

VIII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The State of Michigan will provide financial assistance from the CWSRF to municipalities in the relative order that they appear on the PPLs developed for the fiscal year. It is possible lower-ranked communities will receive money sooner if higher-ranked communities are not ready to proceed. As the total fundable range this year exceeds the dollar amount requested from applicants, it is probable that all applicants wishing to move forward with their projects will be financed. A total of 53 CWSRF projects, 52 traditional and 1 NPS, have expressed intent to proceed in FY 2022 and are included on the PPL. Additionally, there are 19 projects at \$602,680,000 that have indicated future needs and the potential for CWSRF loan requests beyond FY 2022.

Financial assistance to municipalities during FY 2022 will consist solely of loans. Cash draw disbursements from any open capitalization grant prior to FY 2019 will be at 83.33 percent (federal) and 16.67 percent (state). Beginning with the FY 2019 capitalization grant and moving forward, Michigan has switched to a 100% federal cash draw ratio, with the entire amount of the state match expended prior to making an initial draw on the capitalization grant.

Water Infrastructure Funding Transfer Act

On October 4, 2019, the Water Infrastructure Funding Transfer Act (S. 1689) WIFTA) was signed into law. This statute temporarily expands the CWSRF transfer authority specifically to address lead related public health threats. WIFTA authorizes states to transfer no more than five percent of the amount of the state's cumulative CWSRF federal grants to the state's Drinking Water State Revolving Fund (DWSRF). Funds transferred must be used as additional subsidy in the form of principal forgiveness, negative interest loans, or grants to address lead in drinking water.

EGLE chose to exercise the full transfer authority of \$102,175,063 and apply this in the form of principal forgiveness to disadvantaged communities undertaking lead service line replacement projects. The funds were transferred from the CWSRF to the DWSRF on October 1, 2020. Beginning in FY 2022, DWSRF applicants that are scored and ranked, and qualify as a disadvantaged community under Part 54, Safe Drinking Water Assistance, MCL 324.5402, will be eligible for 100 percent principal forgiveness related to lead service line removal construction activities up to maximum amounts based upon applicant populations.

The Authority and Finance Division have performed capacity analyses and determined the transfer of these funds will not significantly impact the CWSRF program.