

CHAPTER 44  
DRINKING WATER STATE REVOLVING FUND

**567—44.1(455B) Statutory authority.** The authority for the Iowa department of natural resources to administer the drinking water state revolving fund (DWSRF) in order to assist in the construction of drinking water treatment facilities is provided by Iowa Code sections 455B.291 to 455B.299.

**567—44.2(455B) Scope of title.** The department has jurisdiction over the surface water and groundwater of the state to prevent, abate, and control pollution. As a part of that general responsibility, the department and the Iowa finance authority (authority) are jointly designated to administer the DWSRF loan program to assist in the financing of infrastructure projects pursuant to the Safe Drinking Water Act (SDWA). A project must comply with this chapter to be eligible for a DWSRF loan. This chapter provides the background, the general rules of practice for the department's administration of the program, including the criteria for loan eligibility, and the general project and program administration rules.

**567—44.3(455B) Purpose.** The DWSRF provides financial assistance to eligible public water systems for the design and construction of facilities to ensure public health and the provision of safe and adequate drinking water. The DWSRF reserves a certain percentage of money each year from capitalization grants: for administrative purposes (up to 4 percent), to assist with the administration of the public water supply supervision program (up to 10 percent), to provide technical assistance to smaller drinking water systems (up to 2 percent) and to fund local assistance and other authorized activities (up to 15 percent). The director will coordinate with the authority under the terms of an interagency agreement entered into pursuant to Iowa Code chapter 28E. The department establishes priorities for the use of the DWSRF and publishes them in its intended use plan (IUP). The IUP will identify all proposed uses of available funds. All potentially funded projects or activities must be approved by the department.

The EPA provides capitalization grants for this program to the department. Financial assistance projects must be in conformance with the requirements of the Public Health Service Act (42 U.S.C. 300f et seq.), United States Code, Title XIV, Section 1452, Part E.

**567—44.4(455B) Definitions.** Definitions provided in 567—Chapter 40 apply to this chapter.

**567—44.5(455B) Set-asides.** The Safe Drinking Water Act (SDWA) authorizes set-aside funds to enable states to implement specific requirements of the SDWA. The amount and use of set-aside money is set each year in the IUP pursuant to rule 567—44.8(455B) and may be adjusted from year to year based on available funds and priorities as outlined in the IUP. As prescribed in the SDWA, set-asides will include but are not limited to:

**44.5(1) Administration expense set-aside.** These set-aside funds are to be used to administer the DWSRF. Up to 4 percent of the funds allotted through federal capitalization grants may be used for the reasonable costs of administering the programs and providing technical assistance. These costs may include such activities as issuing debt; DWSRF program start-up costs; audit costs; financial, management and legal consulting fees; development of IUP and priority ranking system; development of affordability criteria; and cost of support services provided by other state agencies. If the entire 4 percent is not obligated for administrative costs in one year, the excess balance may be reserved and used for administrative costs in later years.

**44.5(2) Small system technical assistance set-aside.** These set-aside funds will be used to provide technical assistance to public water supplies serving 10,000 people or fewer. Up to 2 percent of funds allotted through federal capitalization grants may be used for this purpose. These funds may be used to support a technical assistance team or to contract with outside organizations to provide technical assistance. Applications for third-party technical assistance proposals must be submitted and will be accepted and evaluated pursuant to subrules 44.7(2) through 44.7(7) prior to publication of the IUP in a given year. If the entire 2 percent is not obligated for these activities in one year, the excess balance may be reserved and used for the same activities in later years.

**44.5(3) Local assistance and other state programs set-aside.** Funds from this set-aside may be used for other categories of activities to assist development or implementation of local drinking water protection initiatives or both. Up to 15 percent of the capitalization grant amount may be used for the following activities, with the stipulation that not more than 10 percent of the capitalization grant amount may be used for any one activity:

- a. Assistance, in the form of a loan, to a public water system to acquire land or a conservation easement for source water protection purposes;
- b. Assistance, in the form of a loan, to a community water system to implement voluntary, incentive-based source water quality protection measures;
- c. Establishment and implementation of wellhead protection programs; and
- d. Provision of funding to a public water system to implement technical or financial assistance under the capacity development strategy.

Source water (quality partnership) petition programs (made by individual or consortiums of public water systems) established under Section 1454 of the SDWA amendments of 1996 (P.L. 104-182, August 6, 1996) will be eligible for money under this set-aside. Applications for third-party source water petition proposals must be submitted and will be accepted and evaluated pursuant to subrules 44.7(2) through 44.7(7) prior to publication of the IUP in a given year. These funds may not be reserved for future use.

**44.5(4) State program management set-aside.** Funds from this set-aside may be reserved for public water supply supervision (PWSS) programs, including the following uses:

- a. Administration of the state PWSS program;
- b. Administration or provision of technical assistance through source water protection programs, which include the Class V portion of the Underground Injection Control Program;
- c. Development and implementation of a capacity development strategy; and
- d. Development and implementation of an operator certification program.

This set-aside allows a maximum of 10 percent of the total available federal capitalization grant in a particular year and requires a one-to-one match. If the entire 10 percent is not obligated for these activities in one year, the excess balance may be reserved and used for the same activities in later years.

#### **567—44.6(455B) Eligibility.**

**44.6(1) Eligible systems.** The following systems are eligible to receive funds from the DWSRF for improvements as listed and defined in the Safe Drinking Water Act amendments of 1996 (P.L. 104-182, August 6, 1996).

- a. Community drinking water systems.
- b. Nonprofit nontransient noncommunity drinking water systems.
- c. Cities and counties that are PWS or can become viable new PWS as a result of this project.
- d. Any other governmental subdivision of the state responsible for a public water supply.

**44.6(2) Ineligible systems.** The following systems are ineligible to receive funds from the DWSRF.

- a. Any applicant that has not adopted and implemented satisfactory department-approved water conservation plans and practices, or demonstrated to the department an ongoing effort to adopt and implement such plans and practices within one calendar year from the date of the loan agreement.
- b. Any applicant in significant noncompliance with any applicable primary drinking water regulation, unless the project will return the applicant to compliance.
- c. Any applicant lacking viability (an applicant whose system lacks technical, financial, and managerial viability to comply with the SDWA and is nonviable or lacks capacity according to the definition of the SDWA), unless the applicant commits to undertake appropriate changes in operations, including ownership, management accounting, rates, maintenance, consolidation, alternative sources of water supply, or other procedures if the director determines that such changes are necessary to demonstrate viability.

d. Projects and activities deemed ineligible for participation in the DWSRF by the U.S. Environmental Protection Agency's Drinking Water State Revolving Fund regulations (40 CFR Part 35, Subpart L) or program guidance, or by the department.

**44.6(3) *Certified operator requirement.*** A system without a certified operator shall not receive loan assistance. The system must submit to the department the name, certification number and certification expiration date of the operator certified, pursuant to 567—Chapter 81, to be directly responsible (in direct responsible charge) for the operation of the facility before receiving a loan.

**567—44.7(455B) Project point ranking system (project priority list).**

**44.7(1) *Project priority list.*** The director shall develop and maintain a project priority list of public water systems that have a need for either a new or an upgraded drinking water system, including individual subcomponents. The term “public water system projects” may also include separate segments or phases of a segmented or phased project. The project priority list may include projects which are not ready to proceed (e.g., the list may include projects that by their nature are planned and implemented for a longer term than one year or projects that are unable to be implemented within one calendar year). Projects may be construed as not ready to proceed due to emergencies experienced by the applicant (or the state), or due to construction or other scheduling constraints. Projects will continue to be eligible for loan funding when funded for the first year of a multiyear project effort.

**44.7(2) *Application.*** Applications for placement on the project priority list shall be accepted by the department on a continuous basis.

**44.7(3) *Amendment of project priority list.*** The department may amend the project priority list to add eligible projects or remove projects. List adjustment can be done to ensure that the department uses at least 15 percent of each capitalization grant and required state match to provide loan assistance to systems serving fewer than 10,000 persons (allowable under Section 1452(a)(2) of SDWA), to the extent that there are a sufficient number of eligible projects to fund.

**44.7(4) *Preliminary engineering study requirements.*** To be eligible for placement on the project priority list for a construction loan, the water system must have a preliminary engineering study of potential system needs (e.g., a “planning” study) approved by the department, and must submit to the director a written application for placement on the list. The application must include:

- a. A description of the type of project for which financial assistance is being requested;
- b. The amount of financial assistance being requested; and
- c. A proposed project construction schedule.

Application shall be made on the form from the DWSRF application package provided by the department; the applicant may include additional information in the application. Forms may be obtained from the Environmental Services Division, Iowa Department of Natural Resources, Water Supply Engineering Section, 401 SW 7th Street, Suite M, Des Moines, Iowa 50309, or at [www.iowasrf.com](http://www.iowasrf.com).

**44.7(5) *Construction project requirements.*** An applicant seeking financial assistance for construction must include with the application:

- a. A description of the entity’s current drinking water supply system, including a discussion of existing and potential problems or failures in the current drinking water system and compliance with state and federal criteria;
- b. An estimate of the population and the number of households to be served;
- c. A completed Self-Assessment Manual for Iowa Water System Viability;
- d. A description of the basis for project design;
- e. A map showing the geographical area that the project is expected to serve; and
- f. A cost estimate for the selected project.

**44.7(6) *Project priority list ranking criteria.*** A construction project’s priority points shall be the total number of points assigned by the department pursuant to the department’s scoring system, delineated in subrule 44.7(7). All projects shall be listed in descending order on the published project priority list according to the number of total priority points assigned each project. When two or more projects have the same priority point total, the project sponsored by a system in the process of consolidation shall receive the higher priority. A private system in the process of forming and becoming a PWS shall have the next highest priority (if the system is determined by U.S. EPA regulations or guidance to be eligible for DWSRF funding), and the entity with the smallest served population shall receive the next highest priority. The most current official census population shall be used for all municipalities which

serve only the population within their incorporated boundaries and which apply for these loan funds. For all other municipalities and other community public water supply systems and for nontransient noncommunity systems, population will be counted based on either the actual population verifiable by the department or population as calculated by multiplying by an occupancy factor of 2.5 persons per service connection. New systems will be counted based on census data, an occupancy factor of 2.5 persons per service connection, an occupancy factor of 2.5 persons per identifiable occupied building, or other means acceptable to the department. Funding shall be offered to the projects with highest rank on the project priority list, subject to the project's readiness to proceed, and shall proceed from the highest project downward, subject to availability of funds. The published project priority list shall also be included in the department's intended use plan (IUP), pursuant to rule 567—44.8(455B). Projects involving a multiyear, phased effort may carry over their original priority point total from the previous year's application, provided that the project owner reapplies at each stage.

**44.7(7) Project priority list scoring criteria.** Eligible public drinking water supply projects shall be scored pursuant to the following priority point scoring system.

### IOWA DWSRF PROJECT SCORING SYSTEM

(Multiple attributes within a lettered subcategory are not additive, but points are additive from other subcategories; consolidation/restructuring is an approved option to correct violations or “improve” treatment.)

Scoring Criterion	Points
<b>A. Human Health Risk-related Criteria (maximum of 60 points)</b>	
1. Correction of acute MCL or Tier I treatment technique violation as defined in 567—paragraph 42.1(2)“a” (fecal coliform, nitrate, nitrite, chlorine dioxide, turbidity, CT corrective measures, and Giardia)	60
2. Correction of nonacute MCL violation (IOCs excluding acute contaminants, radionuclides, SOCs, VOCs)	50
3. Correction of an expected MCL or treatment technique violation (acute or nonacute)	45
4. Correction of Tier II treatment technique violation as defined in 567—paragraph 42.1(3)“a” (Pb/Cu corrective measures, disinfection byproduct precursor removal)	40
5. Mitigation of an imminent threat from groundwater contamination (from UST site, from CERCLA site, from uncontrolled site)	35
6. Connection of individual residences to PWS to eliminate use of contaminated individual private wells (bacterial, nitrate, radionuclide, or IOC/VOC/SOC well contamination all eligible)	35
7. Replacement of asbestos cement pipe (replace at least 200 feet of pipe)	15
<b>B. Infrastructure and Engineering-related Improvement Criteria (maximum of 35 points)</b>	
1. Development of system redundancy and additional source to meet peak day demand with largest well or intake out of service; plant process rehabilitation (made to ensure redundancy of treatment units to protect against acute or chronic MCL with system's largest treatment unit out of service); water storage improvements (system reliability enhancement—to increase effective storage to Average Daily Demand, including either at-ground or elevated storage); pumping improvements meeting hydraulic and Ten-State Standard requirements for Average Daily Demand.	35
2. Water systems over capacity expansion. Points are allowable only when system is operating at 85% or more of system design capacity. Source, plant, or distribution system improvements for system expansion are all eligible under this category.	30
3. Pressure and other distribution system improvements, including pump upgrades, pipe looping, valves, fittings, line replacement, hydrants, pumping stations, and water meters	20
4. Treatment plant improvements, excluding operation and maintenance costs	15
5. Provision of emergency power/emergency pumping capacity including purchase of diesel generators or installation of automatic switching systems	15

Scoring Criterion	Points
6. Security improvements (fencing, lighting, video surveillance, locks, access control)	10
C. Affordability Criteria (maximum of 10 points)	
1. System serves low-income population (Community Development Block Grant (CDBG) Iowa Department of Economic Development (IDED) Low-Moderate Income Criteria (LMI))	10
D. Special Category Improvements (maximum of 15 points)	
1. Wellhead or source water protection plan development or implementation meeting department standards, including loans for land or easement acquisition	15
2. Water conservation measures/conservation plan preparation, adoption, and enforcement	5
E. IDNR Adjustment Factor for Population	
1. (Project Serves) Population less than 10,000	10
TOTAL MAXIMUM POINTS	130

**567—44.8(455B) Intended use plan.**

**44.8(1) Development.** The director shall prepare an intended use plan (IUP) at least annually and on a quarterly basis as needed. The IUP will be submitted to a public hearing and approved by the commission and U.S. EPA.

**44.8(2) Contents.** The IUP will identify the anticipated uses of loan funds and will include:

*a.* The state project priority list (defined in rule 44.7(455B)) which includes all projects that are eligible for DWSRF loans and any proposed activities eligible for assistance under set-aside authority of the SDWA. The list will include the name of the eligible recipient, applicable PWS permit number, the projected amount of loan assistance, and a schedule of estimated disbursement of funds. The department will consider the following in developing the list of eligible recipients for the intended use plan:

(1) Whether a project will be ready to proceed on a schedule consistent with time requirements for outlay of funds; and

(2) Whether the project addresses the need upon which the system's priority is based.

*b.* Discussion of the long-term and the short-term goals of the DWSRF.

*c.* Information on the types of activities to be supported by the DWSRF, including requests for planning and design loans.

*d.* The method by which the IUP may be amended.

*e.* Assurances on how the state intends to meet environmental review requirements of the SDWA.

**567—44.9(455B) Department initial approval of projects.**

**44.9(1) Project initiation conference.** The department may require the applicant or the applicant's representative to meet at a location designated by the department.

**44.9(2) Required project information.** An applicant seeking financial assistance from the DWSRF for a construction project must provide the following information to the director for review and approval:

*a.* Plans and specifications must be signed by a professional engineer holding current license to practice in Iowa.

*b.* Plans and specifications must be consistent with the project identified in the application submitted pursuant to subrule 44.7(5).

*c.* The planned project must be described in full, and the construction requirements necessary to complete the project as proposed must be detailed.

*d.* The project submittal shall include the latest engineering cost estimate for the project.

*e.* The plans and specifications shall comply with all applicable state statutes, rules, and design standards.

*f.* Those portions of projects not meeting eligibility requirements may be excluded from the funded project, but included in the submitted plans and specifications if the applicant chooses to keep the loan-ineligible part of the project as part of the overall system improvement. Ineligible portions of

projects include but are not limited to dams, water rights, monitoring costs, operation and maintenance expenses, projects designed primarily in anticipation of speculative growth, and projects needed primarily for fire protection.

g. The applicant has demonstrated its ability to provide the necessary legal, institutional, managerial, and financial capability to complete the project.

**44.9(3) Department review.** An applicant seeking financial assistance from the DWSRF for any project appearing on the project priority list must submit information as required under subrule 44.7(5) on forms provided by and acceptable to the department. Departmental review requirements shall consist of the following:

a. Upon review and approval of construction projects submitted as required under subrule 44.7(5), and the plans and specifications as required under subrule 44.9(2), and following a determination that the project meets the applicable requirements of the SDWA, federal regulations, Iowa statutes, and relevant portions of this chapter, the director shall approve the project in writing.

b. If there is an alteration (change order) to a project after the director approves the project, the eligible applicant must request in writing from the department an amended approval. The director shall review the request and proposed project alteration (change order) and, upon a determination that the project meets the applicable requirements of the SDWA, federal regulations, the August 7, 2000, Drinking Water State Revolving Funds: Interim Final Rule (40 CFR Part 35, Subpart L), program guidance, Iowa statutes, and relevant portions of this chapter, the director shall approve the project as amended.

c. If the project is not approved, the director shall notify the applicant in writing of the reason for disapproval.

**567—44.10(455B) General administrative requirements.**

**44.10(1) Allowable costs.** Allowable costs shall be limited to those costs deemed necessary, reasonable, and directly related to the efficient completion of the project. The director will determine project costs eligible for state assistance in accordance with rule 567—44.6(455B). Land purchase, easement, or rights-of-way costs are ineligible with the exception of land which is integral to a project needed to meet or maintain public health protection and which is needed to locate eligible treatment or distribution works. Source water protection easements are considered to be integral to a project. (The acquisition of land or easements has to be from a willing seller.) In addition to those costs identified in this chapter, unallowable costs include the following:

- a. Costs of service lines and in-house plumbing.
- b. Administrative costs of the loan recipient.
- c. Vehicles and tools.

**44.10(2) Audits.** The recipient shall provide access at all times for the department, the authority, the state auditor and the Office of the Inspector General (OIG) at EPA to all project records and documents for inspection and audit purposes for a period of three years from the date of the final loan payment. The same access to the project site(s) shall be provided for inspection purposes.

**44.10(3) Cross-cutters.** Other federal and state statutes and programs, including federal “cross-cutters,” will be applicable to DWSRF projects.

**44.10(4) Additional loan amount.** If eligible costs exceed the loan amount, the recipient may request an increase. The director in coordination with the authority will evaluate the request by considering available money in the fund as well as compliance with other state and federal requirements.

**567—44.11** Reserved.

**567—44.12(455B) Construction phase and postconstruction phase requirements.**

**44.12(1) Estimated project completion date.** The loan recipient must notify the director of the estimated project completion date. A final inspection of the project may be performed by the director to verify that construction is complete (except for weather-related items) and conforms with the approved plans and specifications and all approved change orders.

**44.12(2) Adequate project performance.** The department shall undertake measures to discern adequate project performance as follows:

*a.* Three months after initiation of operation of the project, the loan recipient must certify to the director that the project is operating as planned and designed. This certification must be made on a form provided by and approved by the department.

*b.* If the loan recipient is unable to certify that the project is operating as planned and designed, the recipient must submit a corrective action report to the director for review and approval. An acceptable corrective action report must contain an analysis of the project's failure to operate as designed; a discussion of the nature, scope, and cost of the action needed to correct the failure; and a schedule for completing the corrective work.

**567—44.13(455B) Sanctions.** Failure of a project to conform to approved plans and specifications or failure of a loan recipient to comply with the requirements of 567—Chapter 40 through 567—Chapter 44 pertaining to drinking water supply systems constitutes grounds for the withholding of loan disbursements. The loan recipient is then responsible for ensuring that the identified problem either in the plans and specifications or in the other relevant portion of the project is rectified such that disbursements may be resumed. Once an agreement for correcting the conditions which led to the withholding of funds is reached between the department and the loan recipient, the retained funds shall be released according to the provisions of the agreement.

**567—44.14(455B) Disputes.** A person or entity that disagrees with the project rankings, department decisions, or the withholding of project funding pursuant to rule 567—44.7(455B), 567—44.8(455B), or 567—44.13(455B) may request a formal review of the action. The person or entity must submit to the director a request for review in writing within 45 days of the date of notification of the final decision made by the department or department staff. A decision by the director in a formal review case may be further appealed to the commission.

These rules are intended to implement Iowa Code sections 455B.291 to 455B.299.

[Filed 12/19/97, Notice 9/10/97—published 1/14/98, effective 2/18/98]

[Filed emergency 10/26/01—published 11/14/01, effective 10/26/01]

[Filed 5/24/02, Notice 11/14/01—published 6/12/02, effective 7/17/02]

[Filed 12/17/03, Notice 9/17/03—published 1/7/04, effective 2/11/04]

[Filed 2/24/06, Notice 12/21/05—published 3/15/06, effective 4/19/06]