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## 1.0 INTRODUCTION

The 1995 Montana Legislature created the drinking water revolving fund with the passage of HB493. In 1997, the Legislature amended the program with HB483 to make Montana law consistent with the reauthorization of the Safe Drinking Water Act (SDWA) passed in 1996. This legislation, now codified as Montana Code Annotated (MCA) 75-6-201, et seq., authorizes the Montana Department of Environmental Quality (DEQ) and the Montana Department of Natural Resources and Conservation (DNRC) to develop and implement the program. As such, the Drinking Water State Revolving Fund (DWSRF) program is administered by DEQ and DNRC and operates similarly to the Water Pollution Control State Revolving Fund (WPCSRF) program.

Along with the DWSRF program, Montana's legislation also established the DWSRF Advisory Committee. The Advisory Committee consists of one state representative, one state senator, one member representing the Montana League of Cities and Towns, one county commissioner representing the Montana Association of Counties, one representative from DNRC and one representative from DEQ. The Committee advises DEQ and DNRC on policy decisions that arise in developing and implementing the DWSRF and it reviews the program's Intended Use Plan (IUP).

The DWSRF program received U.S. Environmental Protection Agency (EPA) approval and was awarded its first (Federal Fiscal Year [FFY] 1997) capitalization grant on June 30, 1998. The FFY 1998 through 2022 capitalization grants have subsequently been awarded and DEQ is in the process of applying for the FFY 2023 grant. DEQ will likely apply for at least portions of the FFY 2024 grant later in State Fiscal Year (SFY) 2024. In 2021, the Infrastructure Investment and Jobs Act of 2021 (also known as the Bipartisan Infrastructure Law [BIL]) was signed into law. The BIL includes, among other things, an additional capitalization grant that state DWSRF programs can apply for separately from the 'base' grant and is referred to as DWSRF General Supplemental Funding. Both grants are discussed in this document and will be referred to as the base grant and supplemental grant, respectively. Since the inception of the program, federal capitalization grants had only been authorized through FFY 2004. Still, Congress has continued to appropriate funds each year. In 2021, the BIL included language that reauthorizes the base federal capitalization grant for each federal fiscal year from FFY 2022 through FFY 2026. The BIL also authorizes additional appropriations which encompass the supplemental federal capitalization grant for each federal fiscal year from FFY 2022 through FFY 2026.

The DWSRF program offers below-market loans for construction of public health-related infrastructure improvements and provides funding for other activities related to public health and compliance with the SDWA. These other activities, or set-asides, include administration of the DWSRF program, technical assistance to small communities, as well as financial and managerial assistance, source water protection (SWP) activities, operator certification, and assistance with administration of activities in the Public Water Supply Program (PWSP). Set-asides are discussed in more detail in **Section 12.0**.

As the primacy agency responsible for implementation of the SDWA, DEQ is responsible for the oversight of the DWSRF program with the primary role of providing technical expertise. DNRC provides financial administration of project loans and oversees the sale of state General Obligation (GO) bonds. Since the inception of the program, states are required to match federal capitalization grant funds with state funds. For Montana, state match funds are provided by issuing GO bonds. For the base grant, the required match is 20% of the grant. For FFY 2023, the supplemental grant has a required match of 10% of the grant. Interest on the project loans is used to pay the GO bonds, thus using no state general funds to operate the program. The repaid principal on the project loans is used to rebuild the DWSRF loan

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fund and to fund additional projects in the future. Federal and state law requires the DWSRF to be operated in perpetuity.

The 1996 Amendments to SDWA include requirements for each state to prepare an annual IUP for each capitalization grant application. This is the central component of the capitalization grant application and describes how the state will use the DWSRF to meet SDWA objectives and further the protection of public health. Regarding additional grant funding from BIL, EPA is giving states the option to issue one IUP for both the base and supplemental FFY 2023 grants. This IUP contains the following elements pertaining to both the base and supplemental grants:

1. Short and long-term goals of the program.
2. Project priority list, including description and size of community.
3. Criteria and method used for distribution of funds.
4. Description of the financial status of the DWSRF program.
5. Amounts of funds transferred between the DWSRF and the WPCSRF.
6. Description of the set-aside activities and percentage of funds that will be used from the DWSRF capitalization grant, including DWSRF administrative expenses allowance, PWSP support, technical assistance, etc.
7. Description of how the program defines a disadvantaged system and the amount of DWSRF funds that will be used for this type of loan assistance.

As required, DEQ has prepared this IUP and is providing it to the public for review and comment prior to submitting it to EPA as part of its next capitalization grant applications. The 30-day public comment period, which ended on June 30, 2023, included a public meeting which was held on June 14, 2023. Additionally, pursuant to state law, after public comment and review, DEQ will submit the IUP and a summary of public comments to the Advisory Committee for review, comments, and recommendations.

## **2.0 LONG-TERM GOALS**

1. To maintain a permanent, self-sustaining SRF program that will serve as a cost-effective, convenient source of financing for drinking water projects to ensure SDWA compliance and sustainable infrastructure in Montana.
2. To provide a financing and technical assistance program to help public water supplies achieve and maintain compliance with federal and state drinking water laws and standards for the protection and enhancement of Montana's public drinking water.

## **3.0 SHORT-TERM GOALS**

1. To continue implementing and maintaining the DWSRF program in Montana.
2. To fund projects that address specific and immediate requirements of the SDWA, for example the Disinfectant/Disinfection By-Products Rule, the Surface Water Treatment Rule, the Long Term 2 Enhanced Surface Water Treatment Rule, the Revised Total Coliform Rule, and the Radionuclides Rule. Montana anticipates funding at least 7 projects to address these rules in SFY 2024.
3. To fund projects that promote regionalization and/or achieve consolidation of two or more existing public water supplies, thereby improving water quality. Montana expects to fund 1 consolidation project in SFY 2024.