



**NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

**DRINKING WATER
STATE REVOLVING FUND**

**FINAL FFY04 PRIORITY SYSTEM,
INTENDED USE PLAN,
PROJECT PRIORITY LIST, AND RESPONSE
DOCUMENT AND
FINAL CHANGES TO
FFY2003 INTENDED USE PLAN**

July 2003

James E. McGreevey
Governor

Bradley M. Campbell
Commissioner



TABLE OF CONTENTS

	Page
CRITICAL STEPS FOR DWSRF LOANS.....	1
OVERVIEW	2
PRIORITY SYSTEM	
I - Priority List - General	7
II - Ranking Methodology	7
III - Supplemental Project Priority.....	13
INTENDED USE PLAN	
I - Eligible Systems and Projects	15
II - Description of Financial Program.....	21
III - Small Systems	24
IV - Nonproject Set-asides	24
V - Short and Long- Term Goal Statements	33
SUMMARY OF OUTREACH EFFORTS	34
APPENDIX A	
- Sample Commitment Letter	
- FFY 2003/SFY 2004 Drinking Water Financing Program Schedule	
- FFY 2004/SFY 2005 Drinking Water Financing Program Schedule	
- Construction Project Ranking and Nonproject Set-Aside Expenditure Input Form	
- Capacity Development Evaluation Procedure for DWSRF Project Sponsors	
- Chronological Summary of Capitalization Grants	
- Summary of Public Hearing and Comments and Responses	

[APPENDIX B](#) - CONSTRUCTION PROJECT PRIORITY LISTS

APPENDIX C - NONPROJECT SET-ASIDE LIST

MEMORANDUM

TO: Community Water Supply Systems
Nonprofit Noncommunity Water Supply Systems
County and Municipal Health Authorities
Environmental Groups
Engineering Consultants

FROM: Michele M. Putnam, Administrator
Water Supply Administration

SUBJECT: Drinking Water State Revolving Fund Final Priority System,
Intended Use Plan (IUP), Project Priority List and Response Document
for Federal Fiscal Year (FFY) 2004 and Final Changes to the FFY2003
IUP

DATE: July 9, 2003

The Drinking Water State Revolving Fund Proposed Priority System, Intended Use Plan (IUP), and Project Priority List for Federal Fiscal Year (FFY) 2004 and Proposed Changes to the FFY2003 IUP was proposed in March 2003, a public hearing was held on April 16, 2003 and public comments were due by April 22, 2003. No comments were received. The attached provides the Final Priority System.

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly and privately owned community water systems and nonprofit noncommunity water systems to achieve or maintain compliance with SDWA requirements and to further the public health objectives of the SDWA. The DWSRF is administered as a component of the Environmental Infrastructure Financing Program that also administers the state's Clean Water State Revolving Loan Fund (CWSRF).

States must file capitalization grant applications each year with the United States Environmental Agency (USEPA) to secure an allotment of federal funds needed to initialize and to continue the DWSRF at the State level. The central component of the State's application to the USEPA is the IUP (attached). The IUP describes how the State intends to spend the federal grant moneys, including eligible projects and non-project set-aside expenditures. The non-project set-asides are allowed by the DWSRF for activities that are not construction related, e.g., administration, technical assistance for small systems, State public water system supervision (PWSS), source water program administration, capacity development, and operator certification. Project expenditures typically involve loans by the DWSRF to water systems for planning, design, and construction of drinking water facilities.

This IUP also contains the FFY2004 and the FFY2003 schedules. Project sponsors must meet these schedules with all applicable deadlines in order to be considered for financing in November 2003 or 2004. Applicants are given priority in order of the ranking, except that projects for small systems will be financed first with up to 15% of the DWSRF funds, in accordance with Section III - Small Systems, of this IUP.

Recent amendments to the New Jersey Environmental Infrastructure Trust's (Trust) enabling legislation authorized the establishment of a short-term financing program. It is proposed to channel CWSRF and DWSRF loan repayments to the Trust for this purpose. The interim loans will provide funds to project sponsors that are eligible for financing in the current fiscal year to cover project costs anticipated to be incurred prior to the award of the permanent long-term loans from the New Jersey Department of Environmental Protection (NJDEP) and the Trust, which are typically awarded in November. As part of the development and implementation of the interim financing program, the Trust, in consultation with the NJDEP, adopted amendments to the Trust's rule to further define the application and award procedures. A rule adoption was published in the July 11, 2002 *New Jersey Register*.

Please note that **several significant** changes have been made to the Project Priority System. The first page of this IUP presents a guide detailing the steps a project sponsor must take to be eligible for a DWSRF loan. A discussion on new fees that the NJDEP will now assess appears on page 5. A summary of new changes to the distribution of funds from the NJDEP and from the Trust to projects located in any of the eight Urban Centers is presented on page 18. In an effort to better promote Smart Growth Initiatives, the NJDEP will provide 75% of the project costs at 0% interest while the Trust will provide 25% of the project costs at market rate. An additional change allows the NJDEP to fund a greater amount of reserve capacity for projects in Urban Centers and Complexes at 0% interest. Upon adoption of the Blueprint for Intelligent Growth (BIG) Map, projects that serve areas determined to be suitable for development and identified as such on the BIG Map will be eligible for "75/25" funding package and a greater amount of reserve capacity funded by the NJDEP at 0% interest. These additions represent significant changes to the DWSRF program.

Should you have any questions regarding the IUP or the DWSRF program, please contact Philip Royer, Josephine Craver, or Roger Tsao at the Bureau of Safe Drinking Water at (609) 292-5550, or fax (609) 292-1654.

Attachments

c: USEPA Region II, Bruce Kiselica, Chief, Drinking Water Section
USEPA Region II, Robert Gill, SRF Coordinator
Drinking Water Quality Institute, Mark Robson, Chairman
USDA, NJ Rural Development, Mike Kelsey, Director, Community and Business Programs
NJAWWA, Russell Ford, Section Chair
NJ Water Association, Rick Howlett, Executive Director
Water Supply Advisory Council
Water Supply Advisory Committee
NJ Office of Smart Growth, Adam Zellner, Executive Director
NJ Dept. of Community Affairs, Joseph Valenti, Bureau Chief, Local Government Services
Board of Public Utilities, Mike Gallagher, Director, Division of Water and Wastewater
NJ Economic Development Authority, Lawrence G. Cier, Director, Investment Banking Division
NJ Housing and Mortgage Finance Agency, Jerome Keelen, Director, Single Family Programs
Gary Sondermeyer, Chief of Staff, NJDEP
Assistant Commissioner Samuel A. Wolfe, NJDEP, Environmental Regulation
Assistant Commissioner Ernest Hahn, NJDEP, Land Use Management and Compliance
Director E. David Barth, NJDEP, Management and Budget
Director Narinder K. Ahuja, NJDEP, Division of Water Quality
Stan Cach, Assistant Director, Municipal Finance and Construction Element, NJDEP
Dennis Hart, Executive Director, NJEIT
Chief Barker Hamill, NJDEP, Bureau of Safe Drinking Water

Critical Steps for DWSRF Loans

1. Identify Project on the Priority List:

- Submit a Construction Project Ranking and Nonproject Set-Aside Expenditure Input form
- Forms are available in the current Intended Use Plan (IUP)
- IUP can be located at <http://www.state.nj.us/dep/watersupply/loandata.htm>

2. Attend a Pre-Planning Meeting:

- Although this step is not required, it is highly recommended
- Discuss program requirements and schedules
- DWSRF staff is also available to make site visits to provide additional information and answer questions before a formal pre-planning meeting

3. Submit Commitment Letter and Planning Document:

- The SFY04 cycle deadline is October 6, 2003
- Planning document is a general summary of project scope and environmental concerns (must include a map)
- Sample commitment letter is available in Appendix A of IUP
- IUP can be located at <http://www.state.nj.us/dep/watersupply/loandata.htm>

4. Submit Design Document and Loan Application:

- Plans, specifications, loan application and all permit applications must be submitted
- The SFY04 cycle deadline is March 1, 2004

5. Submit Financial Documents:

- The deadline is the end of May each year
- The NJEIT financial seminars are held in April

6. Loan Award:

- Loans are closed in escrow in August and September of each year
- Loans are awarded November of each year
- Must have all applicable permits and approvals in place and be certified by NJDEP
- Projects that are certified are funded in order of placement on the Priority List

OVERVIEW

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) to assist publicly owned and privately owned community water systems and nonprofit noncommunity water systems to finance the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect the public health in conformance with the objectives of the SDWA. The DWSRF is administered as a component of the Environmental Infrastructure Financing Program (EIFP) which also administers the state's Clean Water State Revolving Fund (CWSRF). The Clean Water component of New Jersey's EIFP provides low interest loans to publicly owned systems for planning, design and construction of wastewater treatment facilities and other water quality improvement projects under the federal Clean Water Act and state law. The CWSRF program is covered under a separate Intended Use Plan. Prospective project sponsors must complete a ranking form for each program to be included in the respective Priority Lists and to be eligible for financing under each program.

The SDWA authorized a total of \$9.6 billion nationally for the DWSRF through Federal Fiscal Year (FFY) 2003. The NJDEP believes that the United States Environmental Protection Agency (USEPA) will continue to appropriate funds for FFY2004. This IUP includes an estimate of the FFY2004 appropriation. The results of the 1999 Drinking Water Infrastructure Needs Survey, which was published in February 2001, determines the FFY2003 and FFY2004 allotment to New Jersey. Funds available to the State for future appropriations will be allotted according to a formula that is reflected in the most recent Needs Survey conducted pursuant to Section 1452(h) of the SDWA. Therefore, it is important to have the continued involvement of the water systems in New Jersey. Their participation in future Needs Surveys directly impacts future DWSRF allotments. The data collection for the 2003 Needs Survey began January 2003.

This document serves as the New Jersey Department of Environmental Protection's (NJDEP) DWSRF Priority System, Intended Use Plan (IUP), and Project Priority List, and has several purposes regarding the use of anticipated federal funds, including:

- 1- the establishment of the ranking criteria under which DWSRF projects will be ranked and placed on the FFY2004 Priority List;
- 2- the summary of program requirements and document submittal deadlines for award of DWSRF loans in State Fiscal Year (SFY) 2004 (specifically, November 2003) using FFY2003 federal capitalization grant funds and any remaining funds from previous federal capitalization grant funds;
- 3- the establishment of program requirements and document submittal deadlines for award of DWSRF loans in SFY2005 (specifically, November 2004) using FFY2004 federal capitalization grant funds and any remaining funds from previous federal capitalization grant funds; and
- 4- the establishment of the proposed uses of the set-asides using FFY2004 federal capitalization grant funds.

The Priority System includes the project ranking criteria. Section 1452 (b) of the SDWA requires each State to prepare an Intended Use Plan annually to identify the use of funds in the DWSRF and describe New Jersey's planned use of its allotment of federal moneys authorized by the SDWA Amendment. The IUP details how the State of New Jersey proposes to finance projects to be included in New Jersey's program and which are to be managed by NJDEP, with respect to the FFY 2004 capitalization grant. The NJDEP intends to apply for the DWSRF capitalization grant including both project and nonproject set-aside expenditures. The nonproject set-asides provide for DWSRF activities that are not construction related and include administration of the DWSRF, technical assistance for small systems, State public water system supervision (PWSS) programs, source water program administration, capacity development, and operator certification. Project expenditures involve loans made by the DWSRF to water systems for the planning, design and construction of drinking water facilities.

The Bureau of Safe Drinking Water will jointly manage the DWSRF program with the Municipal Finance and Construction Element of the NJDEP and the New Jersey Environmental Infrastructure Trust (the Trust).

Through leveraging by the Trust (that is, the sale of revenue bonds, the proceeds of which are loaned to project sponsors), the State is able to provide low interest loans to far more projects than if leveraging was not done. It should be noted that the 1981 Water Supply Bond Act authorized financing only to publicly owned systems, and the amendments did not change this. The State utilizes the 1981 Water Supply Bond Act to provide the 20 percent match to the federal capitalization grant funds, a condition under both the Clean Water and the Drinking Water SRF programs. Federal funds can be used to fund both privately owned and publicly owned water systems.

Legislative appropriation and authorization bills will be introduced each spring for each funding cycle. The DWSRF program closed in escrow on one hundred twenty-two loans (\$310 million) over the past five funding cycles in 1998 to 2002 with loans being fully executed in November of each year.

The Safe Drinking Water Act Amendments of 1996 offer NJDEP the flexibility to meet the funding needs for drinking water and wastewater facilities by transferring funds from one SRF program to the other. An amount up to 33% of the Drinking Water SRF Capitalization Grant may be transferred from the CWSRF program to the DWSRF program, or vice versa. The USEPA has issued guidance that would allow utilization of transfer credits and transfer of funds on a net basis (i.e., funds could be moved in both directions), provided that the final transferred amount does not exceed the authorized ceiling. NJDEP is proposing to transfer up to the maximum amount authorized from the CWSRF loan repayments to the DWSRF, as needed, as long as the transfer doesn't jeopardize the ability to fund clean water projects. In accordance with approved procedures, four transfers of funds from CWSRF repayments to DWSRF were approved by USEPA on October 13, 1999 (\$9,222,609), October 19, 2000 (\$11,724,933), August 28, 2001 (\$12,497,562), and September 27, 2002 (\$6,117,738). The NJDEP fully supports efforts to enact legislation to continue to allow the transfer of funds. If adopted, the NJDEP proposes to transfer funds from the CWSRF to the DWSRF each

fiscal year to the extent allowed by law. Currently any eligible project under the CWSRF program that meets the program requirements and is ready to proceed will be able to receive a CWSRF loan. The Environmental Infrastructure Financing Program (EIFP) has received USEPA's approval to utilize this cross-collateralization in its financing structure for both the Drinking Water and Clean Water SRF Programs. Under the cross-collateralization option, repayments of loans from either fund MAY be used to cover any default in loan repayments. The ability to use this feature between the clean water and drinking water programs will result in significant savings to the project sponsors, particularly the drinking water project sponsors since there is not a large pool of loan repayments available for this new program. However, the State's cross-collateralization would involve only a temporary use of funds from the CWSRF to the DWSRF or vice versa if a default in loan repayment did occur (which, to date, has not occurred under either program). Further, the Trust and NJDEP would take steps to collect the defaulted loan repayments, and the appropriate drinking water or clean water fund would be reimbursed.

Under the current EIFP structure, all three of the bond rating agencies (Fitch, Moody's, Standard and Poor's) have given the Trust's bonds the highest rating possible. The higher the bond rating, the lower the interest rate on the bonds and, therefore, the lower the cost to the loan recipients. For example, for the last funding cycle of the DWSRF, the Trust successfully sold bonds at 4.30% for the 2002A series and 4.52% for the 2002B series (AMT). The EIFP reduces the costs that must be passed on to a project's users, because project funding is provided at half the typical market interest rate. By funding projects through the EIFP, project sponsors (and in turn users) can expect to save up to 30% on the financing of the total eligible costs of a project.

In an effort to promote Smart Growth Initiatives, the NJDEP is pursuing two significant changes to the Financing Program. The first change involves modifying the percentage of project costs the NJDEP and the Trust provide to project sponsors. Currently, project sponsors receive a loan for half of the project costs from the Trust at market rate and a loan for the remaining project costs from the NJDEP at 0% interest. Under this change, the NJDEP will provide 75% of the project costs at 0% interest, while the Trust will provide 25% of the project costs at market rate to projects that serve smart growth areas as identified on the Blueprint for Intelligent Growth (BIG) Map promulgated in rule by the DEP. Until the BIG Map is adopted, the NJDEP has determined to make the "75/25" funding package immediately available to projects that serve Urban Centers and Urban Complexes designated by the State Planning Commission. As of February 25, 2003, the State Planning Commission has designated Atlantic City, Camden, Elizabeth, Jersey City, New Brunswick, Newark, Paterson and Trenton as Urban Centers and one Urban Complex, the Hudson County Urban Complex, which includes the following municipalities: Bayonne, East Newark, Guttenberg, Harrison, Hoboken, Jersey City, Kearny, North Bergen, Secaucus, Union, Weehawken, and West New York.

In January, NJDEP introduced the BIG map as a key element in the governor's Smart Growth initiative. While the BIG map is a work in progress, it seeks to clearly and accurately identify New Jersey's critical natural resource areas that must be preserved and protected. There are also areas where development can still occur, but only when it meets stricter regulatory standards designed to

protect the state's water quality and quantity and other precious natural resources. The map will also depict smart growth areas of New Jersey where the state wants to encourage development and will streamline and expedite regulatory permitting and also dedicate funding for infrastructure and parks.

Since its introduction, the BIG map has generated considerable interest throughout New Jersey's communities. NJDEP Commissioner Bradley M. Campbell intends to continue to reach out to municipal and county officials to hear questions and concerns about the map. In response to the many concerns and comments already received, appropriate changes will be made on the BIG map before being proposed in regulation.

In addition, for those projects that have the potential to facilitate substantial growth or cause significant adverse environmental impacts, the NJDEP will thoroughly evaluate the planning submitted by the project sponsor with respect to the water quality/quantity impacts, location in the State, impacts to riparian corridors, the existing pollution control needs, assessment of the resulting environment, detailed assessment of proposed alternatives and cost-effectiveness of the proposal. The NJDEP's funding decisions will take into account the project's growth potential, the consistency with the BIG Map and the projects' aggregate impacts as determined through such evaluations.

The second change relates to funding for reserve capacity. Upon the adoption of amendments to the rule, the NJDEP will fully fund its share of reserve capacity costs at 0% interest for projects in the smart growth areas as identified on the BIG Map. Until the BIG Map is adopted, the rule amendments would allow the NJDEP to fully fund its share of reserve capacity costs for designated Urban Centers and Complexes.

In accordance with the USEPA Policy on Fees Charged on Assistance Provided Under the SRF Programs, states must disclose information regarding the assessment and use of any fees associated with SRF activities that are passed on to the program participants. In New Jersey, each SRF project is financed with two loans, one from the NJDEP which utilizes federal SRF capitalization grants and one from the NJ Environmental Infrastructure Trust, which utilizes bond proceeds from the Trust bond sale. Each year, the NJDEP evaluates the need to assess a loan origination fee and/or an annual administrative fee to cover the NJDEP portion of the program's administrative costs. The amount of the fee (if any) is established in conjunction with the annual budget process for the particular State fiscal year and borrowers are notified in advance of escrow closing as to the estimated cost of the fee that will be charged on their loan to be closed in November.

In the past, adequate resources were available to cover the NJDEP's costs for administration of the project without levying a fee. Given tight fiscal constraints, the Fiscal Year 2003 Appropriations Act required the NJDEP to collect an amount not less than \$1 million from the November 2002 borrowers. Rather than require cash payment from the project sponsors, the Trust included the NJDEP loan origination fee in the borrowers' Trust loan (and secured that portion of the bond issue with non-SRF funds) to cover \$1 million of NJDEP's costs in administering the Financing Program. It is anticipated that the Fiscal Year 2004 Appropriations Act will require the NJDEP to collect as much as \$5 million from CWSRF and DWSRF project sponsors to cover program administration costs. The amount of the NJDEP loan origination fee will be proportionally allocated among the

participants in the FFY2003/ SFY2004 Program. Given a \$200 million Financing Program in 2003, the one-time NJDEP loan origination fee would be approximately 2.5% of the Financing Program loan amount. There is no SRF funding involved in the NJDEP loan origination fee.

The Trust's loan is issued at the same market interest rate as the Trust obtains from the sale of its bonds. Rather than bonding for all of the eligible closing costs associated with each financing, the Trust charges the borrowers a one-time surcharge of up to 0.4% of the principal Trust loan amount to partially cover the costs associated with that particular year's bond sale. These issuance costs include such activities as: bond counsel, financial advisor, rating agencies, printing and publishing of the Notice of Sale, the Preliminary Official Statement, the Official Statement, and other costs related to the Trust's bond sale. In addition, the Trust charges an annual administrative fee of up to 0.3% of the Trust's bond principal loan amount to cover the balance of the closing cost and the annual operating expenses associated with the operations of the Trust and the on-going costs associated with the Loan Servicer and Trustees. The Trust Annual Fee is not included in the principal amount of the loan. The annual fees collected by the trust are held in an account outside of the SRF. In SFY2004, the Trust anticipates collecting administrative fees associated with the CWSRF and DWSRF programs of approximately \$2.5 million.

These additions represent significant changes to the DWSRF program. As with every Proposed IUP, the NJDEP accepted comments on the FFY2004 Proposed IUP and accepted comments on the FFY03 IUP. No comments were received. By virtue of presenting these changes in this FFY04 Final IUP, the FFY03 IUP is hereby amended to reflect these changes.

The NJDEP and the Trust plan to proceed with a "Smart Growth Financing Package" under this year's Environmental Infrastructure Financing Program. The "Smart Growth Financing Package" will involve a change from the traditional "50/50" financing package and provide a "75/25" split of the NJDEP/Trust shares for certain project areas that advance smart growth objectives.

Projects that will qualify for this special lower-interest rate program will include projects serving a designated Urban Center or Urban Complex.

The NJDEP is proposing amendments to the Financing Program rules to fully fund its share of reserve capacity costs at 0% interest for projects in the areas determined to be suitable for growth as identified on the BIG Map. Until the BIG Map is adopted, the rule amendments as proposed would allow the NJDEP to fully fund its share of reserve capacity costs for designated Urban Centers and Complexes.

SRF recipients that expend \$300,000 or more in a year in Federal awards shall have a single audit conducted in conformance with the Single Audit Act.

PRIORITY SYSTEM

I. Priority List - General

Placement on the Project Priority List is a prerequisite to be considered eligible for financial assistance. The Call for Projects for all funding cycles will be continuous and projects can be added to the list during the time period between the publication of the proposed IUP and the public hearing date. This will still allow for public review prior to the loans being issued. The Project Priority List will be created using the Project Ranking Form (see Appendix A) submitted by potential applicants. The prospective applicant has the responsibility of submitting all the required application material in a timely manner and in accordance with the deadlines published in this IUP. As indicated on page 14, the FFY2003 schedule projects were required to submit planning documents and commitment letters by October 7, 2002. The FFY2003 schedule projects submitted all design documents and loan applications by March 3, 2003, in order to be considered for funding in the SFY2004 funding cycle (November 2003).

Failure of a prospective applicant to submit complete planning, design and application documents within the time periods specified by this IUP will result in NJDEP bypassing the project in favor of other priority project(s) which are ready to proceed.

Presently there are 189 projects totaling \$592,372,269 on the Project Priority List. There are 24 projects totaling \$75,197,698 on the proposed project priority list for November 2003.

II. Ranking Methodology

NJDEP will rank all eligible projects according to the total number of points each project receives and will subsequently place the projects on the Project Priority List according to their ranking. The projects with the higher number of points rank above those with lesser points. Due to annual addition of new projects to the Project Priority List, or to periodic revisions to the Priority System, individual project rankings may change annually. For projects that include multiple elements as listed in priority Category A below, projects will be separately listed by the elements involved and priority points will be assigned for each element.

Priority points will be assigned only if the project scope includes actual repair, rehabilitation, or correction of a problem or improvement clearly related to priority Category A. A project must be assigned points from Category A to be eligible for ranking; points assigned from the remaining categories are in addition to the points received in Category A.

The prospective applicant must notify NJDEP of any changes to project scope or any other circumstance which may affect the calculation of priority points. NJDEP shall then recalculate, if appropriate, the prospective applicant's ranking utilizing the new information submitted and revise the priority ranking accordingly.

The principal elements of the Priority System are: A) Compliance and Public Health Criteria, B) Approved Drinking Water Infrastructure Plan, C) Conformance with the New Jersey State Development and Redevelopment Plan, D) Affordability, and E) Population. Points are assigned for each of the five priority categories discussed below, as applicable:

A. Compliance with Safe Drinking Water Act (SDWA) and Protection of Public Health

DWSRF funds are to be utilized to address contamination problems and to ensure compliance with the SDWA requirements. Priority is given to water systems in non-compliance with the surface water treatment requirements and those incurring acute, primary, or action level violations as defined in the SDWA and the NJSDWA rules (N.J.A.C. 7:10). Table 1 describes the seventeen project elements that are eligible for DWSRF funds:

Table 1

1. Systems which utilize surface water, that are not in compliance with the surface water treatment requirements or have had any acute violations (either fecal coliform or nitrates) and have been issued an administrative order, directive or recommendation by NJDEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat	500 pts
2. Systems which utilize groundwater under the direct influence of surface water, that are not in compliance with the surface water treatment requirements or have had any acute violations (either fecal coliform or nitrates) and have been issued an administrative order, directive or recommendation by NJDEP requiring the correction of any noncompliance of its treatment facilities to address an immediate public health threat	350 pts
3. Systems which utilize groundwater that have had any acute violation (either fecal coliform or nitrates)	300 pts
4. Systems which have had any maximum contaminant level violations (except acute violations) or exceedance of action levels (lead and copper rule)	200 pts
5. Systems that have lost well capacity due to cutbacks in Critical Area #1 or #2 or due to saltwater intrusion and a solution is needed to preserve the aquifer as a viable aquifer	175 pts
6. Purchase of a water system to comply with the SDWA for capacity development	150 pts
7. Extension of water mains, including associated appurtenances	

and water system facilities, to private wells that have had any maximum contaminant level violations or exceeded lead and copper action levels	125 pts
8. Existing treatment facilities that need to be rehabilitated, replaced or repaired to ensure compliance with the SDWA	100 pts
9. Existing transmission or distribution mains with appurtenances that need to be rehabilitated, replaced, repaired or looped to prevent contamination caused by leaks or breaks in the pipe or improve water pressures to maintain safe levels or to ensure compliance with the SDWA	75 pts
10. Existing pump stations or finished water storage facilities that need to be rehabilitated or replaced to maintain compliance with the SDWA	60 pts
11. New finished water storage facilities or pump stations that are needed to maintain pressure in the system and/or prevent contamination	50 pts
12. Addition or enhancement of security measures at drinking water facilities, such as fencing, lighting, motion detectors, and cameras	45 pts
13. Systems which have had any exceedance of any secondary drinking water regulations that have received notification issued by NJDEP that exceedance of a secondary drinking water regulation causes adverse effects on the public welfare, and for which the system has received a directive issued by the NJDEP requiring correction of the exceedance	40 pts
14. Construction of new or rehabilitation of existing interconnections between water systems to improve water pressures to maintain safe levels or to ensure compliance with the SDWA	30 pts
15. Replacement or installation of new water meters	25 pts
16. Redevelop wells or construct new wells with associated treatment facilities to meet the New Jersey SDWA rules for required pumping capacity	15 pts
17. Other project elements, not including items 1 through 16 above, that ensure compliance with the SDWA and protect public health, as approved by NJDEP	1 pt

B. Approved Drinking Water Infrastructure Plan

Planning water system improvements that advance comprehensive water supply concepts can facilitate cost effective drinking water system improvements. To provide an incentive to plan in this way, priority points will be given to each project that implements the actual repair, rehabilitation or correction of a problem, improvement clearly identified in a five year master plan or five year capital improvement plan acceptable to NJDEP, or that is linked to a comprehensive water supply plan for a particular region or watershed acceptable to NJDEP. Points are assigned as follows:

1. 50 priority points will be assigned to a water system that connects to a regional solution that is contained in a comprehensive water supply plan for a particular region or watershed acceptable to NJDEP.
2. 25 priority points will be assigned to a water system that has a local five year master plan or five year capital improvement plan or that is linked to a comprehensive water supply plan for a particular region or watershed acceptable to NJDEP. The plan should contain a description of the components of the system, population growth estimates, testing done, current deficiencies, immediate recommendations, recommendations for the next five years, and a map of the distribution system (not just a capital budget).

C. State Development and Redevelopment Plan

NJDEP seeks to coordinate and implement the State Development and Redevelopment Plan. NJDEP assigns points to projects in municipalities that the Office of Smart Growth, of the NJDCA, has approved under the Plan Endorsement Process or those that have participated in an endorsed Strategic Revitalization Plan or Regional Strategic Plan. Please note, that if a local entity has not received designation by the Office of Smart Growth, projects within that entity would receive zero (0) points for this element. Points are assigned as shown in Table 2.

Table 2

1. Endorsed Strategic Revitalization Plans or Regional Strategic Plans	20 pts
2. Urban Centers	10 pts
3. Regional Centers	5 pts
4. Towns	3 pts
5. Villages	2 pts

6. Hamlets

1 pt

Contact the N.J. Office of Smart Growth, Department of Community Affairs, 101 South Broad Street, 7th floor, P.O. Box 204, Trenton, N.J. 08625-0204 or call (609) 292-7156 for further information on the State Development and Redevelopment Plan.

Please note for water systems that service more than one municipality, the municipality that has the highest population will be counted for this category.

D. Affordability

The purpose of the affordability criteria is to determine which project sponsors' water systems are eligible for additional points under the Affordability Category.

Affordability is the degree of need for financial assistance based upon the New Jersey median household income compared to the municipal median household income (MHI). Affordability is determined by the following formula:

$$(\text{Municipal MHI} / \text{Statewide MHI}) \times 100 = \text{Affordability Factor}$$

Points are assigned as shown in Table 3.

Table 3

1. Affordability factor of 100 or greater	0 pts
2. Affordability factor from 85 through 99	15 pts
3. Affordability factor from 66 through 84	30 pts
4. Affordability factor less than or equal to 65	80 pts

The median household income of the municipality which the water system serves and the Statewide median household income will be determined from income data in the most recent United States census, which is currently the 2000 census.

The NJDEP has determined that for the purposes of the DWSRF Program, a municipality whose median household income is 35% or more below the State's MHI shall be considered a Disadvantaged Community, and will receive 80 priority points which is proportionately greater than the other affordability factor points. (New Jersey's MHI is \$55,146 from the 2000 Census.)

A weighted MHI will be calculated for a project sponsor whose water system serves more than one municipality, as shown in the example below.

Example

Municipalities served	MHI	Population served	Fraction of total population served	Weighted municipal MHI
Lancaster	30,000	5,000	.167	5,000
Mayberry	20,000	10,000	.333	6,660
Holmeville	25,000	15,000	.500	12,500
Total		30,000	1.00	24,160

Please note for water systems that service more than ten municipalities, the ten municipalities that have the highest populations served will be considered in the above table for the affordability factor.

E. Population

As a tie breaker, projects will be assigned points based on the permanent population of the water system service area. In the instance of a resort community where the summer and winter populations vary greatly, the permanent population will be calculated by taking the sum of twice the winter population and once the summer population and dividing by three (see below). For water systems that service more than one municipality, total all the permanent population served in the multiple service areas. Priority points will be calculated as the permanent population served by the water system divided by 100,000, expressed as a decimal. In the event that projects remain tied, the project which serves a greater proportionate population in the water system’s area will be given higher priority.

Population served for resort communities will be calculated by the following equation:

$$[(2 \times \text{Winter Population}) + \text{Summer Population}] / 3 = \text{Weighted Permanent Population}$$

III. Supplemental Project Priority

All projects which have received loans to date which require additional funds due to the award of all

project related contracts or for increased costs due to differing site conditions will be given priority over new projects eligible for funding. Priority between projects that are eligible to receive supplemental loans and that received their original loans in the same funding cycle will be determined according to each project's ranking on the respective funding year's priority list. In summary, the order of project priority is as follows:

1. Supplemental Projects
2. Small Systems (as defined in this document on page 24, Section III, Small Systems) up to 15% of DWSRF Funds
3. Current Year's Schedule Projects

INTENDED USE PLAN

This IUP provides information on funds available through the Drinking Water SRF Program to provide financial assistance for projects using FFY2004 capitalization grants, state match, and Trust bond proceeds. Placement on the Project Priority List is a prerequisite to be considered eligible for financial assistance. Projects will be certified for funding based on the Project Priority List rank, amount of available funds, and compliance with the Program's requirements and deadlines for completion of planning, design, and loan application. Any projects that are not ready to proceed during the funding year will be bypassed, but will remain on the Project Priority List and thus be eligible to pursue loan awards in a future funding cycle. This IUP provides an opportunity for those interested to be on the FFY2004 priority list. Project sponsors must meet the program schedule established below in order to be funded in November 2003:

FFY2003 Schedule

Commitment Letter and Planning Documents	October 7, 2002
Design Document and Loan Application	March 3, 2003
Loan Award	November 2003

The FFY2003 Schedule (i.e., for loan awards in November 2003) was previously published in the NJDEP's last IUP for the DWSRF Program finalized in June 2002. Please note that the prospective applicants that meet the deadlines in the FFY2003 Schedule will be given priority in order of ranking. The exception is that NJDEP will first finance projects for the small systems with up to 15% of the DWSRF funds, in accordance with Section III - Small Systems, of this IUP. Also, refer to Section III- Supplemental Project Priority, in the Priority System section of this IUP.

The schedule for FFY2004 is as established below:

Commitment Letter and Planning Document	October 6, 2003
Design Document and Loan Application	March 1, 2004
Loan Award	November 2004

These deadlines **MUST** be adhered to or this will result in NJDEP bypassing the project in favor of other priority project(s) which are ready to proceed.

It is highly recommended that all prospective applicants attend a preplanning meeting with the BSDW and Municipal Finance and Construction Element of NJDEP and the Trust prior to the prospective applicant's submission of a Commitment Letter. The purpose of the preplanning meeting includes discussion of DWSRF Program requirements and schedules and the prospective applicant's project(s) and schedules. After the preplanning meeting, those prospective applicants desiring to pursue project financing through the DWSRF Program should submit a Commitment Letter to the NJDEP and proceed according to the applicable schedule.

An acceptable planning submittal must consist of a complete project report, the appropriate

environmental planning documentation for the level of environmental review determined applicable by NJDEP, cultural resources information, documentation of completed public participation activities, and the results of preliminary coordination activities with lead agencies regarding environmental and permit reviews. The requirements for the planning submittal can be found in N.J.A.C. 7:22, Subchapter 10.3 to 10.6, Financial Assistance Programs for Environmental Infrastructure Facilities. Three copies of the planning document must be submitted by the deadline to:

Michele Putnam, Administrator
Water Supply Administration
NJ Department of Environmental Protection
PO Box 426
Trenton, NJ 08625-0426

For those projects that have the potential to facilitate substantive growth or cause significant adverse environmental impacts, the NJDEP will place increased emphasis on the evaluation of the planning submitted by the project sponsor with respect to the water quality/quantity impacts, impacts to riparian corridors, the existing pollution control needs, assessment of the resulting environment, detailed assessment of proposed alternatives and cost-effectiveness of the proposal. The NJDEP's funding decisions will be based upon the projects' aggregate impacts as determined through such evaluations.

I. Eligible Systems and Projects

A. Eligible Systems

Drinking water systems that are eligible for DWSRF assistance are community water systems, both privately and publicly owned, and nonprofit noncommunity water systems. Federally owned systems and State owned systems (State agencies, such as state police, parks and forestry, and corrections) are not eligible to receive DWSRF assistance. However, State authorized systems (water commissions, water supply authorities, and water districts) are eligible to receive DWSRF assistance.

B. Eligible Projects

1. Compliance and public health

The DWSRF may only provide assistance for expenditures (not including monitoring, operation, and maintenance expenditures) which will facilitate compliance with national primary drinking water regulations applicable to the system or otherwise significantly further the health protection objectives of the SDWA.

Projects to address SDWA health standards that have been exceeded or to prevent future violations of the rules are eligible for funding. These include projects to maintain compliance with existing

regulations for contaminants with acute health effects (e.g., the Surface Water Treatment Rule, the Total Coliform Rule, and nitrate standard) and regulations for contaminants with chronic health effects (e.g., Lead and Copper Rule, regulated inorganics, volatile organics and synthetic organics, total trihalomethanes, and radiological contaminants).

Projects to replace aging infrastructure are also eligible if they are needed to maintain compliance or further the public health protection goals of the SDWA. Examples of these include projects to:

- rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation, and water rights) to replace contaminated sources;
- install or upgrade treatment facilities, if the project would improve the quality of drinking water to comply with primary or secondary drinking water standards;
- install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the water system;
- install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or improve water pressure to safe levels; and
- install and enhance security at drinking water systems, such as fencing, lighting, motion detectors, and cameras.

Projects to consolidate water supplies as follows are eligible for DWSRF assistance: A) extension of water mains by a community water supply system to individual homes whose wells are contaminated; or B) purchase of a water system that is unable to maintain compliance for technical, financial, or managerial reasons.

Please note for projects seeking funding for the addition of new wells that the funding and permit process will take place over multiple years. This is due to the extended length of time required to satisfy all permit requirements and obtain permit approvals. This unique type of loan takes the appearance of a reimbursement as the sponsor must utilize its own money to initially finance the addition of the new well before the DWSRF loan is issued. An overview that details the process and duration of the new well funding process, such as the steps to construct the facility, obtain Bureau of Safe Drinking Water and Bureau of Water Allocation permits, obtain pre-award approvals, and submit all required DWSRF loan documents is summarized in a timetable. A copy of the timetable is available by contacting the DWSRF staff in the Bureau of Safe Drinking Water at (609) 292-5550. Also note that in order to maintain eligibility under the DWSRF program, a project sponsor cannot advertise for bids before executing a loan unless the Department and the Trust issue written pre-award approval. Therefore, written pre-award approval is needed before the project sponsor advertises for bids.

An amendment to the existing Financial Assistance Programs for Environmental Infrastructure Facilities Rules, proposed in the N.J. Register dated April 7, 2003, adds a requirement for mandatory connection ordinances for water main extension projects to ensure that the public health issue is addressed, to assure the cost-effectiveness of the project, and to ensure adequate operation of the system to be built. This amendment will also require project sponsors to adopt or obtain a mandatory well sealing ordinance if the NJDEP determines that it is warranted to prevent usage of

contaminated water, prevent cross-connections, and/or the migration of contaminants. The rule should be adopted by the Fall 2003.

2. Restructuring of systems that are in noncompliance or that lack the technical, managerial or financial capability to maintain the system

The DWSRF may provide assistance to an eligible public water system to consolidate (i.e., restructure) with other public water system(s) only if the assistance will ensure that the system returns to and maintains compliance with SDWA requirements and the owner or operator of the water system agrees to undertake feasible and appropriate changes in operations necessary to ensure the system has the technical, managerial, and financial capability to comply with the SDWA requirements over the long term.

3. Allowable costs

i. Land acquisition

Land acquisition is eligible only if it is integral to a project that is needed to meet or maintain compliance and further public health protection. In this instance, land that is integral to a project is only that land needed to locate eligible treatment or distribution projects. In addition, the acquisition has to be from a willing seller.

ii. Planning and design of a drinking water project

NJDEP has adopted rules at N.J.A.C. 7:22, entitled “Financial Assistance Programs for Environmental Infrastructure Facilities.” N.J.A.C. 7:22-5.12 establishes the eligible allowance to defray the cost of planning and design.

iii. Construction related cost of a drinking water project

The Financing Program rules (N.J.A.C. 7:22) provide eligible costs of 3% of the construction contract costs for administrative expenses, 5% of the construction contract costs for construction contingencies, and the actual cost of engineering/construction management services (NJDEP will use 12% to estimate the cost of engineering/construction management services for the purposes of developing the project priority list).

iv. Growth

Assistance may be provided to address population growth expected to occur by the date of initiation of operation of any improvements to be funded by DWSRF assistance, but not solely in anticipation of future population growth. In determining whether or not a project is eligible for assistance, NJDEP must determine the primary purpose of the project. If the primary purpose is to supply water to or to attract new population growth, the project is not eligible to receive DWSRF funds. If the primary purpose is to address a compliance or public health problem, the entire project, including the

portion necessary to accommodate a reasonable amount of growth to the date of initiation of operation of any improvements to be funded by DWSRF assistance from the NJDEP, is eligible. The remaining capacity related to growth has, until this time, been eligible for funding by the Trust.

v. Smart Growth

In an effort to promote Smart Growth Initiatives, the NJDEP is pursuing two significant changes to the Financing Program. The first change involves modifying the percentage of project costs the NJDEP and the Trust provide to project sponsors. Currently, project sponsors receive a loan for half of the project costs from the Trust at market rate and a loan for the remaining project costs from the NJDEP at 0% interest. Under this change, the NJDEP will provide 75% of the project costs at 0% interest, while the Trust will provide 25% of the project costs at market rate to projects that serve smart growth areas identified on the Blueprint for Intelligent Growth (BIG) Map promulgated in rule by the DEP. Until the BIG Map is adopted, the NJDEP has determined to make the “75/25” funding package immediately available to projects that serve Urban Centers and Urban Complexes designated by the State Planning Commission. As of February 25, 2003, the State Planning Commission has designated Atlantic City, Camden, Elizabeth, Jersey City, New Brunswick, Newark, Paterson and Trenton as Urban Centers and one Urban Complex, the Hudson County Urban Complex, which includes the following municipalities: Bayonne, East Newark, Guttenberg, Harrison, Hoboken, Jersey City, Kearny, North Bergen, Secaucus, Union, Weehawken, and West New York.

In January, NJDEP introduced the BIG map as a key element in the governor's Smart Growth initiative. While the BIG map is a work in progress, it seeks to clearly and accurately identify New Jersey's critical natural resource areas that must be preserved and protected. There are also areas where development can still occur, but only when it meets stricter regulatory standards designed to protect the state's water quality and quantity and other precious natural resources. The map will also depict smart growth areas of New Jersey where the state wants to encourage development and will streamline and expedite regulatory permitting and also dedicate funding for infrastructure and parks.

Since its introduction, the BIG map has generated considerable interest throughout New Jersey's communities. NJDEP Commissioner Bradley M. Campbell intends to continue to reach out to municipal and county officials to hear questions and concerns about the map. In response to the many concerns and comments already received, appropriate changes will be made on the BIG map before being proposed in regulation.

In addition, for those projects that have the potential to facilitate substantial growth or cause significant adverse environmental impacts, the NJDEP will thoroughly evaluate the planning submitted by the project sponsor with respect to the water quality/quantity impacts, location in the State, impacts to riparian corridors, the existing pollution control needs, assessment of the resulting environment, detailed assessment of proposed alternatives and cost-effectiveness of the proposal. The NJDEP's funding decisions will take into account the project's growth potential, the consistency with the BIG Map and the projects' aggregate impacts as determined through such evaluations.

The second change relates to funding for reserve capacity. The NJDEP is proposing amendments to the Financing Program rules to fully fund its share of reserve capacity costs at 0% interest for projects in the smart growth areas identified on the BIG Map. Until the BIG Map is adopted, the rule amendments as proposed would allow the NJDEP to fully fund its share of reserve capacity costs for designated Urban Centers and Complexes. The proposed amendments to N.J.A.C. 7:22 were published in the *New Jersey Register* on April 7, 2003. The rules should be adopted by Fall 2003.

C. Projects not Eligible for Funding

The DWSRF cannot provide funding assistance for the following projects and activities:

- Dams, or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial, and financial capability, unless assistance will ensure compliance;
- Projects for systems in significant noncompliance, unless funding will ensure compliance; and
- Projects primarily intended to serve future growth.

1. Lack of technical, managerial, and financial capability

The DWSRF may not provide any type of assistance to a system that lacks the technical, managerial, or financial capability to maintain SDWA compliance, unless the owner or operator of the system agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the DWSRF will ensure compliance over the long term. A capacity development program was created to evaluate each system to be funded to ensure each meets the capacity development requirements (see Appendix A).

2. Significant noncompliance

The DWSRF may not provide assistance to any system that is in significant noncompliance with any national drinking water regulation or variance unless NJDEP determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance.

D. Compliance Without DWSRF Funding

The inability or failure of any public water system to receive assistance from the DWSRF or any other

funding agency shall not alter the obligation of a drinking water system to comply in a timely manner with all applicable drinking water standards.

E. Administrative Fees

In accordance with the USEPA Policy on Fees Charged on Assistance Provided Under the SRF Programs, states must disclose information regarding the assessment and use of any fees associated with SRF activities that are passed on to the program participants. In New Jersey, each SRF project is financed with two loans, one from the NJDEP which utilizes federal SRF capitalization grants and one from the NJ Environmental Infrastructure Trust, which utilizes bond proceeds from the Trust bond sale. Each year, the NJDEP evaluates the need to assess a loan origination fee and/or an annual administrative fee to cover the NJDEP portion of the program's administrative costs. The amount of the fee (if any) is established in conjunction with the annual budget process for the particular State fiscal year and borrowers are notified in advance of escrow closing as to the estimated cost of the fee that will be charged on their loan to be closed in November.

In the past, adequate resources were available to cover the NJDEP's costs for administration of the project without levying a fee. Given tight fiscal constraints, the Fiscal Year 2003 Appropriations Act required the NJDEP to collect an amount not less than \$1 million from the November 2002 borrowers. Rather than require cash payment from the project sponsors, the Trust included the NJDEP loan origination fee in the borrowers' Trust loan (and secured that portion of the bond issue with non-SRF funds) to cover \$1 million of NJDEP's costs in administering the Financing Program. It is anticipated that the Fiscal Year 2004 Appropriations Act will require the NJDEP to collect as much as \$5 million from CWSRF and DWSRF project sponsors to cover program administration costs. The amount of the NJDEP loan origination fee will be proportionally allocated among the participants in the FFY2003/ SFY2004 Program. Given a \$200 million Financing Program in 2003, the one-time NJDEP loan origination fee would be approximately 2.5% of the Financing Program loan amount. There is no SRF funding involved in the NJDEP loan origination fee.

The Trust's loan is issued at the same market interest rate as the Trust obtains from the sale of its bonds. Rather than bonding for all of the eligible closing costs associated with each financing, the Trust charges the borrowers a one-time surcharge of up to 0.4% of the principal Trust loan amount to partially cover the costs associated with that particular year's bond sale. These issuance costs include such activities as: bond counsel, financial advisor, rating agencies, printing and publishing of the Notice of Sale, the Preliminary Official Statement, the Official Statement, and other costs related to the Trust's bond sale. In addition, the Trust charges an annual administrative fee of up to 0.3% of the Trust's bond principal loan amount to cover the balance of the closing cost and the annual operating expenses associated with the operations of the Trust and the on-going costs associated with the Loan Servicer and Trustees. The Trust Annual Fee is not included in the principal amount of the loan. The annual fees collected by the trust are held in an account outside of the SRF. In

SFY2004, the Trust anticipates collecting administrative fees associated with the CWSRF and DWSRF programs of approximately \$2.5 million.

II. Description of DWSRF Financing Program

In addition to the USEPA's capitalization grant, funds are also available from two other sources, the New Jersey Water Supply Bond Fund created under the Water Supply Bond Act of 1981 and the Trust. The 1981 Bond Act authorized the creation of a general obligation debt in the amount of \$350,000,000 for the purpose of providing loans for State or local projects to rehabilitate, repair, or consolidate antiquated, damaged, or inadequately operating water supply facilities and to plan, design, acquire, and construct various State water supply facilities. The Trust has the authority to issue bonds and to reserve any funds necessary to make loans to applicants for environmental infrastructure projects. NJDEP intends to continue to provide loans through the capitalization grant in combination with leveraging state match funds by the Trust to maximize the Program's cash flow. The Fund provides loans at 0% interest for a maximum of 20-year repayment terms, not to exceed the useful life, for one half of the allowable project costs. For Smart Growth Initiative projects, the NJDEP would provide 75% of the project costs at 0% interest, while the Trust would provide 25% of the project cost at market rate (rather than the traditional "50/50" NJDEP/Trust split) to projects that serve Urban Centers and Urban Complexes or, upon adoption of the BIG Map, to projects that serve areas determined to be suitable for development as identified on the BIG Map. The Trust offers market rate loans for the remaining allowable project costs, also for a 20-year term. Table 4 illustrates the NJDEP's intended use of the FFY2004 funds. Table 5 outlines the distribution of FFY2004 non-project set-aside funds. Nonproject set-aside funds identified in Table 5 will be used for the activities shown or reserved for use in future fiscal years use, in accordance with USEPA guidance. Funds not used for nonproject set-aside activities will be returned to the project fund for DWSRF use. NJDEP may move funds among set-aside activities or from the set-aside account(s) to the Fund after receiving an approved amendment to the capitalization grant, where permissible.

Table 4 - DWSRF Uses

<u>Funds Available</u>	<u>FFY2004*</u>
Federal Capitalization Grant	\$18,500,000
State Match	\$ 3,700,000
Funds Available	\$22,200,000
<u>Projected Expenditures</u>	
Nonproject Set-asides (see Table 5)	\$ 2,960,000
Funds Available for Projects	\$19,240,000
Trust Reserve Fund	\$ 1,731,600
NJDEP \$\$ Available	\$17,508,400
Trust Bond Proceeds	\$17,508,400
Funds Available for Projects** (NJDEP & Trust)	\$35,016,800

*The federal funds are estimated at \$18,500,000 for FFY2004 for planning purposes, actual amounts will be proportionally equal.

**In addition, some funds from previous DWSRF capitalization grants, previous transfers from CWSRF repayments, and state matching funds are anticipated to be available for funding the November 2004 funding cycle projects.

Table 5 - Non-Project Set-Aside Fund Uses
\$2,960,000 (See Table 4)

	<u>FFY2004*</u>
<u>Program Administration of DWSRF Projects (4%)</u>	\$ 740,000
<u>Small System Technical Assistance (2%) **</u>	\$ 370,000
<u>State Program Management (10%)**</u>	\$1,850,000
State PWSS Program***	\$ 856,850***
Source Water Program Administration	\$ 583,950
Capacity Development	\$ 341,600
Operator Certification	\$ 267,600

*The federal funds are estimated at \$18,500,000 for FFY2004 for planning purposes.

**These figures are approximate, and are subject to a workplan submittal to USEPA.

***State PWSS Program includes Sampling, Data Management, Program Rules Development, and Radon Multi-Media Mitigation Program (MMMP). However, \$200,000 for Radon MMMP will be funded under set-aside monies banked from previous capitalization grants.

Currently NJDEP's IUP does not call for providing additional funds for disadvantaged communities. However, disadvantaged communities, as identified in the Project Priority System- Category D, Affordability Criteria, will receive more ranking points. Thus disadvantaged communities will receive a higher priority to qualify for the low interest loans available under the DWSRF financing program.

Under the provisions of the SDWA of 1996, Section 1452(e), each State is required to deposit in the DWSRF an amount equal to at least 20% of the total amount of the capitalization grant. The funding source of the State Match for New Jersey is expected to be secured from the 1981 Water Supply Bond Fund.

Each State must also agree to deposit into the set-aside account where the Section 1452(g)(2) funds will be deposited, a dollar for dollar match, not to exceed an amount of 10% of the capitalization grant. Thus, the State Match for the State Program Management set-aside for FFY2003 is \$2,050,000. The dollar to dollar state match is anticipated to be met by half of the funds coming from the SFY1993 Public Water System Supervision Program overmatch and A-280 Safe Drinking Water Tax Fund and half from the SFY2003 Public Water System Supervision Program overmatch and A-280 Safe Drinking Water Tax Fund, as applicable.

III. Small Systems

A state must annually use at least 15% of all funds credited to the DWSRF project account to provide loan assistance to systems serving fewer than 10,000 persons, to the extent that there are a sufficient number of eligible projects to fund. Therefore, a reserve fund of 15% of the DWSRF fund will be reserved to provide financing for small systems serving fewer than 10,000 residents. However, if there are not enough small systems serving fewer than 10,000 that would be eligible for the 15% reserve fund, then the moneys would be utilized for eligible projects, in priority order, that have met program requirements.

For the last four funding cycles, the following DWSRF funds were utilized for small systems: two small systems for 9.95% of DWSRF funds in November 1998, three small systems for 2.59% of DWSRF funds in November 1999, four small systems for 7.57% of DWSRF funds in November 2000, 4 systems for 4.74% of DWSRF funds in November 2001, and five small systems for 11.40% of DWSRF funds in November 2002 were financed. Only those small systems ready to proceed were issued loans. The NJDEP continues to reach out to small systems. The NJDEP distributes informational pamphlets, makes presentations, and provides small systems with an informational sheet tailored to small system concerns. NJDEP staff also target small systems for informational site visits. With the help of the 2% set-aside for technical assistance to small systems and a contract executed with New Jersey Water Association, New Jersey will continue to strive to reach the goal of 15% in future funding cycles. Additionally, the NJDEP will reevaluate the program to see what changes can be made to better achieve this goal.

IV. Nonproject Set-asides

Section 1452 of the Federal Safe Drinking Water Act authorizes the states to provide funding for certain nonproject activities, so long as the amounts do not exceed ceilings specified in the statute. Required workplans will be submitted to the USEPA with the capitalization grant application for the nonproject set-aside activities. The workplans will provide a task, output, and budget breakdown for the set-asides. Any costs that are not covered by the workplans will be used to finance construction projects; where allowed, the NJDEP reserves the authority to apply for these set-aside funds for nonproject activities under future capitalization grant applications.

A. Utilizing Reserved Funds

Funds for the Small Systems Technical Assistance and the State Program Management categories of the set-asides have been reserved from the previous four capitalization grants awarded to NJDEP by USEPA. Portions of the total amount requested from the FFY97, FFY98, FFY01 and FFY02 Small Systems Technical Assistance and the State Program Management set-asides and all of the FFY99 and FFY00 Small Systems Technical Assistance and the State Program Management set-asides were reserved for future capitalization grant applications and those funds were utilized for construction loans at that time.

B. Administration (4%)

These funds will be used to administer the DWSRF in New Jersey. These administrative costs may include expenses such as development of the Project Priority System, the IUP and Project Priority List, the capitalization grant application, and other program documents. In addition, NJDEP's costs for project management for planning, design, construction, loan payment/repayment, annual reporting activities, infrastructure needs survey, etc., are also eligible. These costs include endeavors to market the DWSRF program in New Jersey, such as creating websites and publishing informational brochures. If this entire amount is not obligated in one year, the NJDEP will retain these funds to cover administrative costs in subsequent years. However, the NJDEP has expended the entire 4.0% administrative set-aside each year.

C. Small System Technical Assistance (2%)

The summer of 2002 ended the second year of a two-year fee for service contract with the New Jersey Water Association (NJWA) to provide group training sessions and outreach site visits to small public water systems serving less than 10,000 persons. Since not all the training session and site visit allocations were utilized, the New Jersey Department of Environmental Protection (NJDEP) extended the contract, allowing NJWA an additional year to utilize available funds for contracted services.

NJDEP has compensated NJWA for 33 group training sessions and 47 one-on-one site visits under the Small Water System Technical Assistance contract. Group training sessions are targeted in the Northern, Central and Southern regions of New Jersey. Training topics include Basic Accounting, Consumer Outreach, Distribution Planning and Safe Drinking Water Act Requirements. Other topics are included as needed. NJDEP staff attend many of these events to present the DWSRF.

One on one site visits are given priority to public water systems (PWS) with 1) acute violations, 2) monitoring and reporting problems or other Maximum Contaminant Level (MCL) violations (including all Significant Non-Compliers (SNCs)), and 3) the smallest and/or poorest communities or Non-Transient, Non-Community (NTNC) water systems.

Site visits should include the following:

- a) Review of system operation and maintenance,
- b) Review of certified operator status and provision of information on certified operator training,
- c) Review of system sampling schedule and sampling techniques,
- d) Guidance on specific compliance related water quality or treatment problems,
- e) Review and recommendations on financial records,
- f) Review of system's source and distribution system protection,
- g) Review of data required for issuing a Consumer Confidence report,
- h) Guidance in selecting appropriate technologies for small system needs,
- i) Guidance on SRF and other available financial assistance, and
- j) Review of recordkeeping.

The contract also provides for the development of a small system technical assistance web site.

During the extended contract period, the Bureau of Safe Drinking Water (BSDW) will continue to provide technical support but will also explore alternative approaches to providing assistance to small water systems. The NJDEP will then determine whether it is appropriate to contract separately for site visits and group training sessions in the next fiscal year.

Additionally, the BSDW will continue field sampling efforts to evaluate water quality at small nontransient noncommunity water systems which have either monitoring/reporting or maximum contaminant level (MCL) violations throughout the State of New Jersey.

D. State Program Management (10%)

NJDEP intends to use this set-aside to provide support for: (1) public water system supervision (PWSS) programs such as the radon multi-media mitigation program, data management, development of program rules including administration of the consumer confidence report program, and sampling; (2) source water protection program; (3) development and implementation of a capacity development program and strategy to generate adequate technical, financial, and managerial capacity for water systems; (4) and the management of an operator certification program.

1. State PWSS Program

a) Radon Multi-Media Mitigation Program

The State of New Jersey is presented with a unique opportunity to develop and promote an innovative radon risk-trading program through implementation of a Multimedia Mitigation (MMM) Program. Radon poses a risk from both the air pathway and the water pathway. Radon is present in soil gas that enters homes and exposes the residents through the air pathway. It is also present in groundwater, and drinking the water and using it for showering exposes people. Although the radon in water risk is high relative to other drinking water contaminants, it is low compared to the risk of radon exposure from the air pathway.

The amendments to the SDWA in 1996 changed the approach that USEPA uses to set drinking water standards. Congress mandated a National Academy of Sciences (NAS) risk assessment to guide the setting of the MCL for radon. Congress further stated that if USEPA promulgates an MCL “more stringent than necessary to reduce the contribution to radon in indoor air from drinking water to a concentration of radon in outdoor air,” then the USEPA must establish an Alternate Maximum Contaminant Level (AMCL). Based on the determination by the NAS Committee that the national average outdoor radon level is 0.4 pCi/l and the transfer factor from radon in water to air is 10,000:1, the NAS Committee recommended that the AMCL be set at 4,000 pCi/l.

On November 2, 1999, the USEPA proposed a new Radon in Drinking Water regulation. The unique nature of radon and the comparison of the risk from both water and indoor air set the stage

for USEPA to propose an innovative multimedia approach for radon. The proposed regulation provides States with the flexibility in how to best limit the public's exposure to radon. States can focus their efforts on the greatest public health risks from radon – those in indoor air – while also reducing the highest risks from radon in drinking water. USEPA strongly encourages States to take full advantage of the flexibility and risk reduction opportunities in the regulation.

The proposed National Primary Drinking Water Regulations; Radon-222 in the Federal Register primarily focuses on public health protection. A Maximum Contaminant Level Goal (MCLG) is set at the level at which no known or anticipated adverse effects occur and for radon the Administrator set the MCLG at zero. Then a MCL is set, as close to the goal as feasible, but taking into account a cost/ benefit analysis, as well as consideration of affordable treatment technologies for small water systems. In the proposed rule, the MCL for radon is set at 300 pCi/l. In addition to the promulgation of a MCL, USEPA proposed an AMCL of 4000 pCi/l for radon. The AMCL must be accompanied by a MMM Program to address risks from radon in indoor air.

The proposed rule applies to all community water systems (CWSs) that use ground water or mixed ground and surface water. USEPA plans to publish the final rule by the fall of 2003. Under the proposed rule, CWSs would be required to begin their initial monitoring requirements for radon by 3 years after publication of the final rule. As an incentive for states to focus their program on the pathway that gives the greatest risk to its citizens, states that submit a letter from their Governor to the Administrator committing to develop a MMM Program plan within 90 days of publication of the final regulation in the Federal Register, are required to begin monitoring 4.5 years after publication of the final rule.

New Jersey is one of the states where the unique provisions of the SDWA for radon could have a dramatic cost savings for purveyors and an equally dramatic risk savings in terms of lung cancer deaths averted. The strong radon in air program that has been in place in NJ for over 10 years furnishes the building blocks necessary to provide substantive input into the development of a MMM Program as well as perform a quantitative comparison of the risk trading.

It is estimated that about 50% of New Jersey public water systems, serving about 25% of New Jersey's population, have radon in water levels between 300 pCi/l (MCL) and 4,000 pCi/l (AMCL). Some of these systems may have or will install treatment prior to the promulgation of the radon standard. The number of systems that might be eligible for participation in the MMM Program is between 250 and 350.

Goals

Multimedia Mitigation Programs

The MMM Program is intended to provide a more cost-effective alternative to achieve radon risk reduction, by allowing States (or CWS) to address radon in indoor air from soil, while reducing the highest levels of radon in drinking water. The MMM Program is modeled on the National Indoor Radon Program implemented by USEPA and States to address radon in indoor air. The program has

been successful in achieving indoor radon risk reduction through a variety of program strategies, which form the basis for USEPA's proposed MMM Program plan criteria. USEPA has identified four criteria that a State MMM Program plan is required to meet to be approved by USEPA. The four criteria are:

1. Public involvement in development of the MMM Program plan.
2. Quantitative goals for existing homes fixed and new homes built radon-resistant.
3. Strategies for achieving goals.
4. Plan to track and report results.

The Radon Section will continue to meet with the Radon in Water work group. This group of government and representatives of the regulated community are instrumental in developing a draft Radon MMM Program. Upon completion, the draft will be circulated for comment. The Radon Section database will continue to be enhanced and outreach efforts will continue. As previously identified, a new position will be required to work on the MMM Program.

The following items will be addressed during FFY04:

- 1) Develop and implement course outlines, material, instructors and logistics for a certification program for radon in water professionals.
- 2) Coordinate with the Division of Science, Research, and Technology (DSRT) in conducting research groups to explore effective communication of the risk-trading concept.
- 3) Contact community water systems (CWS) in an effort to provide assistance to the Bureau of Safe Drinking Water.
- 4) Maintain technical reference materials for radon in water mitigation.

b) Data Management

The New Jersey Safe Drinking Water program utilizes an existing data management unit to facilitate the program's efforts to ensure that water systems meet the requirements of the Safe Drinking Water Act. The unit currently operates an electronic data management system that maintains drinking water system inventory data and monitoring analytical data that is used to determine compliance with both monitoring requirements and drinking water standards. The existing system is more than 10 years old and needs to be replaced to meet both the existing and the new requirements under the Safe Drinking Water Act, and to improve reporting and compliance determination capabilities.

NJDEP is in the process of implementing an enterprise data management system, New Jersey Environmental Management System (NJEMS). NJDEP seeks to consolidate many of its existing individual data management systems across the department and across many media (e.g., air, water, and land) into NJEMS. This represents a significant step toward an integrated department-wide data management system to be used primarily for permit, reporting, and enforcement activities. The Water Supply Administration has completed its development phase of NJEMS, and is working towards implementation of the Water Supply component of the system, which will require significantly more than one year to complete. However, implementation of NJEMS alone will not

fully address the needs of the Safe Drinking Water program concerning compliance determinations and the corresponding reporting of these determinations to USEPA.

NJDEP had considered alternatives to meet the Safe Drinking Water program's particular electronic data management, reporting, and compliance determination needs necessary to meet the Federal and State rules and regulations. The selected alternative is to implement NJEMS, and to concurrently implement the USEPA Safe Drinking Water Information System (SDWIS/State). SDWIS/State will assist in providing compliance decision support and federal reporting.

The data management system improvements envisioned will require additional resources to accomplish the current goals of data management system upgrades and future enhancements. This set-aside will provide partial funding to assist in this process. NJDEP will supplement its existing Safe Drinking Water program data management unit with two positions to provide additional environmental professional and technical capabilities to assist in the enhancement of the current program, concurrent with the NJDEP initiative to implement both NJEMS and SDWIS/State.

c) Development of Program Rules

In planning for the implementation of additional Safe Drinking Water Act Regulations, the NJDEP anticipates that additional Program Management set-aside funding is needed. The NJDEP anticipates the need to fund up to three additional positions and the associated administrative costs to develop primacy submittal applications and to handle additional implementation activities associated with the following rules: Groundwater Rule, Arsenic Rule, Radon Rule, Radionuclide Rule, the microbiological/disinfection by products (M/DBP) cluster of rules including Stage I DBP and Interim Enhanced Surface Water Treatment Rule (IESWTR) , Filter Backwash Rule, Public Notification Rule, and the LTI applying the IESWTR to systems less than 10,000 population. These positions would supplement existing positions in the Bureau of Safe Drinking Water currently handling the existing rules and activities.

Additionally under this set-aside fund, the NJDEP anticipates funding the administration of the consumer confidence report (CCR) program in New Jersey. This includes one position and the associated administrative costs to monitor the submission of CCRs to the NJDEP, advising community water systems on completing some aspects of the reports, and identify water systems that are missing CCRs.

d) Sampling

NJDEP receives funding for special purpose monitoring and laboratory analytical services, under the annual Public Water System Supervision (PWSS) grant authorized by the USEPA, for state administration of the Safe Drinking Water Act. Funding for these services is eligible under the PWSS grant and also under the Drinking Water State Revolving Fund, State Program Management Set-Aside for PWSS State Program.

PWSS and Set-Aside PWSS funds may not be used for routine sampling and analyses which are

otherwise required of a Public Water System as part of its normal compliance monitoring requirements under the Safe Drinking Water Act rules and regulations. However, PWSS and Set-Aside PWSS funds may be used for State sampling and analyses of special purpose monitoring, surveillance monitoring, and or other discrete special one-time monitoring.

NJDEP proposes to use these additional funds for special purpose monitoring and laboratory analytical services as it determines necessary and appropriate. A few examples include monitoring nontransient noncommunity water systems for radiological contaminants, currently not required under the Safe Drinking Water Act, and monitoring synthetic organic compounds (SOC waiver program).

Accordingly, the NJDEP seeks additional PWSS grant funding of monitoring and laboratory analytical services, estimated at \$100,000, in accordance with section 1452(g)(2)(A) of the Safe Drinking Water Act.

2. Source Water Protection Program Management

Under the provisions of the SDWA of 1996, NJDEP received Source Water Assessment Program (SWAP) Plan approval from USEPA in November 1999. The SWAP Plan described the process for developing "Source Water Assessments" for all public water systems in NJ by May 2003, the statutory deadline for completion of the assessments. A one-time source of funding from the FFY97 capital grant for delineations and assessments has been used to fund data collection and source water model development projects through September 2002. The source water program set-aside is now the primary source of funding for continuing Source Water Assessments activities.

NJDEP notified USEPA, Region II of its intent to release the Source Water Assessments documents by the Fall 2003. The SWAP staff will continue to work with the water systems and the interested public to assure the accuracy of the Source Water Assessments. In addition, any new sources of public water will need to be evaluated and assessed. It is anticipated that 50 new community water system wells will begin to be used each year; the number of new noncommunity water systems each year is not known. Performing Source Water Assessments for new sources of water will continue to be an ongoing activity. During FFY04, the Source Water Assessment Advisory Committee will continue to meet and will begin to focus their attention to the role of source water protection. This will include continued coordination with the watershed protection activities underway within NJDEP.

3. System Capacity Development

In accordance with Section 1420 (a) of the federal regulations each State shall have the legal authority to assure that all new community and non-transient non-community water systems demonstrate adequate technical, managerial and financial capacity (TMF). In New Jersey, Assembly Bill No. 2615 was signed into law on August 2, 1999 (P.L.1999 Chapter 176). This legislation amended the New Jersey Safe Drinking Water Act (N.J.S.A. 58:12A) to give New Jersey explicit legal authority to require new public water systems to demonstrate capacity. Consequently, on July

31, 2000, New Jersey adopted a new rule at N.J.A.C. 7:10-13 that establishes the requirements to assure that all new public community and non-transient, non-community water systems have adequate capacity. The effective date of the rule was the date of publication in the New Jersey Register on August 21, 2000. Prior to the effective date of the rule New Jersey adopted an interim policy, effective on October 1, 1999, to implement capacity requirements for new water systems.

In accordance with Section 1420 (c) of the Federal regulations each State is required to develop and implement a strategy to assist existing systems in acquiring and maintaining capacity. The United States Environmental Protection Agency approved New Jersey's Capacity Development Strategy on September 28, 2000.

Under Section 1420 of the SDWA, New Jersey has developed a capacity development program. The goals of New Jersey's Capacity Development Program are to prevent the formation and approval of new nonviable public water systems and to assist existing water systems in achieving and maintain compliance with the Federal and State SDWA regulations. States failing to comply with Section 1420 are subject to lose up to 10% of the DWSRF funds in FFY2001, 15% in FFY2002, and 20% in each fiscal year thereafter.

This Intended Use Plan will review the future activities planned to implement the Capacity Development Program.

In order to comply with the federal SDWA requirements for capacity development, New Jersey intends to accomplish the following tasks:

- a. Prepare a Strategy List of public water systems requiring capacity development during FFY2004. This list is prepared annually each December and identifies the number of TMF evaluations to be performed.
- b. Provide technical assistance to promote capacity development to those water systems that fail to demonstrate adequate technical, managerial, and financial capacity. Technical assistance will be provided by the Department or by third party contracted services.
- c. Develop training programs and conduct training seminars for members of the Technical Assistance Team to assist them in performing capacity evaluations. A contracted vendor will provide training during this timeframe.
- d. Prepare and issue approximately 1,500 monitoring schedules to all community and non-transient, non-community water systems.

4. Operator Certification

The New Jersey Department of Environmental Protection (NJDEP) has readopted its regulations, N.J.A.C. 7:10A, "The Licensing of Water Supply and Wastewater Treatment Operators." The

regulations comply with the USEPA's February 5, 1999 "Final Guidelines for the Certification and Recertification of the Operators of Community and Nontransient Noncommunity Public Water Systems." These regulations require all public community and nontransient noncommunity water systems to employ a licensed operator by October 1, 2003. During the past year, NJDEP's Bureau of Safe Drinking Water (BSDW) has notified all affected public water systems of their license classification requirements.

A Very Small Water System (VSWS) license classification was created to cover all public community water systems which do not have treatment and contain less than 101 service connections and nontransient noncommunity water systems with no treatment or treatment consisting of disinfection and/or other types of relatively simple passive treatment (e.g. calcite filters). This license class will apply to approximately 85% of the systems required to begin employing a licensed operator by November 2003. BSDW, with the assistance of NJDEP's stakeholder group, the Advisory Committee on Water Supply and Wastewater Licensed Operator Training (Advisory Committee), has developed a curriculum for a 12 hour VSWS training course with an associated manual and other training materials. This course is a prerequisite for taking a VSWS test. NJDEP has approved 13 educational institutions within the state to provide VSWS training. NJDEP has contracted with the Association of Boards of Certification (ABC) for VSWS examinations. Several tests have already been given and the pass rate is approximately 75%. Efforts to license VSWS operators will continue in FFY04.

In addition, there is a new regulatory requirement for licensees to obtain continuing education credits for water/wastewater operator license renewal. Licensees must acquire a prescribed number of Training Contact Hours (TCHs) over a designated three-year period for license renewal. The first period runs from October 1, 2000 through September 30, 2003. The Advisory Committee has adopted a policy to approve training courses for license renewal. NJDEP has recognized the State Operator Training Center (SOTC) at Rutgers University, New Jersey Section of the American Water Works Association, the New Jersey Water Environment Association, and the New Jersey Water Association as qualified course providers. Therefore all relevant courses provided by these entities are approved as continuing education for operator license renewal. To date, NJDEP has approved approximately 110 continuing education courses given by independent course providers for TCHs.

NJDEP has contracted with the State Operator Training Center (SOTC) at Rutgers University to partially subsidize training courses for qualified licensed operators. The reduced costs have made this training more accessible to operators and the NJDEP therefore plans to provide additional funding to extend this subsidy through FY2004. Also, NJDEP has initiated discussion of methods to subsidize operator continuing education courses provided by the New Jersey Section of the American Water Works Association and these efforts are ongoing. In addition, NJDEP has contacted the SOTC to determine if they will manage the administrative review of continuing education for operator training submitted by independent course providers. NJDEP is currently notifying educational institutions that persons who are taking specific courses for drinking water operator licenses are eligible for tuition reimbursement. These efforts will continue in FFY04.

BSDW will continue to pursue the goal of hiring a qualified licensed operator to develop training

and to provide direct technical assistance to public water system operators throughout the State of New Jersey.

The Office of Examinations and Licensing is still coordinating with the New Jersey Environmental Management System (NJEMS) team to determine the best electronic method to track training course approvals and TCHs obtained by individual operators. NJEMS is the Department's effort to integrate all of its departmental databases in order to streamline the collection and management of information. The tracking process has not been implemented to date.

V. Short and Long-Term Goal Statements

Continuing to provide a minimum of 15% of project funds to help finance improvements to small water systems and providing assistance to eligible projects of the highest priority on the Project Priority List are the most imminent short-term goals. Other short-term goals include securing NJDEP's FFY2004 drinking water capitalization grant from the USEPA so that funds will be available for water supply systems to comply with the SDWA. The NJDEP will continue to meet all USEPA deadlines for DWSRF submittals and have all submittals approved by the USEPA. Also, the NJDEP will provide opportunities for the funding of security projects to protect New Jersey's water supply facilities.

The primary long-term goal is to continue to use all available and appropriated funds to assist New Jersey water systems to achieve and maintain drinking water quality to eliminate any violations of the SDWA. In addition, NJDEP desires to maintain the fiscal integrity of the DWSRF and to assure a self-sustaining loan fund for future generations. The NJDEP will manage the DWSRF in a fiscally prudent manner such that the fund is available to eligible New Jersey water systems after federal capitalization ends and will also continue to leverage the funds to extend the State's ability to finance projects. NJDEP will periodically review the program to ensure it meets the needs of New Jersey water systems and continues to address the needs of the water systems and customers. The NJDEP will assure that the DWSRF and projects receiving funds comply with all federal "cross-cutting" regulations and will continue to encourage project sponsors to meet all socially and economically disadvantaged (SED) business requirements. The NJDEP will continue to implement all set-aside programs.

SUMMARY OF OUTREACH EFFORTS

Federal DWSRF rules requires that States' DWSRF programs include public participation activities. The NJDEP distributes this proposed Project Priority System to all community and nonprofit noncommunity water systems, county and local health authorities, selected environmental groups, selected engineering consultants, water associations, and assorted State agencies to be included in the comprehensive DWSRF Project Priority List and nonproject set-aside expenditures. The State has developed its program to make low-interest loans available to both community (both publicly

and privately owned) and nonprofit noncommunity water systems. This document serves as a Call for Projects because the Call for Projects for this and future funding cycles will be continuous and projects can be added to the list during the time period between the publication of the proposed IUP and the public hearing date; this will still allow for public review prior to the loans being issued.

This document, along with other DWSRF documents, is available at the NJDEP Public Access Center and other NJDEP informational centers. Information about this program and essential contact information is available on the NJDEP home page, <http://www.nj.gov/dep>, which can be accessed from the State of New Jersey home page, <http://www.nj.gov>. This IUP is also available by accessing ENDEX, the New Jersey Digital Environmental Library maintained by Rutgers, the State University of New Jersey. Public Access to ENDEX is available directly via <http://njenv.rutgers.edu/njdlib>. The catalogue of loans and grants is available on the State of New Jersey page, <http://www.nj.gov/dep/grantandloanprograms>.

NJDEP has an informational pamphlet that is distributed at various professional meetings. NJDEP has also contracted with the New Jersey Water Association to aid in marketing the DWSRF program to small systems. The NJDEP and the Trust make periodic presentations to groups, such as the NJ Water Association, explaining and answering questions about the DWSRF program. NJDEP staff visits small systems to directly promote the DWSRF program. The capacity development staff is well versed in the opportunities afforded small systems through the DWSRF program and actively promotes the DWSRF. Additionally, DWSRF staff instructed Bureau of Water Enforcement and Compliance staff in an effort to target small systems that may be struggling to maintain compliance. The DWSRF staff has also participated in presentations at events sponsored by Rutgers, the State University of New Jersey, the New Jersey chapter of the American Waterworks Association (NJAWWA) and the North Jersey Water Conference. Also, an informational sheet was sent to community water systems serving less than 10,000 residents to ensure they are aware of the availability of loan funds and NJDEP staff make presentations to interest groups that represent small systems.

In addition, the Trust has conducted outreach efforts targeted to both public and privately owned purveyors. The Trust includes in its periodic newsletter articles pertaining to the DWSRF. This newsletter is mailed to public and privately owned water purveyors, municipal and county officials, and licensed professionals such as engineers and attorneys. Also, the Trust conducts its annual seminar each April for borrowers to review the financial requirements, deadlines and obligations associated with the program.

PROJECT PRIORITY LISTS AND NONPROJECT SET-ASIDE LIST

NJDEP developed a proposed Project Priority System which was sent to community and nonprofit noncommunity water supply systems, county and municipal health authorities, selected

environmental groups, selected engineering consultants, water associations and assorted State agencies requesting their input on the drinking water financing program. A Construction Project Ranking and Nonproject Set-aside Expenditure Input Form, included in the proposed Project Priority System, was used to solicit interested project sponsors to place proposed infrastructure projects on the Project Priority List and to solicit interested sponsors to provide input on nonproject set-aside expenditures. [Appendix B](#) lists all construction projects on the current project list (comprehensive list), projects funded in November 2002, projects expected to be funded in November 2003 under the fundable list, and a summary of projects already funded in November 1998 through November 2001.

APPENDIX A

- 1) Sample Commitment Letter
- 2) FFY2003/SFY2004 Drinking Water Financing Program Schedule
- 3) FFY2004/SFY2005 Drinking Water Financing Program Schedule
- 4) Construction Project Ranking and Nonproject Set-Aside Expenditure Input Form
- 5) Capacity Development Evaluation Procedure for DWSRF Project Sponsors
- 6) Chronological Summary of Capitalization Grants
- 7) Summary of Public Hearing and Comments and Responses

Sample Commitment Letter
FFY2004/SFY2005 Funding Cycle
Schedule

This letter, on official stationery, must be received or postmarked by October 6, 2003 to be given consideration by the New Jersey Department of Environmental Protection (NJDEP) and the New Jersey Environmental Infrastructure Trust (Trust) for inclusion in the 2004 Financing Program (for loan awards scheduled to be made in November 2004).

Michele M. Putnam, Administrator
Water Supply Administration
New Jersey Department of Environmental Protection
PO Box 426
Trenton, New Jersey 08625-0426

Dear Ms. Putnam:

Subject: Project No.
 (Project Name)
 (Project Sponsor)
 (County)

In accordance with the provisions of the Priority System, Intended Use Plan and Project Priority List for FFY2004 and N.J.A.C. 7:22-3.7(a), I, _____, as
(Project Representative)

authorized representative for the above-referenced project, do hereby commit to meet the project document submittal deadlines identified below and the financial application deadline to be established by the Trust and the NJDEP for participation in the SFY2005 Financing Program (November 2004 scheduled financing):

Commitment Letter and Planning Documents	October 6, 2003
Design Documents and Loan Application	March 1, 2004

I understand that failure to comply with the submittal requirements and deadlines will result in the project being deemed ineligible for the 2004 Financing Program.

Enclosed please find a project ranking form, including any proposed modifications to the information represented in the Priority List.

Very truly yours,

(Authorized Representative)

Enclosure

c: Dennis Hart, Executive Director
New Jersey Environmental Infrastructure Trust (w/enclosure)
P.O. Box 440
Trenton, New Jersey 08625-0440

Stan Cach, Assistant Director (w/enclosure)
Municipal Finance and Construction Element
P.O. Box 425, 401 East State Street
Trenton, New Jersey 08625-0425

NOTE: If a project sponsor fails to submit the proper documentation in accordance with the above deadlines, the sponsor's project(s) remain on the Project Priority List and are eligible for future funding based on that year's Priority System.

FFY2003/SFY 2004 Drinking Water Financing Program Schedule

(Using FFY 2003 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
Before March 26, 2002	-Project Ranking Forms are due from prospective project sponsors for projects not already on the Project List
March 26, 2002	-Public hearing on FFY2003 Priority System, Intended Use Plan and Project Priority List proposal
Before October 7, 2002	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Commitment Letter
October 7, 2002	-Project Commitment Letters due -Applicants submit all planning documents to NJDEP
On or before January 15, 2003	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 3, 2003	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP
On or before May 15, 2003	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature
May 2003	-Applicants submit financial addendum form to the Trust
July 1, 2003	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
Late August through mid-September 2003	-Execute NJDEP/Trust loan agreements in escrow
November 2003	-Loan award

FFY2004/SFY 2005 Drinking Water Financing Program Schedule

(Using FFY 2004 and Other Available Federal Monies)

<u>DATE</u>	<u>ACTION</u>
Before April 16, 2003	-Project Ranking Forms are due from prospective project sponsors for projects not already on the Project List
April 16, 2003	-Public hearing on FFY2004 Priority System, Intended Use Plan and Project Priority List proposal
Before October 6, 2003	-Prospective project sponsors attend preplanning meeting with NJDEP prior to submitting Commitment Letter
October 6, 2003	-Project Commitment Letters due -Applicants submit all planning documents to NJDEP
On or before January 15, 2004	-NJDEP/Trust submit list of projects (based on Priority System ranking methodology) to Legislature for forthcoming State Fiscal Year
March 1, 2004	-Applicants submit all design documents to NJDEP -Applicants submit complete loan application to NJDEP
On or before May 17, 2004	-Financial Plan for forthcoming State Fiscal Year submitted by Trust to Legislature
May 2004	-Applicants submit financial addendum form to the Trust
July 1, 2004	-Legislature acts on Financial Plan -Trust transmits both draft loan agreements to qualifying applicants
Late August through mid-September 2004	-Execute NJDEP/Trust loan agreements in escrow
November 2004	-Loan award

New Jersey Department of Environmental Protection
Drinking Water State Revolving Fund Program
Bureau of Safe Drinking Water
P.O. Box 426, Trenton, NJ 08625-0426
Tel. No.: (609) 292-5550 Fax No.: (609) 292-1654

**CONSTRUCTION PROJECT RANKING AND
NONPROJECT SET-ASIDE EXPENDITURE INPUT FORM**

October 31, 2002

Please complete this form for each construction project or nonproject set-aside activity to be included in the proposed DWSRF program. Provide the basic information **for each project element** so the project can be given priority points and ranked on the proposed priority list, or **for each set-aside activity** so the activity may be considered for inclusion in the nonproject set-aside expenditures, as applicable. (Refer to the attached Guidance)

1. Project or Activity Sponsor: _____
2. Contact Person: _____
3. PWS ID# (required): _____ County: _____
4. Mailing Address: _____
Municipality: _____ State: _____ Zip: _____
Telephone No.: () _____ Fax No.: () _____
5. Engineering Consultant (as applicable): _____
6. Mailing Address: _____
Municipality: _____ State: _____ Zip: _____
Telephone No.: () _____ Fax No.: () _____

Please check one or more of the following to indicate your areas of interest in the DWSRF program:

DWSRF Construction Projects (Please also complete Page 2 only)

When are you interested in receiving construction project financing?

November 2004; November 2005; Beyond 2005

Interested in Pre-Award Approval? Yes No

DWSRF Nonproject Set-Asides Expenditures (Please also complete Page 3 only)

When are you interested in receiving nonproject set-aside activity funding?

November 2004; November 2005; Beyond 2005

DWSRF CONSTRUCTION PROJECTS

7. Project Description: (list by element; attach additional sheets, if necessary)

8. Need for Project (list by project element): _____

9. Estimated construction contract cost by element: \$ _____

10. Copy of acceptable drinking water infrastructure plan or comprehensive regional water plan attached: _____yes _____no _____will follow _____not available

11. Median Household Income (2000 Census): \$ _____
weighted for multiple municipalities: _____yes _____no

12. Applicable State Planning Commission center designation (please see NJ State Development and Redevelopment Plan): _____

13. Population currently served by drinking water system: _____

Are there seasonal variations in population? _____Yes _____No

If so, list populations separately: _____ Winter
_____ Summer

14. Activity Description: (attach additional sheets, if necessary) _____

15. Estimated Cost for the proposed activity: \$ _____

16. The NJDEP may approve expenditures for the following activities in accordance with Section 1452 (k) of the SDWA. Please check one or more of the following categories in which you are interested, and provide a description to support your needs:

LOANS:

_____ For water systems to acquire land or a conservation easement from a willing seller or grantor, for source water protection purposes and to ensure compliance with national primary drinking water regulations.

_____ For community water systems to implement local voluntary source water protection measures to protect source water in areas delineated under a source water assessment program.

_____ For community water systems to provide funding for the development of a source water quality protection partnership petition (optional program under consideration by NJDEP).

TECHNICAL AND FINANCIAL ASSISTANCE:

_____ For water systems as part of a capacity development strategy developed and implemented under Section 1420 (c) of the SDWA.

STATE EXPENDITURES:

_____ For the State to make expenditures for the establishment and implementation of wellhead protection programs under Section 1428 of the SDWA.

17. The NJDEP may approve expenditures for providing technical assistance to water systems serving 10,000 or fewer persons. Please indicate your interest in participating, and provide a description to support your proposal.

_____ Small System Technical Assistance.

GUIDANCE FOR CONSTRUCTION PROJECT RANKING AND NONPROJECT SET- ASIDE EXPENDITURE INPUT FORM

Items 1 through 4: Please complete for the project or activity sponsor that may be applying for a loan or other assistance, and identify the appropriate contact person who will represent the project or activity sponsor.

Items 5 and 6: Please complete for the engineering consultant that will be working with the project or activity sponsor and identify the appropriate contact person, as applicable.

DWSRF CONSTRUCTION PROJECTS (complete page 2 only):

Items 7 and 8: Describe the proposed project and the corresponding need. Each project element must be submitted on separate forms. Points will be awarded for each project element, as applicable. Attach additional sheets as necessary.

Item 9: Estimate the construction cost per element based on the construction contract(s) that the project sponsor anticipates will be advertised for bids. The NJDEP will estimate the support costs.

Item 10: Attach, as applicable, a copy of the water supply master plan, capital improvement plan or comprehensive regional water supply plan, acceptable to NJDEP.

Item 11: Indicate the Median Household Income from the 2000 Census that is applicable to the service area of the water system. If multiple municipalities are served, provide the weighted median household income for the service area (please see page 12 of the NJDEP Intended Use Plan). Show calculations. If you do not know the Median Household Income, the NJDEP will complete this information for you.

Item 12: Indicate the appropriate municipal designation under the State Development and Redevelopment Plan (urban center, town, regional center, village or hamlet). If you do not know the appropriate municipal designation, the NJDEP will complete this information for you.

Item 13: Indicate the population currently served by the drinking water system based on the most recent data available. Also indicate any seasonal fluctuations in population.

DWSRF NONPROJECT SET-ASIDE EXPENDITURES (complete page 3 only):

Items 14 and 15: The information provided by participants will assist the NJDEP in its efforts to identify needs and to develop a priority system for the nonproject set-aside activities. Describe the proposed activity and the corresponding need. Each activity must be submitted on separate forms. Attach additional sheets as necessary.

Items 16 and 17: Such assistance should include, but is not limited to, an outreach program to explain and assist in the DWSRF program, provide practical assistance to water systems in significant noncompliance, and conduct operator training seminars.

New Jersey Capacity Development Program for Projects Financed through the Drinking Water State Revolving Fund

November 19, 1999

Background

The Safe Drinking Water Act (SDWA) Amendments of 1996 (Pub. L. 104-182) authorize a Drinking Water State Revolving Fund (DWSRF). The DWSRF is designed to assist publicly owned and privately owned community water systems and nonprofit noncommunity water systems in financing the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements, and to meet the public health objectives of the SDWA.

Section 1452(a)(3) of the SDWA prohibits a state from providing DWSRF assistance to a system that lacks technical, managerial, and financial capacity or is in significant noncompliance with any requirement of a national primary drinking water regulation or variance, unless: 1) the use of the financial assistance will ensure SDWA compliance, or 2) the owner or operator of the system agrees to undertake feasible and appropriate changes to assure that adequate capabilities will be put in place, and agrees to implement such changes.

The following is a screening process that will be used to assess the technical, managerial, and financial capacity of any DWSRF project sponsors.

I. Technical Capacity

Technical capacity refers to the adequacy, operation, and maintenance of a water system's infrastructure. To assure adequate technical capacity, a project sponsor must demonstrate that its water system has adequate source water and adequate infrastructure, and must demonstrate that personnel operate its water system with technical knowledge about applicable standards. The project sponsor must demonstrate adequate technical capacity as follows:

1. The project sponsor and its water system are not in significant noncompliance as defined by the United States Environmental Protection Agency;
2. The project sponsor and its water system has no continuing violations of New Jersey's SDWA rules (N.J.A.C. 7:10) and Water Supply Allocation Permit rules (N.J.A.C. 7:19); and
3. The project sponsor is operating its water system under a licensed operator, of the appropriate license pursuant to N.J.A.C. 7:10A, 'Licensing of Water Supply and Wastewater Treatment System Operators.'

In addition to the above, the New Jersey Department of Environmental Protection may review any of the following items for technical capacity:

1. *SDWA Compliance data and inspection reports (Sanitary Surveys)* to identify actual and potential

problems that might lead to noncompliance or degradation of drinking water quality.

2. *Operator Certification* to evaluate if the water system is being operated by an operator licensed by the State of New Jersey, with the appropriate license classifications.
3. *Vulnerability assessments* to determine potential source water contamination.
4. *Enforcement actions, administrative consent orders, or directives* issued to the water system, requiring corrective actions to ensure compliance with the SDWA.
5. *Comprehensive Performance Evaluations (CPE's)* to analyze a surface water treatment plant's performance.
6. *Consumer Complaint Records* to identify technical problems with the water system (e.g., odor, taste, or low pressure).
7. *Engineering reports, design plans, project and long-term planning documents, for improvements* to ensure compliance with Federal and New Jersey's SDWA regulations, rules, and statutes.

Note: Significant noncompliance refers to long term repeated violations that constitute a threat to public health. A detailed summary of significant noncompliance is available by contacting the NJDEP, Bureau of Safe Drinking Water, either by telephone at (609)292-5550, or by writing NJDEP, Bureau of Safe Drinking Water, P.O. Box 426, Trenton, N.J. 08625-0426.

II. Managerial Capacity

Managerial capacity refers to the personnel expertise required to administer the overall water system operations. To assure adequate managerial capacity, the project sponsor must demonstrate that relative to its water system it has clear ownership, proper and organized staffing, and effective interaction with regulators and customers. In assessing the managerial capacity of the water system, the New Jersey Department of Environmental Protection or the New Jersey Environmental Infrastructure Trust, shall consult with the Board of Public Utilities (in regards to investor-owned BPU-regulated water systems) or the Department of Community Affairs, Division of Local Government Services, as appropriate. The project sponsor must demonstrate adequate managerial capacity as follows:

1. A project sponsor or its water system is not in receivership;
2. The project sponsor demonstrates to the NJDEP's satisfaction that it has clear ownership of the water system or that other arrangements are in place to satisfy the Federal Safe Drinking Water Act managerial capacity requirements; and
3. The project sponsor and its water system do not have any continuing violations of requirements,

rules or statutes of the New Jersey Department of Environmental Protection, the Board of Public Utilities, or the Department of Community Affairs, Division of Local Government Services, as applicable.

In addition to the above, the NJDEP may review any of the following items for managerial capacity especially when the project sponsor's water system is not regulated by the Board of Public Utilities or the Department of Community Affairs, Division of Local Government Services:

1. *A summary of biographies, resumes, and other related material from the previous five years to determine the training, expertise and education of personnel.*
2. *Business or Water System Plan to evaluate management's overall practices and ownership accountabilities to assist in evaluating the owner's understanding of current New Jersey's SDWA regulations and professional practice.*
3. *A summary of billing and collection procedures used for the water system from the previous five years.*
4. *A summary of consumer complaint records within the previous five years to identify the water system's responses to customer complaints.*

III. Financial Capacity

Financial capacity refers to the monetary resources available to a project sponsor for its water system to support the cost of operating, maintaining, and improving the water system. To assure adequate financial capacity, the project sponsor must demonstrate that relative to its water system it has sufficient revenues, fiscal controls and credit worthiness. In assessing the financial capacity of the water system, the New Jersey Department of Environmental Protection or the New Jersey Environmental Infrastructure Trust, shall consult with the Department of Treasury, the Department of Community Affairs, Division of Local Government Services, or the Board of Public Utilities (in regards to investor-owned BPU-regulated water systems), as appropriate, or may use the services of a financial consultant, to evaluate the financial capacity of the project sponsor. The project sponsor's water system meets the minimum standards for adequate financial capacity if the following is met:

1. A project sponsor regulated by the Board of Public Utilities (BPU) has obtained BPU approval of a financing petition for the project(s) to be financed through the DWSRF.
2. A project sponsor regulated by the Department of Community Affairs, Division of Local Government Services (DLGS), has obtained approval by the Local Finance Board in the DLGS for the project(s) to be financed through the DWSRF.
3. The NJDEP shall rely on the New Jersey Environmental Infrastructure Trust, with or without the assistance of a financial consultant for a project sponsor or water system not regulated by the Board

of Public Utilities or the Department of Community Affairs, Division of Local Government Services, to evaluate any financial information, including, where available, but not limited to the following:

- a. Financial statements or annual audit reports for the previous three years.
- b. Current and proposed rate schedules, as applicable; or if rate schedules are unavailable, then documents indicating the project sponsor's access to credit for operations and contingencies to demonstrate the project sponsor's capability to repay debt.
- c. A summary of any pending litigation regarding current or proposed rates.
- d. Federal and state income tax returns of the project sponsor for the previous three years.
- e. Current operating budget and projected budget, for a five year period, including debt service on the loan and any rate schedule adjustments:
 - i. Revenue projections including any assumptions on which the projections are based. Total annual percentage of budgetary increases, annual percentage increases to meet loan repayment and other non-loan project costs, and time when same shall take effect should be identified and included.
 - ii. Expense projections including a copy of the Capital Budget and assumptions on which the projections are based.
 - iii. Plans for rate increases.
 - iv. Security for the proposed loans
- f. Composition of customer base.

IV. Long Term Capacity

The NJDEP, where appropriate, will assess whether a project sponsor and its water system has a long term plan to undertake feasible and appropriate changes in operations necessary to develop adequate capacity. Information such as engineering reports, inspection reports, and other available information will be used in making these assessments. The NJDEP will encourage consolidation of water systems in an effort to improve capacity. The Small Water Utility Take Over Act (N.J.S.A. 58:11-59) and companion regulation (N.J.A.C. 7:19-5) may need to be reviewed and modified if necessary to address existing systems in significant noncompliance.

V. Systems with Inadequate Capacity

A water system that requires improvements to obtain adequate capacity can apply to the DWSRF provided that the improvements will ensure SDWA compliance. The NJDEP in consultation with the New Jersey Board of Public Utilities and the Department of Community Affairs, as applicable, will make this assessment on a case-by-case basis, with emphasis on compliance with all applicable requirements, rules or statutes of the respective agencies. The project sponsor must agree and demonstrate to the agencies' satisfaction the implementation of any required technical, managerial or financial changes necessary to obtain approval by the agencies.

VI. Systems in Significant Noncompliance

The SDWA prohibits a state from providing DWSRF assistance to a system in significant noncompliance with any requirement of a national primary drinking water regulation or variance, unless: 1) the use of the financial assistance will ensure SDWA compliance, or 2) the owner or operator of the system agrees to undertake feasible and appropriate changes to assure that adequate capabilities will be put in place, and agrees to implement such changes.

The following are procedures to evaluate systems in significant noncompliance;

1. Evaluate the project(s) in significant noncompliance;
2. Evaluate the reasons for significant noncompliance; and
3. Evaluate if the project sponsor's request for DWSRF assistance will resolve the significant noncompliance issue to the NJDEP'S satisfaction.

**Chronological Summary of DWSRF Program
Capitalization Grants**

<i>Federal Fiscal Years</i>	<i>National Appropriation (\$)</i>	<i>Allotment Formula (%)</i>	<i>New Jersey's Appropriation (\$)</i>	<i>Date Awarded</i>
FFY97	1,275,000,000	2.23	27,947,300	September 11, 1998
FFY98	725,000,000	2.44	17,347,900	September 11, 1998
FFY99	775,000,000	2.44	18,182,200	September 23, 1999
FFY00	820,000,000	2.44	18,896,600	July 13, 2000
FFY01	823,185,000	2.44	18,974,800	August 9, 2001
FFY02	850,000,000	2.30	18,538,600	September 19, 2002
FFY03	850,000,000	2.30	18,427,200	Pending

Funds Transferred to the DWSRF from the CWSRF

<i>Transfer Based on Capitalization Grant</i>	<i>Funds Transferred (\$)</i>	<i>Date</i>
FFY 97	9,222,609	October 13, 1999
FFY98 and FFY99	11,724,933	October 19, 2000
FFY00 and FFY01	12,497,562	August 28, 2001
FFY02	6,117,738	September 27, 2002
FFY03	6,080,976	Pending

Summary of Public Hearing on April 16, 2003 and Comments and Responses

A memorandum dated March 1, 2003, from Dennis Hart, Administrator of the Water supply Administration publicly advertised the DWSRF hearing, which was held in conjunction with the Clean Water SRF program. The hearing Officer, Scott Shymon of the Bureau of Program Development and Technical Services, commenced the meeting by summarizing the Proposed Priority System, Intended Use Plan, and Project Priority List highlighting pertinent changes.

Please note that **several significant** changes were presented in the Proposed Project Priority System of March 2003, and have been incorporated into the Final. Page 1 of this IUP presents a guide detailing the steps a project sponsor must take to be eligible for a DWSRF loan. A discussion on new fees that the NJDEP will now assess appears on page 5. A summary of new changes to the distribution of funds from the NJDEP and from the Trust to projects located in any of the eight Urban Centers is presented on page 18. In an effort to better promote Smart Growth Initiatives, the NJDEP will provide 75% of the project costs at 0% interest while the Trust would provide 25% of the project costs at market rate. An additional change would allow the NJDEP to fund a greater amount of reserve capacity for projects in Urban Centers and Complexes at 0% interest. Upon adoption of the Blueprint for Intelligent Growth (BIG) Map, projects that serve areas determined to be suitable for development and identified as such on the BIG Map will be eligible for “75/25” funding package and a greater amount of reserve capacity funded by the NJDEP at 0% interest. These additions represent significant changes to the DWSRF program.

No oral or written comments were received prior to the submittal deadline, April 22, 2003.

Appendix B
Construction Project Priority Lists

Appendix C
Nonproject Set-aside List

The NJDEP may approve expenditures for the following activities in accordance with Section 1452(k) of the SDWA.

LOANS:

- _____ for water systems to acquire land or a conservation easement from a willing seller or grantor, for source water protection purposes and to ensure compliance with national primary drinking water regulations.

- _____ for community water systems to implement local voluntary, incentive based source water protection measures delineated under a source water protection program.

- _____ for community water systems to provide funding for the development of a source water quality protection partnership petition (optional program under consideration by NJDEP).

TECHNICAL AND FINANCIAL ASSISTANCE:

- _____ for water systems as part of a capacity development strategy developed and implemented under Section 1420 (c) of the SDWA.

STATE EXPENDITURES:

- _____ for the State to make expenditures for the establishment and implementation of wellhead protection programs under Section 1428 of the SDWA.

The NJDEP received no responses indicating any interest in these items at this time.

Although the information in this document will be funded wholly or in part by the United States Environmental Protection Agency under an assistance agreement to NJDEP's DWSRF program, it may not necessarily reflect the views of the Agency and no official endorsement should be inferred.