed ratio was 5.59. This figure represents the remaining available EPA funds relative to Utah's average annual draw-down rate. It serves as an estimate of the number of years required to utilize all available funds for construction. Since each grant has a 5-year utilization window, ratios exceeding 5.0 indicate an area requiring improvement.
- DDW under the direction of the Board administers the loan and set-aside programs.

Lead Service Line Replacement (LSL) Program

Funding from the Bipartisan Infrastructure Law for Lead Service Line Replacement will support water systems in first inventorying the extent of lead in their lines and then undertaking remediation efforts. No amount of lead exposure is safe for humans, and lead service lines can be a significant source of lead in drinking water. BIL funding requires 49% of funds be provided as additional subsidy. Lines identified as containing lead must be completely replaced in

accordance with SDWA Section 1452(a)(2)(B). Only replacing the lead-containing portion is not permitted.

Emerging Contaminants Program

The BIL Emerging Contaminants funding will help systems proactively address contaminants before they become regulated and increase future resilience. EC are defined as any contaminant that has appeared on an *EPA Contaminant Candidate List* (CCL) and that is not yet regulated. This includes the following: per- and polyfluoroalkyl substances (PFAS), algal toxins, manganese, and unregulated disinfection by-products, among other chemicals. While some of these contaminants are not yet regulated, they may pose a health risk, and this funding will help protect public health by enabling systems to address these issues earlier than might otherwise be feasible. PFAS regulations were introduced in FY24, and Congress funded another award, the Small or Disadvantaged Communities (SDC) grant.

In addition to DWSRF funds, Utah expects BIL allotments of \$7.5M or more per year in EC funding. All funds under this program will be provided as forgivable loans in accordance with BIL requirements, and at least 25% reserved for disadvantaged communities or systems serving fewer than 25,000 people. All projects funded will be directly related to addressing emerging contaminants as defined above.

Utah has been conducting proactive PFAS monitoring in drinking water and at points of entry into the distribution across the state since 2020. To this date, a small number of systems have tested positive at a concerning level. Thus, Utah expects to have potential projects. PFAS-related projects will be prioritized, given the prioritization by the BIL EC. Utah also expects to fund projects targeting manganese, algal toxins, and other emerging contaminants.

A-2 DWSRF Loan Program

The loan program funds low-interest loans and other financial assistance to publicly and privately-owned community water systems, and non-profit, non-community water systems to finance infrastructure projects. States are responsible for developing a priority system that identifies how projects will be ranked for funding and a list of projects, in priority order, that are eligible for funding. The criteria and method used to distribute funds is outlined in *Utah Administrative Code R309-705*. The AWIA extended both the length of loan repayment years and maximum time allowed before requiring the first payment due on the outstanding principal balance.

Loan Program Eligibility Requirements

1. Repayment must begin no later than 18 months after project completion.
2. Repayment must be completed no later than 30 years after the completion of the project. A disadvantaged community may have up to 40 years if the period of the loan does not exceed the expected useful life of the project.
3. A minimum of 15% of all dollars credited to the loan fund must provide loans to small systems—those that serve fewer than 10,000 persons.

4. Funding can be used for principal forgiveness for communities meeting the State’s “disadvantaged” criteria. The DWB has defined disadvantaged as communities that have a median adjusted gross income (MAGI) less than, or equal to 80% of the State’s MAGI, or where the cost of drinking water to the average residential user exceeds 1.75% of the local MAGI. The MAGI is determined by the Utah State Tax Commission, and derived from federal individual income tax returns, excluding zero exemption returns.
5. The Capitalization grants may require a percentage of federal funds be used for additional subsidization in the form of principal forgiveness, negative interest loans, grants, or any combination of these. This will be defined in the programmatic conditions of the award and will be followed as defined.
6. Construction bids are required to use Davis-Bacon Act wage rules. This ensures fair-market wages are paid to all employees and contractors.
7. BIL-specific funds are subject to both the American Iron and Steel (AIS) and Build America Buy America (BABA) requirements. The AIS and BABA provisions require materials that will be permanently incorporated into infrastructure projects be produced in the United States. DDW intends to follow this requirement and has requested waivers for exceptions as necessary. Previous grants only required the AIS.

Interest and Fees

1. Federal rules section 1452 allows the state to assess interest and/or fees. Fees are calculated and paid in the same manner as interest. Fees have fewer restrictions than interest. The Board has authorized by Rule the establishment of a fund (or account) into which the proceeds of annual fees are placed.
2. Loan interest payments are deposited to the same fund the original funds came from, and have the same restrictions as other deposited funding.
3. Loan Origination Fee: The Utah State Legislature established an origination fee to be charged to new loans to fund administration of the DWSRF program in accordance with UCA 73-10c-10. The DWB annually reviews the needs of the program to determine the percentage. At this time, the Board charges a 1% fee. The one-time fee is assessed on the loan principal portion of a loan—not the forgiveness portion. It is generally paid at closing as a one-time fee, but the loan recipient may choose to pay separately or with their first pay request from the loan proceeds. All proceeds are deposited into a separate fund (5246), and will only be used for program administration or other purposes permitted under section 1452. Currently, these fees are not used for state match requirements. In addition, this fee will not be charged to a disadvantaged community which receives a loan subsidy provided from DWSRF funding.
4. Hardship fees, assessed on new loans, are deposited to a separate fund (5215) authorized by the DWB for grants to disadvantaged systems.
5. Technical Assistance fees are to finance technical assistance for eligible systems or other purposes allowed by Section 1452 of the SDWA Amendments of 1996. This fee is part of the “effective rate” calculated using Table 2 of UAC R309-705-6. This code defines an *SRF Technical Assistance Fund* as established for the express purpose of providing “technical assistance” to eligible drinking water systems. These fees are deposited into the fund (5215) and tracked separately. Repayment may be waived in whole or in part (grant) by the DWB, regardless if the borrower is not considered disadvantaged.

State Funded Loan Program

The Division of Drinking Water also operates a State-funded Drinking Water Assistance Program also known as the *Water Development Security Fund*, as authorized in UCA 73-10c-5. This program provides Utah the flexibility to loan funds without restrictions that accompany the federal awards. The DWSRF program requires a 20% state match which is generated from the state SRF loan program and is deposited to Fund 5210 for each grant year before drawing federal funds and within 90 days of grant award. Utah appropriates sales tax revenue of \$3,587,500 each year for this fund.

A-3 Set-Aside Funds

The DWSRF program emphasizes prevention of drinking water contamination by allowing states to set-aside a portion of their grant to fund activities that encourage enhanced water system management and source water protection. States have the flexibility to utilize any amount up to the maximum available percentage for each category of the total grant. Any percentage not used can be carried over or reserved from subsequent grants. These set-aside activities and functions encompass:

- Administration (4%): This four percent set-aside provides funding to administer the DWSRF. The calculation for the four percent administrative set-aside consists of choosing the greatest one of three options: 1) \$400,000; 2) 1/5 percent of the current valuation of the fund (must be an audited fund); or 3) an amount equal to four percent of all grant awards in the fund under this section for the fiscal year.
- Technical Assistance (2%): Up to two percent to provide technical assistance to small public water systems.
- State Program Management (10%): Up to ten percent for management activities, including administration of the state public water system supervision program (PWSS), source water protection program, capacity development and operator certification programs.
- Local Assistance (15%): Up to 15 percent to assist development and implementation of local drinking water protection initiatives, including capacity development, wellhead protection and other state programs.

A-4 Cash Management

Managing funding is critical to ensure the long-term success of the DWSRF. Funds need to be readily available during a project's construction, yet EPA grants rarely provide enough. DDW prepares, and continuously updates, cash flow models to estimate both inflows and outflows of funds to ensure funding doesn't become a problem for the long-term success of the DWSRF.

SECTION B - Intended Use Plan

B-1 Summary, Goals and Financial Status

This Intended Use Plan (IUP) explains how the State plans to use all capitalization grant funds, including amounts allocated to set-aside purposes. This IUP outlines how Utah intends to use the 2025 DWSRF Base, Supplemental, Lead Service Line, and Emerging Contaminants grants in the amounts of: \$10,906,000; \$24,898,000; \$28,650,000; and \$7,640,000 respectively (Table 2). All available funds come from federal capitalization grants, state match, prior loan repayments, including interest and fees, and the income generated from investments within each designated fund or account.

This Intended Use Plan for the 2025 DWSRF appropriations includes:

1. Specifics on how the Board proposes to use the appropriations.
2. Short-term and long-term goals of the DWSRF program.
3. Sources of funding and how it will be used.
4. Priority System criteria for selecting projects, including how to determine hardship status.
5. Eligible projects, including those considered disadvantaged and/or serving less than 10,000 people.
6. Priority list of projects with a project scoring and ranking system.
7. Description of Utah's public comment period process and results.
8. A list of projects authorized for funding and those anticipated to close in FFY2026 and the 1st or 2nd quarter of FFY2027.

TABLE 2 AVAILABLE GRANT SUMMARY

Table 2					
DWSRF FUNDING - Grant Year (GY) 2025					
Category	Base	Supple- mental	Lead Service Line (LSL)	Emerg. Contam. (EC)	Total
Federal Allocation	\$ 10,906,000	\$ 24,898,000	\$ 28,650,000	\$ 7,640,000	\$ 72,094,000
State Match required (%)	20%	20%	0%	0%	
State Match	2,181,200	4,979,600	-	-	7,160,800
Total Grant	\$ 13,087,200	\$ 29,877,600	\$ 28,650,000	\$ 7,640,000	\$ 79,254,800
SET-ASIDE FUNDING (max available)					
Admin (4% max)	436,240	995,920	1,146,000	305,600	2,883,760
Small System Assist (2%)	218,120	497,960	573,000	152,800	1,441,880
State Prog Mgt (10%)	1,090,600	2,489,800	2,865,000	764,000	7,209,400
Local Assist (15%)	1,635,900	3,734,700	4,297,500	1,146,000	10,814,100
Set-Aside Portion	\$ 3,380,860	\$ 7,718,380	\$ 8,881,500	\$ 2,368,400	\$ 22,349,140
LOAN FUNDING*					
Federal Loan Portion	7,525,140	17,179,620	19,768,500	5,271,600	49,744,860
State Match Loan	2,181,200	4,979,600	-	-	7,160,800
Loan Portion	\$ 9,706,340	\$ 22,159,220	\$ 19,768,500	\$ 5,271,600	\$ 56,905,660

*assumes max set-asides deducted

Short and Long-Term DWSRF & BIL Grant Goals

The DWSRF programs will help ensure Utah’s drinking water supplies remain safe and affordable, and that drinking water systems are properly operated and maintained. The objectives of the DWSRF program include protecting public health, achieving compliance with SDWA, and assisting systems to provide affordable drinking water. DDW’s mission is:

“Protecting and improving Utah’s drinking water while supporting communities and growth statewide.”

Short-Term Goals | Base and Supplemental SRF Loan Program

1. Seek the award of the FFY 2025 Capitalization Grants to secure federal funding for the DWSRF program and follow all the grant requirements.
2. DDW is actively engaging in portfolio and programmatic financing.
3. Continue to upgrade and improve our enterprise resource planning tool Water Link. *Migration of our document database program to Laserfiche/EQDocs is complete.*
4. Engage in a more aggressive marketing process to reach water systems in need of capital improvements that are willing and able to meet DWSRF requirements.
5. Work diligently with borrowers to secure authorization of funding from the Board and closing loans in a timely and efficient manner to DWSRF loan applicants.
6. Maintain a permanent and solvent source of funding to assist communities with financing water systems’ capital improvements thereby assisting them to maintain compliance with USEPA standards and promote public health.
7. Develop better cross/legacy training to improve employee development and to help with employee transitions.
8. Improve DDW relationships with drinking water stakeholders and others.
9. Continue to refine our cross connection and operator certification programs to be self-sufficient and self-sustaining, therefore independent of DWSRF program funding.
10. Update Utah WaterLink to ensure continuity of critical SDWA compliance data during the DW SFTIES transition and design updates as an early adopter state.

Long-Term Goals | Base and Supplemental SRF Loan & Set-Aside Program

1. Help public water suppliers achieve and maintain compliance with Federal and State drinking water standards.
2. Continue outreach activities to ensure systems understand DWSRF assistance options to help develop sound water systems, including managerial, technical, and financial aspects.
3. Continue to educate and support water suppliers with their cybersecurity (counter-terrorism) efforts.
4. Continue to expand and automate the Operator Certification program.
5. Continue to improve the onboarding process for new hires.
6. Continue to develop and grow the department by filling all vacant positions in the division.
7. Complete migration of our document database program tool from D2 to Laserfiche with internal & external training.
8. Continue identifying non-compliant water systems using the ETT (Enforcement Target Tool) to assist them in providing safe drinking water to the public.

Short-Term Goals | Lead Service Line Replacement

1. Seek the FFY 2025 award to secure federal funding for the LSLR program and follow all grant requirements.
2. Engage with water systems to raise awareness of the funding and to explain eligibility.
3. Educate water systems on program requirements and best practices.
4. Provide funding to help water systems rapidly develop service line inventories in accordance with the LCRR and established best practices.
5. Help water systems prioritize LSL identification and replacement at schools and child care facilities to protect the health of children (who are most affected by lead exposure).
6. Help water systems prioritize LSL identification and replacement in disadvantaged communities or neighborhoods within a water system's service area.
7. Fund planning for LSL replacement.
8. Fund full LSL replacement at sites with confirmed LSLs.

Long-Term Goals | Lead Service Line Replacement

1. Continue to work with water systems to reduce the public's exposure to lead via drinking water.
2. Help water systems achieve compliance with LSL-related requirements of the LCRR.
3. Reduce the number of service lines of unknown material in Utah water systems' service line inventories.
4. Continue to develop outreach and education materials explaining the health risks of lead in drinking water and LSLs for both water systems and the public.
5. Assist water systems with the development of more accurate lead and copper sample site plans.

Short-Term Goals | Emerging Contaminants

1. Seek the FFY 2025 award to secure federal funding for the EC program and follow all grant requirements.
2. Engage with water systems to raise awareness of both BIL EC grants and explain eligibility nuances.
3. Educate water systems on emerging contaminants, program requirements, cybersecurity, and best practices.
4. Provide funding for water systems to address emerging contaminants.
5. Conduct exploratory monitoring to gather data needed to estimate the scope of emerging contaminant issues in the state and prioritize water systems' funding requests.

Long-Term Goals | Emerging Contaminants

1. Work with water systems to reduce the public's exposure to emerging contaminants via drinking water.
2. Develop and refine outreach and education materials explaining the health risks of emerging contaminants for both water systems and the public.

Transfer of Funds Between the DWSRF and CWSRF

As allowed by federal regulation, the Drinking Water Board and Division of Drinking Water reserve authority to transfer funds from the DWSRF to the Clean Water SRF (CWSRF) program. The amount available to be reserved for future transfers is up to 33% of the DWSRF capitalization grant award. To date, no funds have been transferred. The table below indicates the available amount by award year.

Drinking Water to Clean Water Transfers Maximum Available		
Award Year	Grant	Reserve (33%)
Base		
2022	\$ 7,280,000	\$ 2,402,400
2023	\$ 4,938,000	\$ 1,629,540
2024	\$ 4,661,000	\$ 1,538,130
2025	\$ 10,906,000	\$ 3,598,980
	TOTAL	\$ 9,169,050
Supplemental		
2022	\$ 17,992,000	\$ 5,937,360
2023	\$ 21,055,000	\$ 6,948,150
2024	\$ 22,985,000	\$ 7,585,050
2025	\$ 24,898,000	\$ 8,216,340
	TOTAL	\$ 28,686,900

For the 2025 award, no transfer is planned. Justification for transfers, if any, will be provided to the EPA. It will include: (1) amount; (2) type of funds; and (3) impact on DWSRF program's status. Additionally, cross-collateralization is not anticipated to be used as the program does not leverage funding.

Portfolio Financing

The DWSRF uses portfolio financing with its SRF loans. This benefits water systems with large and multi-stage or longer-term projects by simplifying the approval and funding process. Such systems can fund multiple projects with a single loan. Prior to 2020, separate loans were required.

Withholding of Funds

EPA has the authority to withhold funds under certain provisions, but the DWB and DDW has complied with the following to avoid the situation:

1. The State ensures all new community water systems, and new non-transient, non-community water systems commencing operation after October 1, 1999, demonstrate technical, managerial, and financial capacity with respect to each drinking water regulation in effect. Utah Code Annotated 19-4-104 empowers DDW with rule-making authority to meet the requirements of federal law governing drinking water.

2. The State assists public water systems in acquiring and maintaining technical, managerial, and financial expertise.
3. The State has a program for certifying operators of community and non-transient, non-community public water systems.

EPA has approved the State's capacity development and operator certification programs.

Public Review of the IUP

Each IUP is published on the DDW website: deq.utah.gov/drinking-water/DWSRF_Funding. The 2024 IUP was posted in October 2024 along with a request for comments. Notice of this plan's posting, and request for public comment, will be announced at the DWB meeting April 28, 2026 for a 30 day comment period. The public can submit feedback during that meeting, or via the IUP webpage. The plan can also be sent to individuals and agencies via mail or email, upon their request. Comments received will be reviewed and incorporated, as deemed necessary, into the final IUP. Comments may be made in writing as well, addressed to:

Division of Drinking Water Board
PO Box 144830
Salt Lake City, UT 84114-4830

Public comments received during the period are as follows: *(updated when IUP is finalized)*

Financial status

Initial funding for the Utah DWSRF program was provided by the 1997 Federal Capitalization Grant and state matching dollars. Since then, Fed grants have totaled over \$406.2 million, and state matching of over \$57.5 million, for a total of \$463.7 million. Those funds, plus repayments ('revolved') from portions of it, have resulted in over \$519 million in new construction and \$66.8 million set-aside for program support. Table 3 lists the various sources and uses of those funds. Through June 30, 2025, the DWB closed 232 projects totaling over \$519 million.

DDW is applying for all four capitalization grants:

Base Grant: Totaling \$10,906,000. This includes \$9,270,100 for loans and \$1,635,900 for set-asides. An additional \$2,181,200 in state match will be used for loans. The match will be deposited into the fund within 90 days of award notification and utilized for construction prior to any federal funds.

Supplemental Grant: Totaling \$24,898,000. This allocation consists of \$17,179,620 for loans and \$7,718,380 for set-asides. The state match of \$4,979,600 will be dedicated to loan funds and will follow the same process as the Base grant match.

Lead Service Line (LSL) Grant: Totaling \$28,650,000. This is split into \$19,768,500 for loans and \$8,881,500 for set-asides. No state match is required for this grant.

Emerging Contaminants (EC) Grant: Totaling \$7,640,000. This will provide \$5,271,600 for loans and \$2,368,400 for set-asides. No state match is required.

Sources & Uses Summary

EC & LSL grants are separated from the historical data shown in Table 3. This makes it much easier to see the supply and demand by grant type. Anticipated demand, not yet reflected in Table 3, can be found in Table 5. Table 5 reflects projects going through the application process.

TABLE 3 - SOURCES AND USES

TABLE 3 SOURCES & USES - All Funding			
Category	1997 - 6/30/2025	7/1/25 - 6/30/26	Total
SOURCES			
Federal Capitalization Grants	\$ 406,240,500	\$ 49,744,860	\$ 455,985,360
State Match	57,516,200	7,160,800	64,677,000
Principal Repayments	159,521,898	10,125,037	169,646,935
Loan Interest Payments	24,165,359	2,084,065	26,249,424
Unescrowed Interest Earnings	20,388,840	2,625,769	20,388,840
Sources Total	\$ 667,832,797	\$ 71,740,530	\$ 736,947,558
USES			
Loans (by system size):			
Large Systems (>10,000 population)	\$ 187,826,031	\$ 3,627,943	\$ 191,453,973
Small Systems (<=10,000 population)	331,228,528	27,777,286	359,005,815
Set-Asides:			
Administration, 4% Total	11,486,525	2,883,760	14,370,285
Small System Tech Assist, 2% Total	4,864,702	1,441,880	6,306,582
PWS Program Augmentation	23,773,508	6,344,272	30,117,780
Capacity Development Oversight	470,482	72,094	542,576
Source Water Administration	2,277,573	793,034	3,070,607
Operator Certification	1,061,475	-	1,061,475
Project Tracking Software	-	-	-
State Program Mgt, 10% Total	27,583,038	7,209,400	34,792,438
Capacity Dev Outreach & Local Assist	19,821,636	7,209,400	27,031,036
Source Water Assessments	352,978	-	352,978
Wellhead Protection	2,773,211	3,604,700	6,377,911
Local Assist/Other 15% Total	22,947,825	10,814,100	33,761,925
Uses Total	\$ (585,936,649)	\$ (53,754,369)	\$ (639,691,018)
Funding Left (Needed)	\$ 81,896,148	\$ 17,986,161	\$ 97,256,540

TABLE 3a			
SOURCES AND USES - Lead Service Line Portion			
Category	2022 - 6/30/2025	7/1/25 - 6/30/26	Total
<u>SOURCES</u>			
Federal Grants	\$ 57,000,000	\$ 28,650,000	\$ 85,650,000
Principal Repayments	-	-	-
Loan Interest Payments	-	-	-
Unescrowed Interest Earnings	-	-	-
Sources Total	\$ 57,000,000	\$ 28,650,000	\$ 85,650,000
<u>USES</u>			
Loans by System Size:			
Large Systems (>10,000 population)	\$ 1,268,025	\$ 852,943	\$ 2,120,968
Small Systems (≤10,000 population)	2,550,320	786,734	3,337,054
Set-Asides:			
Administration, 4% Total	2,280,000	1,146,000	3,426,000
Small System Tech Assist, 2% Total	1,140,000	573,000	1,713,000
PWS Program Augmentation	5,700,000	2,521,200	8,221,200
Capacity Development Oversight	-	28,650	28,650
Source Water Administration	-	315,150	315,150
State Program Mgt, 10% Total	5,700,000	2,865,000	8,565,000
Capacity Dev Outreach & Local Assist	5,700,000	2,865,000	8,565,000
Source Water Assessments	-	-	-
Wellhead Protection	-	1,432,500	1,432,500
Local Assist/Other 15% Total	5,700,000	4,297,500	9,997,500
Uses Total	\$ (18,638,345)	\$ (10,521,177)	\$ (29,159,522)
Funding Left (Needed)	\$ 38,361,655	\$ 18,128,823	\$ 56,490,478

TABLE 3b			
SOURCES AND USES - Emerging Contaminants Portion			
Category	2022 - 6/30/2025	7/1/25 - 6/30/26	Total
SOURCES			
Federal Grants	\$ 22,885,000	\$ 7,640,000	\$ 30,525,000
Principal Repayments	-	-	-
Loan Interest Payments	-	-	-
Unescrowed Interest Earnings	-	-	-
Sources Total	\$ 22,885,000	\$ 7,640,000	\$ 30,525,000
USES			
Loans by System Size:			
Large Systems (>10,000 population)	\$ 2,500,000	\$ -	\$ 2,500,000
Small Systems (≤10,000 population)	2,300,000	1,747,869	4,047,869
Set-Asides:			
Administration, 4% Total	671,200	305,600	976,800
Small System Tech Assist, 2% Total	193,100	152,800	345,900
PWS Program Augmentation	607,100	672,320	1,279,420
Capacity Development Oversight	76,400	76,400	152,800
Source Water Administration	-	84,040	84,040
State Program Mgt, 10% Total	683,500	832,760	1,516,260
Capacity Dev Outreach & Local Assist	605,600	764,000	1,369,600
Source Water Assessments	-	-	-
Wellhead Protection	76,400	382,000	458,400
Local Assist/Other 15% Total	682,000	1,146,000	1,828,000
Uses Total	\$ (7,029,800)	\$ (4,185,029)	\$ (11,214,829)
Funding Left (Needed)	\$ 15,855,200	\$ 3,454,971	\$ 19,310,171

Notes:

- a. DDW uses a First-In, First-Out (FIFO) method, which is reflected in Table 7 "Disbursements & Fed Payments Forecast"
- b. DDW does not leverage funding by borrowing from the bond market. To-date, no projects have experienced delayed reimbursements due to a lack of available funding

B-2 Loan Program

DWSRF Program status and shovel-ready projects

DDW staff promote the financial assistance program to water systems and communities at conferences, in-person or virtual training sessions, and email campaigns. Assistance from consulting engineers, and through personal visits by staff conducting other DDW assignments is also provided. Infrastructure section members will attend the quarterly Enforcement meeting to learn about systems in need. Before the availability of ARPA and BIL funding, DDW's efforts to support infrastructure improvement projects were less critical because the number of projects applying for funds typically exceeded the funding available, despite the known statewide need. DDW will continue to improve its marketing of the program. Many systems in Utah qualify for, and even expect, substantial principal forgiveness, which until BIL was very difficult to fulfill. The BIL grants have greatly encouraged decision-makers to improve their system infrastructure and maintain or achieve compliance with regulations.

The 2025 capitalization grants, along with unused funds from previous grants, loan repayments, (including interest & fees), and investment earnings will fund the anticipated needs of current loans. There will be no need to borrow funding from the open market, called leveraging, to meet the program's needs. Often there are more projects requesting funding, then there is funding available. To help determine which projects are funded first, state law has outlined a method on how to distribute limited funds, and prioritize projects.

Criteria and Method Used for Distribution of Funds

The criteria and methods used for distribution of funds is outlined in *Utah Administrative Code* (UAC) R309-705-6. The system prioritizes projects by assigning points to show a deficiency in source, storage, treatment, and/or distribution system. The list of prioritized projects is called the *Project Priority List* (PPL). Multiple violations, deficiencies, and system needs are taken into account when calculating a project's position on the PPL. Points in each category are based on the specific deficiency's impact to SDWA compliance, and risk to public health. Each category has multiple deficiency or health-based options to which points may be assigned. The applicant's points are modified by financial factors, known as the Rate Factor, and the Adjusted Gross Income (AGI) Factor. The calculation is shown below:

$$\begin{aligned} \text{Priority rating} &= (\text{Average \# of points received}) * (\text{Rate Factor}) * (\text{AGI Factor}) \\ \text{Where: Rate Factor} &= (\text{Average System Water Bill} / \text{Affordable System Water Bill}) \\ \text{AGI Factor} &= (\text{State Median AGI} / \text{System Median AGI}) \end{aligned}$$

The average total priority points for deficiencies is multiplied by the Rate Factor and AGI Factor to arrive at a final priority rating. This method addresses financial hardships present in disadvantaged communities and in those already experiencing higher water rates.

Upon arriving at a final priority rating, each application is added to the PPL. The DWB may, at its discretion, modify a project's rating based on the conditions described in R309-705. The DWB determines the final financial assistance terms and conditions for each authorized project, including amount to loan, level of subsidy for disadvantaged communities, as well as the effective interest rate or hardship grant assessment fee and/or technical assistance fee in lieu of

interest. The most current *Revenue Bond Index* (RBI) is used as the base rate. Table 2 in UAC R309-705-6 is used to determine the reduction of the interest rate (or other rate) which potentially may be reduced to zero percent (0%).

Project Priority List (PPL)

DDW continuously updates the PPL as new applications are received (Table 4). They are initially reviewed to ensure compliance with Federal and State drinking water regulations, then scored via the rating factors indicated in the previous paragraph. Applications meeting requirements are added to the PPL and presented to the DWB. The DWB meets at least quarterly to review and approve the amended PPL and approve projects for funding. In accordance with Utah open and public meetings, the public has the opportunity to comment on the amended PPL via the DDW website for 30 days. After that timeframe, the amended PPL will be voted on during the next scheduled board meeting. The amended PPL is submitted to EPA to update their records. The PPL is posted on the division's website. On occasion, a project may not have been included in any PPL or IUP, and is handled through an emergency process as described in the *Emergency & Project Readiness Considerations* section below.

The PPL lists which type of funding might be used for each project, and will help determine which project will be considered "equivalency" for the 2025 DWSRF grants. Projects authorized by the DWB that have not been closed on their loans are entered in the section titled "Authorized Funding." Staff works diligently with these systems to close their loans as quickly as possible. See Table 5 for the DWB authorized projects that have not closed as of June 30, 2025.

The State acknowledges that current available funding sources, particularly those provided through the IJA for Lead Service Lines and Emerging Contaminants, exceed current projected uses.

Financial Management of Sources and Uses

DDW is currently undergoing a period of leadership transition, as well as a quality improvement initiative within the Department of Environmental Quality. A new Infrastructure Funding Services (IFS) Manager has recently been appointed and is tasked with developing a comprehensive strategy to improve quality, decrease reimbursement wait time, and improve loan closing times.

Until the improved strategy is finalized, the State will focus on the following immediate actions to improve its metrics with the EPA:

- **Marketing efforts:** Increase advertising efforts at local industry events over the next six months to identify more eligible projects.
- **Capacity Assessment:** Evaluate internal processes to identify bottlenecks that lead to delays between DWB authorization and loan closing dates.
- **Lead Action Plan:** DDW is implementing the Lead Action Plan, currently under review by EPA, which outlines Utah's status regarding DWB authorized projects still waiting to

close on their loans. These projects represent a significant portion of the current "excess" sources and are expected to move into the construction phase shortly.

A more detailed plan, including a timeline, for when funding uses will match sources is under-development. The plan describes how loan and set-aside funding will be used faster than DDW has been in recent years. This plan will be included in the 2026 grant IUP.

TABLE 4 - FEDERAL SRF, EC, AND LSLR PROJECT PRIORITY LIST

Table 4 - Project Priority List

As of June 30, 2025

Type	Points/ Rank	System Name (ID #)	Small	Disadv**	Award/ Loan #	Project Description	Equiv***			Project Cost	Authorized Assistance	Principal Forgiveness
							Base/Supp	LSL	EC			
N	24.2	Manderfield (01005)	Y	Y	3F3033	Replace failing service lines and meters				\$ 99,500		
N	15.0	La Verkin (27009)	Y	Y	3F3560L	Replace 101 GRR & 3 LSL, meters, mains	x			\$ 2,228,000		
A	77	Brian Head Town (11001)	Y	Y	3F1910	New well, main line & pump generator	x			\$ 6,769,206	5,483,748	1,645,748
A	66	Brian Head Town (11001)	Y	Y	3F1861A	new trans line/hydrants to existing cabins	x			\$ 1,733,980	875,994	271,934
A	64	Johnson (07006)	Y		3F1862	upgrading 24,000 ft undersized waterlines	x			\$ 2,452,000	2,352,000	2,352,000
A	64	Roosevelt (07004)	Y	Y	3F1854	pipeline replace, lining DI pipe, PRV	x			\$ 2,951,400	2,841,400	2,841,400
A	56	Ballard (24001)	Y		3F1896	800k ga tank, well; 3.5 miles of 12" line	x			\$ 2,402,000	2,215,000	1,107,000
A	54	Virgin (27020)	Y	Y	3F1909	500k gal water tank and waterline	x			\$ 3,470,489	3,070,489	930,489
A	49	Roosevelt (07004)	Y	Y	3F1854	12k ft of 12" line, 2 PRV stations	x			\$ 2,951,400	2,841,400	2,841,400
A	47	Pine Valley (27061)	Y	Y	3F1890A	tank refurb, line replace, pump, meters				\$ 1,587,544	830,009	680,009
A	44	Wilson Arch (19069)	Y	Y	3F1904	New lines, meters, booster & 30k-ga tank	x			\$ 1,498,000	1,498,000	749,000
A	41	Granger-Hunter (18007)			3F2017E	Treatment plant for manganese		x		\$ 11,457,840	2,500,000	2,500,000
A	29	Sigurd (21016)	Y	Y	3F2867	Pipeline replacement				\$ 1,462,600	1,460,000	438,000
A	29	Hanna (07062)	Y	Y	3F1883	200k ga tank, pump station, dist line	x			\$ 3,808,838	3,808,838	2,948,838
A	29	Parowan (11010)	Y	Y	3F3297	Pipe replace, treatment plant & SCADA				\$ 10,857,204	10,750,000	1,075,000
A	28	Upper Whittemore (25136)	Y	Y	3F1900	chlorinator				\$ 1,219,000	1,219,000	609,000
A	28	Payson (25021,)			3F2003	2k-ft mainline, valves, hydrants, service line				\$ 346,430	346,430	-
A	24	Foothill (11099)	Y	Y	3F2006	250k-ga tank, meters, hydrants,wellhouse	x			\$ 1,221,554	1,221,554	366,554
A	21	Magna (18014)	Y		3F3164	Lead Service Line Rebate Program		x		\$ 2,000,000	2,000,000	1,600,000
A	20	Salt Lake City (18026)	Y		3F2028	LSL Inventory & Replacements	x	x		\$ 39,920,250	39,525,000	19,350,000
A	20	Irontown (11070)	Y	Y	3F3032	New well and wellhouse				\$ 883,000	883,000	265,000
A	17	Paragonah (11014)	Y	Y	3F1913	Waterlines, new well, 250,000 gallon tank	x			\$ 7,452,100	7,300,000	2,190,000
A	16	Mountain Regional (22137)	Y	Y	3F3298E	Signal Hill Water Treatment Plant		x		\$ 2,000,000	2,000,000	2,000,000
A	16	Wasatch Mobile (26059)	Y	Y	3F2834	Connect to Daniel Town				\$ 464,000	464,000	464,000
A	16	Price (04007)	Y	Y	3F3329	Water line replacement	x			\$ 15,297,000	15,197,000	4,559,000
A	15	Fremont Waterworks (28002)	Y	Y	3F2016	3k ft line: meters, hydrants	x			\$ 1,429,250	1,425,000	428,000
A	13	KC-Johnson Canyon (13038)	Y	Y	3F3299	connect well to sys, trans line,pump house	x			\$ 3,059,000	3,059,000	918,000
A	10	Panguitch (09007)	Y	Y	3F1855	9k-ft mainline, valves, hydrants	x			\$ 1,629,000	1,609,000	805,000
A	9.8	Holden (14013)	Y	Y	3F1847	New well, tank, lines, meters, chlorination	x			\$ 8,691,000	8,691,000	3,500,000
A	9.5	Wanship (22017)	Y	Y	3F2108	tank, spring pipeline, chlorination sys, misc				\$ 6,165,000	6,165,000	1,850,000
A	7.9	Cottonwood Mutual (15013)	Y	Y	3F2868E	Treatment for EC		x		\$ 762,300	762,300	762,300
A	3.2	Summit County (22105)	Y	Y	3F2075	well, wellhouse, flow & isolation study				\$ 6,871,000	6,771,414	2,081,000
A	1.8	Mutton Hollow (06007)	Y	Y	3F2438	Pipeline replacements and upgrades				\$ 1,477,800	1,300,000	390,000
A	1.6	Nibley (03001)	Y	Y	3F3362	well to supply 2500 gpm	x			\$ 5,650,000	3,500,000	-
A	0	Henefer (22005)	Y		3F1843	Secondary irrigation	x			\$ 3,200,000	3,200,000	-
TOTALS:										\$ 165,467,685	147,165,576	62,518,672

*Small Systems serve < 10,000 users

**Disadvantage systems have incomes < Utah average, or drinking water costs are a large portion of household income

***Projects that may be selected as "equivalency" applied towards a specific EPA grant

- N = New Application
- A = Authorized
- P = Potential (future application)
- E = Emergency

TABLE 4a - POTENTIAL PROJECTS				
Water System	PWS #	Loan #	Estimated \$	Disadv.
Granger-Hunter (EC)	18007		\$ 3,000,000	X
Mapleton (EC)	25018		\$ 1,500,000	
Salt Lake City (EC)	18026		\$ 20,000,000	
TOTAL NEED - Potential			\$ 24,500,000	

Emergency & Project Readiness Considerations

The DWB authorized its Executive Secretary and Assistant Executive Secretary to approve assistance requests of up to \$100,000 for emergency and planning projects without going through the formal DWB approval process. This process reduced the amount of time the DWB discussed planning projects, leaving more time for larger, more complex infrastructure improvement construction projects.

Emergency projects include any one-time, unexpected, or unanticipated disruption in the ability to provide safe and reliable drinking water, whether caused by natural disasters, supply shortages, or infrastructure failures. Financial assistance for emergency projects may come from any available funding source within the DWSRF program (state program, federal program, and currently ARPA funds as well). Any funding authorized for emergencies will be listed in the packet for each DWB meeting and added to the PPL.

Recent emergency projects funded include the following.

1. Apple Valley Town: An emergency transmission line connecting the Apple Valley Water System to the Cedar Pointe Water System (both of which are owned and managed by Apple Valley Town) to resolve a serious source capacity issue in the Cedar Pointe service area.
2. Bicknell Town: Catastrophic flooding damaged the Town's spring transmission line beyond repair and the Town received emergency assistance to replace the damaged pipeline.

Thus far in SFY26, 19 planning projects have been authorized by the Assistant Executive Secretary. Planning projects may include developing or updating a master plan, preparing a hydraulic model, or developing engineering plans and specifications for a construction project.

Additional project readiness considerations will be added to the project evaluation process in SFY26. Staff is proposing the following requirements be met prior to presenting a project to the DWB for financial assistance:

1. Documentation of adequate rights-of-way and easements for the project
2. Documentation of adequate collateral or bonding capacity to cover the authorized loan amount
3. The applicant has obtained its UEID from sam.gov

Other requirements may be added later to further enhance project readiness and expedite progress toward loan closing and project construction.

Delayed Authorized Projects

Table 5 includes projects approved by the DWB that have not yet had their loans closed, and Table 6 lists those that appeared on the previous IUP and have experienced further delays. Details of each project follow each table. Some have been delayed while others were withdrawn. For others, the funding needs changed, and will not use federal funds. A project is put on the

delayed list when requested by the applicant. This is usually due to extra time needed to secure financing, authority, or documentation (such as easements, permits, rights of way or other approvals from third parties). When the applicant has resolved the delay, they are added back to the regular PPL. Occasionally a system will withdraw due to a change in needs or to reconsider other options. There is no current process for projects which are taking longer than expected, however, this will be part of DDW's quality improvement process.

TABLE 5 - AUTHORIZED PROJECTS, NO CLOSED LOAN

TABLE 5							
AUTHORIZED, NO SIGNED LOAN - Base/Supplemental							
Water System (points)	PWS #	Loan #	Loan \$	Forgiveness	Total \$	Population	Disadv.
Ballard WID (55.9)	24001	3F1896	\$ 3,600,000	\$ 3,500,000	\$ 7,100,000	1,005	X
Elberta Water Co (14.0)	25010	3F2471	\$ 571,000	\$ 246,000	\$ 817,000	141	X
Fremont Waterworks (15.3)	28002	3F2016	\$ 1,419,000	\$ 609,030	\$ 2,028,030	350	X
Foothill Water Users (23.7)	11099	3F2006	\$ 132,000	\$ 56,524	\$ 188,524	28	X
Hi-Country Estates (15.5)	18147	3F3758	\$ 889,000	\$ 381,000	\$ 1,270,000	373	
Holiday Hills HOA (none)	25154	3F2025	\$ 599,000	\$ 256,830	\$ 855,830	90	X
Irontown (20.1)	11070	3F3032	\$ 618,000	\$ 265,000	\$ 883,000	75	X
KCWCD Johnson Canyon (13.1)	13038	3F3299	\$ 2,141,000	\$ 918,000	\$ 3,059,000	900	X
Mutton Hollow (1.8)	06007	3F2438	\$ 910,000	\$ 390,000	\$ 1,300,000	695	
Paragonah Town (16.5)	11014	3F1913	\$ 5,110,000	\$ 2,190,000	\$ 7,300,000	600	X
Parowan Town (28.7)	11010	3F3297	\$ 9,675,000	\$ 1,075,000	\$ 10,750,000	3,000	X
Price Municipal (15.5)	04007	3F3329	\$ 10,638,000	\$ 4,559,000	\$ 15,197,000	8,867	X
San Juan - NTUA #2 (none)	19000	3F1821P	\$ -	\$ 457,000	\$ 457,000	15	X
Sigurd Town (29.2)	21016	3F2867	\$ 1,022,000	\$ 438,000	\$ 1,460,000	445	X
Summit Service Area #3 (3.2)	22105	3F2075	\$ 4,690,414	\$ 2,081,000	\$ 6,771,414	600	X
Virgin Town (53.5)	27020	3F1909	\$ 2,140,000	\$ 930,489	\$ 3,070,489	1,512	X
Wanship Mutual Water (9.5)	22017	3F2108	\$ 2,664,000	\$ 1,142,690	\$ 3,806,690	325	X
TOTAL NEED - Base/Supplemental					\$ 66,313,977		

Description of Projects in table 5

1. Ballard WID (55.9) - 3F1896. 800,000 gal concrete water tank; 3.5 miles of 12" transmission line, and new well.
2. Elberta Water Co (14.0) - 3F2471. Drill new well.
3. Fremont Waterworks (15.3) - 3F2016. New transmission line, master meters, fire hydrants, radio read meters and radio read meter base and software.
4. Foothill Water Users (23.7) - 3F2006. Construction of a 250,000 gallon tank, installation of 10 water meters and 5 fire hydrant risers, wellhouse deficiency improvements, well deficiency improvements, and electrical bank improvements.
5. Hi-Country Estates (15.5) - 3F3758. PRV station, 14 fire hydrants, waterline replacement.
6. Holiday Hills HOA (none) - 3F2025. Replacing waterlines to meet standards.
7. Irontown (20.1) - 3F3032. Drill new well and connect to existing waterlines. Includes construction of a well house.

8. KCWCD Johnson Canyon (13.1) - 3F3299. Connect existing well to the system. 3,500 ft of 8-inch, 4,000 ft of 12" transmission line, and 1 pump station building.
9. Mutton Hollow (1.8) - 3F2438. Replace existing main line transite pipe with PVC, and new water service pipe to meters.
10. Paragonah Town (16.5) - 3F1913. Waterlines, new well, and 250,000 gallon tank.
11. Parowan Town (28.7) - 3F3297. Engineering and construction of the Six Mile Spring Treatment Plant and update and install new SCADA.
12. Price Municipal (15.5) - 3F3329. Repair existing transmission line from Colton Springs to the treatment plant. Line failure poses a substantial risk; it has several distinct sections.
13. San Juan - NTUA #2 (none) - 3F182. P. Planning and design for fire protection and distribution for West Water,
14. Sigurd Town (29.2) - 3F2867. Approximately 9,600 ft of 8-inch distribution line.
15. Summit Service Area #3 (3.2) - 3F2075. Construct a 750,000-gallon concrete storage tank at Crescent Site to serve as primary tank, drill new well to replace the primary, construct a new well house, system-wide fire flow improvements, and conduct a well isolation study for the Greenfield Well.
16. Virgin Town (53.5) - 3F1909. New 500,000 gal water tank and waterlines.
17. Wanship Mutual Water (9.5) - 3F2108. New 150,000-gallon tank, spring transmission line, chlorination system, and replace distribution lines, valves, and hydrants.

TABLE 5a							
AUTHORIZED, NO SIGNED LOAN - Lead Service Line							
Magna (20.7)	18014	3F3164	\$ -	\$ 4,000,000	\$ 4,000,000	32,100	X

1. Magna - 3F3164. LSL inventory and replacement.

TABLE 5b							
AUTHORIZED, NO SIGNED LOAN - Emerging Contaminants							
Water System (points)	PWS #	Loan #	Loan \$	Forgiveness	Total \$	Popula tion	Disadv.
Cottonwood Mutual (7.9)	08005	3F2868E	\$ -	\$ 762,300	\$ 762,300	3,145	X
Mountain Regional (16.4)	29053	3F3298E	\$ -	\$ 2,000,000	\$ 2,000,000	8,245	X
TOTAL NEED - EC					\$ 2,762,300		

1. Cottonwood Mutual - 3F2868E. Treatment facility to remove iron & manganese in Rollings Ranch well #3.
2. Mountain Regional - 3F3298E. Expanding and optimizing the Signal Hill Water Treatment Plant (SHWTP) to improve process and expand capacity to 5.5 MGD and provide a new chemical facility.

TABLE 6 - PROJECT DELAYS

TABLE 6			
DELAYED PROJECTS (as of 6/30/25)			
System	Loan #	Award \$	Note on Delay
Alton Town	3F2207	\$ 49,400	awarded Oct '24.
Ballard WID	3F1896	\$ 2,215,000	Extension. Scope (& \$) changed to waterline only
Daniel/Wasatch Mobile Home	3F2834	\$ 464,000	awarded June 2025
Central Iron County WCD	3F2966P	\$ 40,000	Awarded Nov '24.
Elberta Water Company	3F2471	\$ 40,000	awarded Nov '24. Canceled by system
Fremont Waterworks Company	3F2016	\$ 1,425,000	Awarded Aug '23. Collateral issue w/USDA award
Hi-Country Estates	3F2240P	\$ 78,000	Working to add construction \$ to current award
Holden Town	3F1847	\$ 8,291,000	Extension. Planning still not completed
Holiday Hills HOA	3F2025	\$ 855,830	Awarded Nov '23. Need to become Spec Serv Dist first
Irontown	3F3033	\$ 883,000	Awarded Jan '25.
Mutton Hollow	3F2438	\$ 1,300,000	Awarded Aug '24.
Paragonah Town	3F1913	\$ 7,300,000	Easement issues with BLM
Roosevelt City	3F1854	\$ 2,841,400	change in scope Apr 2025, Construction starting Oct 2025
San Juan - NTUA Westwater #2	3F1821P	\$ 457,000	On hold; transferring \$ to other Westwater project
San Juan - La Sal	3F1871P	\$ 60,000	Feasibility study not complete
Sigurd Town Water System	3F2867	\$ 1,460,000	Awarded Nov '24.
Summit Service Area #3	3F2075	\$ 6,771,414	Awarded May '24. Easement issue
Upper Whittemore Water Co	3F1900	\$ 1,219,000	Water rights issue. Scope/\$ added; closing Nov 2025
Virgin Town	3F1909	\$ 3,070,489	Easement issues, design work not completed
Wanship Mutual Water Co.	3F2108	\$ 6,165,000	Awarded Jun '24. Still in planning/design phase
TOTAL LOANS NOT CLOSED		\$ 44,985,533	

Funding Needs Forecast

Table 7 identifies projects with closed loans and construction underway. It estimates when each project will require a disbursement of funds from DDW, as well as when DDW needs funding from each federal grant. DDW’s funding needs for set-asides will be described in the following section.

TABLE 7 - FEDERAL CASH FLOW FORECAST

TABLE 7								
PROJECT DISBURSEMENTS FORECAST								
GRANT SUBRECIENT	LOAN #	START DATE	TOTAL ULOs	Fed FY25-26 (ending 9/30/26)				
				FY25 (Jul-Sep '25)	FY26-Q1 Oct-Dec	FY26-Q2 Jan-Mar	FY26-Q3 Apr-Jun	FY26-Q4 Jul-Sep
Subrecipient Disbursements								
Base/Supplement								
Ballard WID	3F1896	Jan-26	2,215,000	-	-	-	750,000	-
Big Plains & WCWCD	3F2032	Jan-25	1,370,000	99,000	-	1,271,000	-	-
Brian Head	3F1861A	Nov-24	803,478	-	-	400,000	403,478	-
Brian Head	3F1910	Nov-24	2,175,000	-	-	1,400,000	-	775,000
Cornish Town	3F1812	Aug-24	837,922	-	-	-	-	-
Foothill Water Users	3F2006	Oct-25	1,221,554	-	1,221,554	-	-	-
Green Hills	3F1930E	May-24	779,000	379,000	400,000	-	-	-
Green River City*	3F1925E	Dec-24	1,745,000	545,000	100,000	1,100,000	-	-
Hanna	3F1883	Dec-24	1,920,000	-	1,920,000	-	-	-
Henefer	3F1843	Dec-24	1,618,000	1,000,000	618,000	-	-	-
High Valley	3F2636	Nov-24	1,400,000	-	1,400,000	-	-	-
Hyde Park	3F1744	Apr-21	1,200,000	500,000	700,000	-	-	-
Johnson	3F1862	Apr-25	1,500,000	500,000	-	1,000,000	-	-
Leeds	3F1892	Sep-24	5,400,000	-	-	-	250,000	250,000
Ogden City	3F1908	Oct-24	34,320,000	-	-	-	750,000	1,000,000
Salt Lake City*	3F2028	Oct-25	19,762,500	-	-	-	500,000	750,000
South Duchesne	3F1879A	Sep-24	200,000	-	-	200,000	-	-
Spring City	3F1926	Oct-23	2,166,000	1,800,000	-	-	-	-
Timber Lakes	3F1877	Jun-25	1,100,000	-	1,100,000	-	-	-
Upper Whittemore	3F1900	Nov-25	1,119,000	-	-	1,119,000	-	-
Virgin	3F1909	Jan-26	3,070,489	-	-	1,057,651	-	1,000,000
Wallsburg Town	3F1889	Apr-24	1,739,000	1,000,000	-	-	-	-
Wasatch Mobile Home	3F2834	Jul-25	464,000	250,000	-	214,000	-	-
Planning projects	x30		1,525,283	60,000	60,000	60,000	60,000	55,000
Base/Supplement TOTAL:			\$ 89,651,226	\$ 6,133,000	\$ 7,519,554	\$ 7,821,651	\$ 2,713,478	\$ 3,830,000
LSL								
Magna City	3F3164		2,000,000	-	-	250,000	-	-
Salt Lake City*	3F2028	Oct-25	19,062,500	-	-	-	500,000	-
Planning projects	x44		2,973,197	175,000	175,000	175,000	175,000	175,000
LSL TOTAL:			\$ 24,035,697	\$ 175,000	\$ 175,000	\$ 425,000	\$ 675,000	\$ 175,000
EC								
Escalante	3F3956PE	Dec-25	17,869	-	-	17,869	-	-
Green River City*	3F1925E	Dec-24	1,730,000	1,000,000	-	730,000	-	-
EC TOTAL:			\$ 1,747,869	\$ 1,000,000	\$ -	\$ 747,869	\$ -	\$ -
DISBURSEMENT TOTALS:			\$ 115,434,792	\$ 7,308,000	\$ 7,694,554	\$ 8,994,520	\$ 3,388,478	\$ 4,005,000

*project with multiple funding sources

TABLE 7a							
FEDERAL REIMBURSEMENTS FORECAST							
	Beg Bal	FY25 (Jul-Sep '25)	QTR 1 FY26	QTR 2 FY26	QTR 3 FY26	QTR 4 FY26	End Bal.
<u>Base/Supplement</u>							
2023 Supplemental (unused portion)	\$ 5,888,914	\$ 5,888,914	\$ -	\$ -	\$ -	\$ -	\$ -
2024 Base (unused portion)	4,194,900	1,335,086	2,859,814	-	-	-	-
2024 Supplemental (unused portion)	17,008,900	-	2,399,740	5,463,800	1,950,000	1,950,000	5,245,360
2025 Base <i>new</i>	10,906,000	-	-	-	-	-	10,906,000
2025 Supplemental <i>new</i>	24,898,000	-	-	-	-	-	24,898,000
2025 State Match <i>new</i>	7,160,800	-	-	-	-	6,170,329	990,471
Base/Supplement TOTAL:	70,057,514	7,224,000	5,259,554	5,463,800	1,950,000	8,120,329	42,039,831
<u>Lead Service Line</u>							
2022 LSL (unused portion)	\$ 17,184,741	\$ 175,000	\$ 175,000	\$ 425,000	\$ 675,000	\$ 175,000	\$ 15,559,741
2023 LSL (unused portion)	21,201,000	-	-	-	-	-	21,201,000
2025 LSL <i>new</i>	28,650,000	-	-	-	-	-	28,650,000
LSL TOTAL:	67,035,741	175,000	175,000	425,000	675,000	175,000	65,410,741
<u>Emerging Contaminants</u>							
2022 EC (unused portion)	\$ 2,047,600	\$ 1,000,000	\$ -	\$ 747,869	\$ -	\$ -	\$ 299,731
2023 EC (unused portion)	7,390,000	-	-	-	-	-	7,390,000
2024 EC (unused portion)	6,417,600	-	-	-	-	-	6,417,600
2025 EC <i>new</i>	7,640,000	-	-	-	-	-	7,640,000
EC TOTAL:	23,495,200	1,000,000	-	747,869	-	-	21,747,331
EPA PAYMENT TOTALS:	\$ 160,588,455						\$129,197,902

Assistance for Small or Disadvantaged Communities

Section 1452 (d) of the SDWA requires a minimum of 20% additional loan subsidy from each grant, in the form of negative interest, grants or principal forgiveness, benefit communities meeting the State’s definition of “disadvantaged”. Recently, the *Consolidated Appropriations Act* revised it to be at least 12% , but no more than 35%. Additional authority was authorized in the America’s Water Infrastructure Act (AWIA) of 2018. Per AWIA, states must use 14 percent as additional subsidization to disadvantaged recipients. Therefore, a minimum of 26 percent, to a maximum of 49 percent, will be provided as subsidization. DDW will comply with the subsidization requirements set forth in each grant awarded.

The additional subsidy percentage represents the portion of the total federal grant, while the remainder can be used for other loans or set-asides used by DDW itself. Table 8 lists the required subsidy for each grant. The recent *Bipartisan Infrastructure Law (BIL)* has differing mandates for its grants. The Lead Service Line Replacement grant mandates 49% go to disadvantaged communities, The General Supplemental and Emerging Contaminants grants mandate 49% and 100%, respectively, to any DWSRF qualified applicant.

TABLE 8 - ADDITIONAL SUBSIDY REQUIREMENTS

Table 8		
ADDITIONAL SUBSIDY		
EPA Grant	Min (required)	Max (optional)
Base: SDWA Disadvantaged	\$1,308,720	\$3,817,100
	12%	35%
Base: AWIA subsidy (all project)	\$1,526,840	n/a
	14%	
BASE TOTAL	\$2,835,560	\$5,343,940
	26%	49%
Supplemental: SDWA Disadv.	\$12,200,020	n/a
LSL: any project	\$14,038,500	n/a
	49%	
EC: any project	\$7,640,000	n/a
	100%	

The SDWA required each state to define a disadvantaged community. The Board defines it as: (1) one with a median adjusted gross income (MAGI) less than or equal to 80% of the State’s MAGI as determined by the Utah State Tax Commission (USTC) from federal individual income tax returns excluding zero exemption returns; or (2) where the estimated annual cost (including loan repayments) of drinking water service for the average residential user exceeds 1.75% of the community MAGI. The MAGI is determined by the Utah State Tax Commission (USTC) from federal individual income tax returns, excluding zero-exemption returns.

If the DWB feels tax return data is insufficient, it may accept other measurements of the water users' income (i.e. local income survey or questionnaire when there is a significant difference between the number of service connections for a system and the number of tax filing for a given zip code or city, or when the water system claims that the MAGI (incomes) of its users is lower than the MAGI (incomes) of the larger community covered by the USTC data). The metrics might not capture differences in affordability within a community or service area. Especially when USTC data areas do not match areas serviced by a water system. To better capture these differences, the criteria applied have been expanded to include zip codes or census tracts, as well as those that meet or exceed 80th percentile of the EPA demographic index. Expanding the criteria not only ensures that disadvantaged areas within a community or service area are not overlooked or disqualified from receiving needed assistance, but it also prioritizes funding for these communities.

The amount and type of financial assistance offered by the DWB is based on the criteria shown in *UAC R309-705-6 (2)*. Disadvantaged communities may receive 0% or negative interest loans, principal-forgiveness loans, or grants. Terms for each shall be determined by DWB resolution. The DWB has not set a predetermined amount of funds as subsidy to disadvantaged

communities. Instead, the Board takes into account each applicant's needs and the status of funding in the program overall.

Federal requirements stipulate at least 15% of all funding be made "available solely for providing loan assistance to small systems." Historically, Utah has far exceeded the requirement. Utah currently has 503 community water systems, 434 (86.29%) of which serve a population of 10,000 or less. At the end of SFY25, 257 small systems had received over \$331M in funding since the program started. During SFY25, 15 systems were awarded \$35.3M. DDW staff will continue to prioritize small and disadvantaged systems for assistance.

Costs Incurred After Award & Prior to Loan Execution

Eligible project costs incurred after application to the Board and prior to execution of the loan agreement are eligible for reimbursement. Reimbursement will only be made after the loan closing.

Municipal Bond Legal Fees

The Board may decide to provide financial assistance by purchasing existing loans of an applicant, but only after receiving legal opinion about the loan from a recognized municipal bond counsel selected by the DWB (see UAC R309-705-8 (2)). Such an applicant is responsible for all legal costs. Legal costs for new project loans may be paid from the loan proceeds.

Capacity Development Requirements

The SDWA allows DWSRF assistance to publicly and privately owned community water systems and nonprofit, non-community water systems other than systems owned by federal agencies. Regulations also set certain circumstances under which systems that will become community water systems upon completion of a project may be eligible for assistance. *UAC R309-705 Financial Assistance: Federal Drinking Water Project Revolving Loan Program* (effective July 1, 2011) establishes criteria for such financial assistance to public drinking water systems in accordance with a federal grant 42 U.S.C. 300j et seq., *Federal Safe Drinking Water Act*. The SDWA requires that loan recipients must demonstrate the technical, managerial, and financial (TMF) capacity to comply with the SDWA and not be in significant noncompliance with any national primary drinking water standard or variance. The State will assess TMF and compliance in accordance with *UAC R309-800 Capacity Development Program* after loan applications have been received. Those systems lacking in TMF or compliance may still be eligible if the loan will address the non-compliance or the system agrees to undertake appropriate changes in operations.

In accordance with the AWIA changes, DDW will include in the state *Capacity Development Triennial Report* to the Governor a description of how the state will implement procedures to encourage development of technical, managerial, and financial capacity, and an asset management plan program with provisions of technical assistance. DDW intends to encourage systems to implement asset management plans that include best practices in training and technical assistance into its capacity development program.

Environmental Reviews and Categorical Exclusions

Purpose

The State Environmental Review Process (SERP) is described in the Operating Agreement. Utah, the Grantee, may elect to partition an environmental review or Categorical Exclusion (Cat Ex) from environmental review. The State will follow the procedures listed below to evaluate if partitioning a project from environmental review is appropriate.

Authority

The authority for including these procedures in DDW's IUP, and State Environmental Review Process (SERP), is contained in the SDWA Amendments of 1996 (Pub. L. 104-182) and the guidance provided by the EPA DWSRF Program Guidelines, document # 816-R-97-005 (February 1997). In particular, see Section IV. STATE/PROJECT LEVEL AUTHORITIES, Subsection B. Environmental Reviews.

1. Procedures for Making Determination Cat Ex:
2. If the division has reason to believe that the project falls within one of the categories listed under paragraph "C" and thereby may qualify for a Cat Ex from environmental review, the State will make a preliminary survey of the proposed project site(s).
3. During this survey the State will evaluate whether or not the project meets the criteria for a Cat Ex from environmental review.
4. If the State determines the site qualifies for Cat Ex from environmental review, it will document the justification of this determination, including a listing of the dates of activities, which led to this determination, and a statement of relevant findings.
5. Even if the project qualifies for Cat Ex from environmental review according to the criteria listed under paragraph "C", the State may require an environmental review if the State determines that an environmental review is warranted or appropriate because of conditions found at the site or because the project is controversial.

Criteria

In order to qualify for a Cat Ex from environmental review, the general location of the project should have been previously disturbed. Site conditions which will be evaluated include: (1) how urbanized the location is; (2) whether wildlife has previously been displaced; and (3) whether the habitat has been previously destroyed or replaced. The site shall meet at least one of the following criteria:

1. A proposed water line will be placed in a roadway(s) and/or right-of-ways where existing pipes, telephone wires, cables, or other facilities have previously been installed.
2. A proposed tank site will be located on a site with other previously constructed utility facilities on a previously disturbed site.
3. Proposed facilities will be located at a site with other existing community infrastructure; e.g. a booster station, pump house, water treatment plant, or similar facility within a previously disturbed area and which will not extend into sensitive areas in the ground or adjacent to the previously disturbed area.

Public Notice

The State will provide public notice when a Cat Ex is issued or rescinded. However, no formal public comment period need be provided prior to the Cat Ex becoming effective.

SRF Reporting

Reporting for any loans or projects closing for the SRF program is due quarterly, with a focus on SFY reporting completed annually by 30 September. Reporting is done on the EPA's Office of Water SRF (OWSRF) website owsrf.epa.gov. In addition, for transparency to the public, large loans closed using non-revolving (non-DWSRF) funds will be reported in the *Federal Funding Accountability & Transparency Act Subaward Reporting System* (FFATA/SRS) at SAM.gov. The EPA's 2024 Performance Evaluation Review (PER) identified a need for DDW to expedite the updating of these sites. While DDW had staffing issues that contributed to this delay, those issues have been resolved, and this task has been prioritized. Updating the sites is now the first task performed immediately after a loan closing.

B-3 Set-Asides

Congress established multiple set-aside categories for the DWSRF grants. States have the flexibility to take set-asides from the grants but must use them to either administer the capitalization grant or meet the statutory purpose of each grant. States have the flexibility to reserve the authority under four categories, and maximum allowed are: (1) administration, 4%; (2) small system technical assistance, 2%; (3) state program management, 10%; and (4) local assistance, 15%. The maximum is calculated by multiplying the percent (%) by the total grant amount. If the maximum isn't taken, the remainder can be held (called Reserves) for future use. That amount would be taken from a future grant, allowing a state to take more than the maximum % from that future grant. The result would lower funding available for loans from that grant, however. DDW will comply with all programmatic and administrative conditions required for each grant.

Set-aside funding is used to:

- ✓ Fund established programs
- ✓ Fund continuing growth
- ✓ Fund increasing operating costs
- ✓ Assist, to the extent set-aside funds are available, in funding the additional staff needed to implement new federal rules regarding the regulation of drinking water contaminants

The state will not use set-asides for project-related costs, regardless if such costs are eligible for assistance from the DWSRF. DDW may use set-aside funds for: (1) project planning or design costs for small systems; and (2) costs associated with restructuring a system as part of a capacity development strategy.

Set-aside funds follow the same FIFO basis as loans funds to ensure the prior grant funding is exhausted first. Unused funds are carried forward to the next fiscal year. Final reports have been submitted to EPA for grants through 2021, and 2022 will be spent during the next SFY26.

Intended use of set-aside funds

The DDW is requesting \$22,349,100 in set-asides from the 2025 grants, and plan to use them steadily throughout the appropriation’s open period. Thus, DDW requests equal portions be made available each quarter. Tables 9 and 10 provide details for each grant's requested set-asides and reserved portions, respectively. DDW intends to use all requested set-asides and will not utilize any reserves from the 2025 grants. A subsequent description will detail the planned use of these funds.

TABLE 9 - SET-ASIDE REQUEST

TABLE 9 - Base SET-ASIDE REQUEST			
Category	Site Name	Available	Requested
Administrative set-aside (4% available):	25DD	436,240	
From (to) reserves*		(436,240)	-
Small System Tech. Asst.(2% available)	25DE	218,120	
From (to) reserves*		(218,120)	-
State Program Mgt (10% available)	25DF	1,090,600	
From (to) reserves*		(1,090,600)	
Public Water System Supervision		-	
Capacity Development Oversight		-	
Source Water Protection		-	
Operator Certification		-	-
Local Assist (15% available)	25DG	1,635,900	
From (to) reserves (not available)		-	
Local Assist & Cap Develop Outreach		1,090,600	
Source Water Assessment		-	
Wellhead Protection		545,300	1,635,900
Remainder (Loan Portion)	25DA		9,270,100

**Refer to Table 10 for reserve totals*

TABLE 9a - Supplemental SET-ASIDE REQUEST			
Category	Site Name	Available	Requested
Administrative set-aside (4% available):	25DD	995,920	
From (to) reserves*		-	995,920
Small System Tech. Asst.(2% available)	25DE	497,960	
From (to) reserves*		-	497,960
State Program Mgt (10% available)	25DF	2,489,800	
From (to) reserves*		-	
Public Water System Supervision		2,191,024	
Capacity Development Oversight		24,898	
Source Water Protection		273,878	
Operator Certification		-	2,489,800
Local Assist (15% available)	25DG	3,734,700	
From (to) reserves (not available)		-	
Local Assist & Cap Develop Outreach		2,489,800	
Source Water Assessment		-	
Wellhead Protection		1,244,900	3,734,700
Remainder (Loan Portion)	25DA		17,179,620

*Refer to Table 10 for reserve totals

TABLE 9b - Lead Service Line Replacement SET-ASIDE REQUEST			
Category	Site Name	Available	Requested
Administrative set-aside (4% available):	25DD	1,146,000	
From (to) reserves*		-	1,146,000
Small System Tech. Asst.(2% available)	25DE	573,000	
From (to) reserves*		-	573,000
State Program Mgt (10% available)	25DF	2,865,000	
From (to) reserves*		-	
Public Water System Supervision		2,521,200	
Capacity Development Oversight		28,650	
Source Water Protection		315,150	
Operator Certification		-	2,865,000
Local Assist (15% available)	25DG	4,297,500	
From (to) reserves (not available)		-	
Local Assist & Cap Develop Outreach		2,865,000	
Source Water Assessment		-	
Wellhead Protection		1,432,500	4,297,500
Remainder (Loan Portion)	25DA		19,768,500

*Refer to Table 10 for reserve totals

TABLE 9c - Emerging Contaminants SET-ASIDE REQUEST			
Category	Site Name	Available	Requested
Administrative set-aside (4% available):	25DD	305,600	
From (to) reserves*		-	305,600
Small System Tech. Asst.(2% available)	25DE	152,800	
From (to) reserves*		-	152,800
State Program Mgt (10% available)	25DF	764,000	
From (to) reserves*		-	
Public Water System Supervision		672,320	
Capacity Development Oversight		7,640	
Source Water Protection		84,040	
Operator Certification		-	764,000
Local Assist (15% available)	25DG	1,146,000	
From (to) reserves (not available)		-	
Local Assist & Cap Develop Outreach		764,000	
Source Water Assessment		-	
Wellhead Protection		382,000	1,146,000
Remainder (Loan Portion)	25DA		5,271,600

*Refer to Table 10 for reserve totals

TABLE 10 - SET-ASIDE RESERVES

Table 10 Set-Aside Reserves - Base			
Reserves	Beg Balance	GY 2025	End Balance
4% Administrative Fund	\$ 1,062,466	\$ 436,240	\$ 1,498,706
2% Small System Tech Assistance	537,123	218,120	755,243
10% State Program	1,511,788	1,090,600	2,602,388
TOTAL	\$ 3,111,377	\$1,744,960	\$ 4,856,337

Table 10a			
Set-Aside Reserves - Supplemental			
Reserves	Beg Balance	GY 2025	End Balance
4% Administrative Fund	\$ 802,880	\$ -	\$ 802,880
2% Small System Tech Assistance	670,940	-	670,940
10% State Program	2,839,700	-	2,839,700
TOTAL	\$ 4,313,520	\$ -	\$ 4,313,520

Table 10b			
Set-Aside Reserves - Lead Service Line			
Reserves	Beg Balance	GY 2025	End Balance
4% Administrative Fund	\$ -	\$ -	\$ -
2% Small System Tech Assistance	-	-	-
10% State Program	-	-	-
TOTAL	\$ -	\$ -	\$ -

Table 10c			
Set-Aside Reserves - Emerging Contaminants			
Reserves	Beg Balance	GY 2025	End Balance
4% Administrative Fund	\$ 244,200	\$ -	\$ 244,200
2% Small System Tech Assistance	264,600	-	264,600
10% State Program	1,605,000	-	1,605,000
TOTAL	\$ 2,113,800	\$ -	\$ 2,113,800

Set-Aside Intended Uses & Timeline

TABLE 11 - SET-ASIDE REIMBURSEMENT FORECAST

TABLE 11					
SET-ASIDE REIMBURSEMENT FORECAST					
Grant	QTR 1	QTR 2	QTR 3	QTR 4	FY End Bal.
<u>FY27</u>					
Base	\$ 204,488	\$ 204,488	\$ 204,488	\$ 204,488	\$ 817,950
Supplement	964,798	964,798	964,798	964,798	\$ 7,046,810
LSL	1,110,188	1,110,188	1,110,188	1,110,188	\$ 6,465,250
EC	296,050	296,050	296,050	296,050	\$ 9,721,800
<u>FY28</u>					
Base	\$ 204,488	\$ 204,488	\$ 204,488	\$ 204,488	\$ -
Supplement	964,798	964,798	964,798	964,798	\$ 3,187,620
LSL	1,110,188	1,110,188	1,110,188	1,110,188	\$ 2,024,500
EC	296,050	296,050	296,050	296,050	\$ 8,537,600

Administrative (4%)

The calculation for the four percent administrative set-aside funds, in accordance with the SRF Base and BIL grant regulations, consists of an amount equal to the sum of any state fees collected (i.e. Loan Origination Fees) plus the greatest of three options: (1) \$400,000; (2) 0.2% of the fund's net position, if it has been audited by an outside agency¹; or (3) 4% of all grants awarded.

DDW chooses option three and requests \$2,447,520 to fund 12 to 13 full-time equivalent (FTE) positions to operate the program. Costs will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation to the State for support services. The remaining set-aside available, \$436,240 from Base, will be reserved for future use.

Small System Technical Assistance (2%)

DDW requests \$1,223,760 to either contract Utah's efforts to a third party or by DDW staff. This set-aside has reserves of \$1,472,663, and we request another \$218,120 of the Base grant. Often the amount of assistance requested, and size of the state, make it difficult for DDW staff to handle all needs. The vendor of this contract, typically the Rural Water Association of Utah (RWAU), will assist water systems serving 10,000 people or fewer users to maintain a viable system.

DDW created an energy cost-saving handbook in 2016 which provided water system operators and managers with multiple strategies to reduce their energy costs. Some water systems have identified energy efficiency improvement opportunities in both operations and infrastructure. RWAU is encouraging all drinking water systems to investigate energy efficiency options to identify cost savings where possible. The small and very small water systems are often unable to take full advantage of such initiatives due to lack of knowledge, lack of money, and/or lack of proper equipment.

RWAU has been a critical partner assisting DDW in responding to water system inquiries and taking action to assist water systems to be technically, managerially, and financially sound. This assistance is for all systems in the state regardless of size and whether the system is receiving funding or not. Such assistance includes, but not limited to:

1. On-site assistance to resolve or recommend solutions to managerial, technical or mechanical problems, sanitary survey deficiencies, or other compliance issues.
2. Training on rules found under UAC R309-100 through 800.
3. Emergency response support.
4. Representation on UTWARN (Utah Water and Wastewater Agency Response Network), including membership, emergency response credentials, emergency response and disaster preparedness.
5. Representation to local officials (such as mayors, county managers, general public, etc.) regarding drinking water issues and how local governments can support public drinking water systems.

¹ DDW does not have financials audited by an outside agency (see specifics in Section A-1)

6. Training and ordinance development for counties to deal with non-public water systems in the early stages of development. This issue is related to ensuring that when a non-public system may grow to become "public" the system will meet applicable rules, and not become an economic burden; or require funding from the state to meet such requirements.

State Programs Total (10%)

The total state programs set-aside request is \$6,118,800. See Table 9 for a detailed breakout of the sub-categories, including: (1) PWS supervision; (2) Capacity Development; and (3) Source Protection. This set-aside has reserves of \$5,936,488 and we request another \$1,090,600 of the Base grant. In the past, DDW has requested a subcategory of funding for its Operator Certification Program. DDW has increased the Operator Certification and the Cross Connection fees and is working toward both programs being self-sufficient by fee revenue collected for each program. Costs incurred during the SFY are accounted for by these sub-categories. The purpose for each sub-category and funding request follows.

State Programs - Public Water System Supervision

DDW requests the majority of funds, \$6,344,272, for this category. The PWS Supervision set-aside is used to support 14 to 15 engineers and support staff under DDW's engineering section. Additionally, oversight of the PWS Supervision Program is funded from general funds, the Water Development Security Fund (state funds about \$2M), and \$1.45M from the PWSS grant. Combined totals will also be expended for division-related activities. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation.

Engineering tasks include water system plans and specification reviews, operating permits, waivers, water treatment plant inspections, witnessing well grouting, and proactive recommendations to help water systems ensure the public receives safe drinking water. DDW's engineers also receive training to keep their skills diverse with new technologies in solving water system issues. Growth impacts in the state combined with the stricter EPA standard levels SDWA amendments and associated State and Federal regulations create a tremendous workload.

State Programs - Capacity Development Oversight

The State of Utah has statutory authority for a capacity development program, per Utah SDWA Section 19-4-104, and requests \$72,084 for this program. The capacity development set-aside will support two FTEs, as needed, to maintain the program. DDW is current with its reports on this program due to the Governor and EPA. DDW will add the language to encourage the development of technical, managerial, financial and asset management plans to the Governor's *Capacity Development Program Triennial Report* due September 2026, as required by the Amendments in the AWIA of 2018.

State Program - Source Water Protection

The SDWA Amendments of 1996 require a source water assessment program for all public water systems. Funding of \$793,034 is requested for one to two FTEs dedicated to develop, implement,

and coordinate this regulation. The Source Protection Administration set-aside will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation by DEQ.

Local Assistance Total (15%)

DDW requests \$10,814,100 for two sub-categories: (1) local assistance/capacity development outreach; and (2) wellhead protection. The two sub-categories account for budgets, disbursements, and draws separately.

Local Assist - Capacity Development Outreach/Local Assistance

DDW requests \$7,209,400 for capacity development, training, outreach, and local assistance. The amount budgeted for SFY 2026 is \$2.09M. DDW and/or a third-party contractor will perform the following services:

1. Math calculations to determine dosing, volumes, flows and horsepower, etc.
2. Minor repairs on pumps, as well as, knowledge of pump curves, monitoring well levels, troubleshooting, hydraulics, motor maintenance and metering, etc.
3. Teach proper techniques for unidirectional flushing of fire hydrants, pipeline maintenance, pressure zones, valve maintenance (exercising and annual maintenance, instrumentation, tank inspections, and distribution system and treatment plants.
4. Proper disinfection techniques, and correct handling and use of various disinfection chemicals, properties of chemicals, emergency disinfection techniques, and monitoring of residuals.
5. Safety: proper use of equipment and how to follow proper procedures, MSDS.
6. Security: proper procedures to interact with law enforcement and mitigation.
7. Provide technical training on existing and new rules, proper sampling techniques, proper monitoring, and an understanding of sample results, reporting procedures.
8. Emergency Response: training on the Incident Command System (ICS) and how they would fit into that system. Train systems with the National Incident Management System (NIMS), response protocols, mitigation, setting up table-top exercises, maintaining a plan, flushing and disinfection.
9. Cross Connection Control assistance to help the water system properly assemble, avoid hazards, resolve physical deficiencies during a sanitary survey and follow State guidelines on managing a program.

DDW understands all charges by employees need to have direct interaction with the water systems with some form of training or technical assistance. Rural Water Association of Utah also has some tasks relating to direct interaction with the water systems and has been allocated \$65,000 in their contract for this specific purpose.

Local Assist - Wellhead Protection

DDW, other DEQ Divisions and the Utah Geospatial Resource Center (UGRC) have developed a secure website (the “Interactive Map”) which is accessible to water systems, planners, the public, and local government officials. Users can obtain information on contamination sites regulated by the Utah Division of Environmental Response and Remediation and limited data from other DEQ Divisions. Drinking water sources are available to the public. Access to source protection

and assessment zones are available to the public through ArcGIS Online, a cloud-based mapping and analysis solution.

DDW requests \$3,604,700 to cover salary, benefits, office space, equipment, interactive map upgrades, and an indirect allocation for DEQ for one or two FTEs to maintain ArcGIS. They will prepare source water assessments for groundwater sources, review source protection plans for new sources, and review updated plans for existing sources. The funds help address a backlog of wellhead updates that need review.

Set-Aside Spending Strategy

The Division of Drinking Water recognizes the current accumulation of unspent set-aside funds for Emerging Contaminants and Lead Service Line Replacement. To address this, DDW is escalating efforts for LSL and EC projects, which includes increasing services for public water systems. DDW is currently developing a strategy to effectively carry out the LSL and EC goals to support water systems. These finalized initiatives will be presented in the next IUP.

SECTION C

ATTACHMENTS

1. State of Utah Administrative Rules Internet Links
2. Attorney General's Enabling Legislation Opinion Letter for FY2025 grants program
3. Division of Drinking Water Organizational Chart
4. Attorney General's Letter. Adequacy of State Law Enabling Utah to be Eligible for Federal Safe Drinking Water
5. Attorney General's Letter. Delegation of Authority for Certification of Utah Environmental Programs

State of Utah Administrative Rules Internet Links

- Rule R309-300 Certification Rules for Water Supply Operators:
www.rules.utah.gov/publicat/code/r309/r309-300.htm
- Rule R309-305 Cross Connection Control and Backflow Prevention Certification:
www.rules.utah.gov/publicat/code/r309/r309-305.htm
- Rule R309-700 State Drinking Water State Revolving Fund (SRF) Loan Program:
www.rules.utah.gov/publicat/code/r309/r309-700.htm
- Rule R309-705 Federal Drinking Water State Revolving Fund (SRF) Loan Program:
www.rules.utah.gov/publicat/code/r309/r309-705.htm
- Rule R309-800 Capacity Development Program:
www.rules.utah.gov/publicat/code/r309/r309-800.htm