



State of New Jersey
DEPARTMENT OF ENVIRONMENTAL PROTECTION

PHILIP D. MURPHY
Governor

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SHAWN M. LATOURETTE
Commissioner

TAHESHA L. WAY
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January 21, 2025

NOTICE OF OPEN PUBLIC COMMENT PERIOD
Clean Water State Revolving Fund
Drinking Water State Revolving Fund
Priority Systems, Intended Use Plans, and Project Priority Lists

Dear Interested Party:

The Department of Environmental Protection (Department) has prepared the following documents for the administration of the FFY2025/SFY2026 Clean Water State Revolving Fund ("CWSRF") and the Drinking Water State Revolving Fund ("DWSRF"):

Proposed
Clean Water State Revolving Fund
Priority System, Intended Use Plan, and Project Priority List
Federal Fiscal Year 2025 (and State Fiscal Year 2026)
CWSRF Base
CWSRF General Supplemental
CWSRF Emerging Contaminants

Proposed
Drinking Water State Revolving Fund
Priority System, Intended Use Plan, and Project Priority List
Federal Fiscal Year 2025 (and State Fiscal Year 2026)
DWSRF Base
DWSRF General Supplemental
DWSRF Emerging Contaminants
DWSRF Lead Service Line Replacement

In FFY2025/SFY2026, thanks to the federal Bipartisan Infrastructure Law (BIL) and continued State investments by Governor Phil Murphy and our State Legislature, the Department continues the Water Infrastructure Investment Planning begun in 2022, to spark community investments in upgrading drinking water and wastewater infrastructure. The proposed Priority System, Intended Use Plan, and Project Priority List documents (Intended Use Plan or IUP) set the project priorities and the funding packages that will accomplish this by utilizing the hundreds of millions of dollars available for communities and utilities. The IUPs must be developed by the Department, undergo a public participation process, and be approved by the US Environmental Protection Agency (USEPA) for the Department to be awarded the annual capitalization grants and additional federal funding available as a result of the BIL, which is used to finance water and wastewater infrastructure projects.

On November 15, 2021, President Joe Biden signed the BIL which is expected to provide nearly \$1 billion in funding over the five-year appropriation (FFY 2022 to FFY 2026) to New Jersey's Clean Water and Drinking Water SRFs. For SFY 2026, New Jersey's SRFs expect an allocation of approximately \$335 million, which includes \$144 million for the Clean Water SRF and \$191 million for the Drinking Water SRF. The FFY2025 annual DWSRF and CWSRF capitalization grants and the additional funding anticipated as a result of the BIL are targeted to be awarded to the Department in September 2025 or sooner, for use in the State Fiscal Year 2026 Financing Program (July 1, 2025, to June 30, 2026).

Affordability Criteria

The Department's policy is to update the Affordability Criteria (AC) source data every 3 years to increase predictability for eligibility. The existing source data used for the Affordability Criteria is from 2019. The Department is proposing to update the source data used for Affordability Criteria Scores in SFY26 using 2022 data. The data is also proposed to utilize annual average municipal unemployment data, rather than county data for more accurate determinations. Data sources for SFY26 include:

- Median Household Income (MHI) (2022 from the U.S. Census Bureau's ACS 2017-2022 5-year estimate)
- Municipal Unemployment (NJDOLE Annual Municipal Labor Force Estimates 2022)
- Population Change (NJDOLE 2023 Municipal Revitalization Index 2012-2022)

As part of the SFY26 Affordability Criteria update, the Program is proposing to adjust the AC score threshold to be the lowest scoring 25% of all municipalities, maintaining the number of eligible communities to 141 each year, subject to any fluctuation in number of total municipalities (the current number of eligible communities is 130). This will increase the AC threshold from 80 to 86.19 for SFY26 until the next data source update. The quartile is calculated after municipality project scores have been calculated and is then applied to both PWSID systems for drinking water projects and for clean water projects sponsored by wastewater systems serving more than one municipality. The AC Tier 1 threshold has also been adjusted to 10% of the lowest municipal scores or 69.11 for SFY26. AC Tier 2 scores are between 69.12 and 86.19. Project scores will no longer be rounded down to the nearest integer.

Projects may have their SFY25 AC score and tier grandfathered under the following conditions:

- Project sponsors which have submitted Step 2 of the H2loans Application, Submittal of the Project Report, by the beginning of SFY26 will have those projects grandfathered at their current AC score and tier.
- Sponsors participating in the Technical Assistance (TA) Program by the beginning of SFY 26 will have their previous AC scores and tier grandfathered for projects related to the TA scope of work if there are any non-beneficial changes to eligibility.

Clean Water State Revolving Fund (CWSRF) Program

Clean Water projects eligible for financing include a wide variety of wastewater treatment works, stormwater management, land acquisition, and certain water quality protections attendant to landfills. In SFY 2026, the Program will continue to offer very attractive low-cost financing packages, including principal forgiveness and low interest loans for high priority projects.

The Department expects to use the maximum amount available for principal forgiveness (PF), or grant like funding, utilizing SRF monies subject to federal restrictions. The Department plans to utilize approximately

\$16 million projected to be available under the FFY 2025 CWSRF Base grant (CW Base FFY25). In addition to the FFY 2025 CW Base grant, the Department will receive authority to award approximately \$59 million in additional PF made available by the BIL. The BIL will provide PF of approximately \$50 million for eligible clean water projects under the FFY 2025 CWSRF General Supplemental grant (CW BIL GEN) and approximately \$9 million in funds and PF authority for projects that address emerging contaminants under the FFY 2025 CWSRF Emerging Contaminants grant (CW BIL EC). The Department will supplement the Federal grant awards for principal forgiveness with approximately \$35 million of CWSRF PF carried over at the end of SFY 2025 as PF in SFY 2026 for categories set forth in this IUP. Funds and PF authority available from the grant awards will be blended with carryover PF authority from prior grants (CW Base Prior, CW BIL GEN Prior and CW BIL EC Prior), CWSRF repayments and state match funds, and other sources of CWSRF funds to provide funding to eligible projects.

In SFY 2023, \$250 million of American Rescue Plan Act (ARPA) funds were allocated to the Department for water infrastructure and used to provide principal forgiveness loans to applicants sponsoring eligible Combined Sewer Overflow (CSO) projects listed on CSO Long Term Control Plans (LTCPs) submitted to the Department. An additional \$11 million in ARPA funds was allocated in SFY 2024 to provide principal forgiveness loans for Stormwater Resilience projects. The program anticipates that all remaining funds will be used in SFY 2025 and there will be no carryover for SFY26.

SFY 2026 Clean Water PF funds will be reserved as follows:

- \$8 million for Water Quality Restoration Projects
- \$18 million for CSO Abatement Projects
- \$19 million for Eligible CW Projects sponsored by borrowers meeting the Clean Water Affordability Criteria (Affordability)
- \$18 million for CSO Abatement Projects sponsored by borrowers meeting the Clean Water Affordability Criteria (CSO Abatement/Affordability)
- \$8 million for Stormwater Resilience Projects
- \$10 million for Water and Energy Efficiency Projects
- \$27 million for projects that address Emerging Contaminants
- \$2 million to projects awarded Overflow and Stormwater Grants (OSG)

Drinking Water State Revolving Fund (DWSRF) Program

The main objective of drinking water funding is to protect the public health in conformance with the objectives of the Safe Drinking Water Act. Eligible projects include those that address treatment of source water, conveyance of clean water, lead abatement, violations of the maximum contaminant levels, unregulated contaminants, and issues related to acute health effects (e.g. Surface Water Treatment Rule requirements).

The Department expects to use the maximum amount available for principal forgiveness utilizing DWSRF monies subject to federal restrictions. The Department plans to utilize approximately \$4 million projected to be available under the FFY25 DWSRF Base grant (DW Base FFY25). In addition to the FFY25 DW Base grant, the Department expects to receive authority to award approximately \$97 million in additional principal forgiveness made available by the Bipartisan Infrastructure Law (BIL) signed by President Joe Biden on November 15, 2021. The BIL is expected to provide principal forgiveness of approximately \$22 million for

eligible drinking water projects under the FFY25 DWSRF General Supplemental grant (DW BIL GEN), approximately \$14 million for projects that address emerging contaminants under the FFY25 DWSRF Emerging Contaminants grant (DW BIL EC) and approximately \$61 million for projects that address lead in drinking water under the FFY25 DWSRF Lead Service Line Replacement grant (DW BIL LSLR). The Department will supplement the Federal grant awards for principal forgiveness funds with approximately \$36 million of principal forgiveness carried over at the end of SFY 2025 as principal forgiveness in SFY26 for categories set forth in this IUP. Funds and principal forgiveness authority available from the grant awards will be blended with carryover principal forgiveness authority from prior grants (DW Base Prior), DWSRF repayments and state match funds, other sources of DWSRF funds to provide funding to eligible projects.

In SFY 2023, \$45 million of American Rescue Plan Act (ARPA) funds were allocated to the Department for water infrastructure and used to provide principal forgiveness loans to eligible drinking water applicants in communities that meet the affordability criteria. The program anticipates that all remaining funds will be used in SFY 2025 and there will be no carryover for SFY 2026.

SFY 2026 Drinking Water PF funds will be reserved as follows:

- \$20 million for High Rank Affordability Projects
- \$21 million for DW Affordability Projects
- \$5 million for Nano Projects
- \$5 million for Very Small Water System Projects
- \$68 million for Lead Service Line Replacement Projects
- \$18 million for Emerging Contaminant Projects

A hearing on the Proposed FFY 2025 CWSRF and DWSRF IUPs will be conducted via Microsoft Teams on Tuesday February 4, 2025. The hearing will commence at 11:00 a.m. and conclude at noon or the end of testimony (whichever is sooner). If you would like to attend, please follow the link for the Proposed FFY25/SFY26 CWSRF and DWSRF IUPs Public Hearing on the Department's [Water Infrastructure Investment Plan Sessions webpage](#).

Presentations may be made orally or in writing; if written testimony is prepared, the oral presentation should be limited to a summary of the text. The period for submitting written comments on the proposal will close on February 18, 2025 (all comments must be received by that date). All comments submitted prior to the close of the comment period will be considered in the preparation of the final CWSRF IUP and DWSRF IUP.

Written comments on the **Proposed FFY 2025 CWSRF and DWSRF IUPs** should be sent to the following address:

Mail Code 401-03D
Paul Hauch, P.E., Bureau Chief
Municipal Finance and Construction Element
Division of Water Quality
PO Box 420
401 East State Street, 3rd Floor, West Wing
Trenton, New Jersey 08625-0420
or
waterbankinfo@dep.nj.gov

The Proposed Intended Use Plan documents are posted on the Department's web site at <https://www.nj.gov/dep/wiip/project-lists.html>.

If you have any questions regarding the CWSRF IUP proposal, please contact Paul Hauch, Bureau Chief, Bureau of Construction Payments and Administration, Municipal Finance and Construction Element, Division of Water Quality at 609-292-8961 or Paul.Hauch@dep.nj.gov.

If you have any questions regarding the DWSRF IUP, please contact Kristin Tedesco, Bureau Chief, Bureau of Water System Engineering, Water System Operations Element, Division of Water Supply and Geoscience at 609-292-2957 or Kristin.Tedesco@dep.nj.gov.

Sincerely,



Patricia Ingelido, Director
Division of Water Supply & Geoscience



Susan Rosenwinkel, Director
Division of Water Quality