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Janet Stanek, Acting Secretary

Laura Kelly, Governor

February 17, 2022

To Whom it May Concern:

Re: Kansas State Revolving Fund (SRF)
Solicitation for Drinking Water and Wastewater Infrastructure Projects

The Kansas Department of Health and Environment (KDHE) is requesting pre-applications for municipal water infrastructure improvements to be considered for low interest loan financing through the Kansas State Revolving Fund programs - the Kansas Public Water Supply Loan Fund (KPWSLF), and the Kansas Water Pollution Control Revolving Fund (KWPCRF). KDHE can provide financing for water related green infrastructure projects, water efficiency projects, water related energy efficiency projects, and other water related environmentally innovative projects. The current interest rate for a 20-year SRF loan is 1.29%. For more information about the SRF programs, please visit our web site at: <https://www.kdhe.ks.gov/514/Loans-Grants>.

The Infrastructure Investment and Jobs Act that was passed into law in November 2021, provides significant funding for projects to replace lead service lines and projects to address emerging contaminants over the next 5 years. While these types of projects have always been eligible to fund with the Kansas SRF programs, no Kansas municipality has used the SRF to fund such projects to date. To apply for these specific use funds from the federal government, the Kansas SRF program must show it has potential projects that would need the funding. KDHE is especially interested in receiving pre-applications for these types of projects.

Lead Service Lines

The special lead service line replacement funding can only be used for lead service line replacement projects, or associated activities directly connected to the identification, planning, design, and replacement of lead service lines. If lead service lines are replaced, any associated customer owned lead service line must be replaced also. The funds cannot be used for other lead pipe or lead appurtenance replacements within the larger distribution system. We anticipate \$64M to be available in the 2023 Intended Use Plan for lead service line replacement projects and an additional \$32M a year to be provided with the 2024 through 2026 Intended Use Plans.

For all eligible lead service line replacement loans, 49% of the loan will be forgiven until available funds are exhausted. Municipalities must complete a lead service line inventory using a KDHE approved format before a lead service line replacement loan will be executed (an inventory spreadsheet will be required with the loan application but not the pre-application). **Pending federal guidance on the restricted use of these funds**, certain galvanized service lines could be considered lead service lines and might be eligible to be replaced using the lead service line replacement funds.

Emerging Contaminants

The special emerging contaminant funding can be used for both wastewater and drinking water projects that address emerging contaminants. **Pending federal guidance on the restricted use of these funds**, KDHE anticipates treatment projects that remove per- and polyfluoroalkyl substances (PFAS), manganese, Harmful Algal Blooms, or any unregulated contaminant that has an EPA issued drinking water health advisory, would be eligible to use these funds.

For the 2023 Intended Use Plan, we anticipate \$2.7M to be available for wastewater projects and \$17M to be available for drinking water projects. We also anticipate an additional \$1.9M a year for wastewater projects and \$8.7M a year for drinking water projects to be provided with the 2024 through 2026 Intended Use Plans. All of the funding for these emerging contaminant projects will be provided with 100% loan forgiveness.

All Projects

Pre-applications are being accepted for any water or wastewater improvement project, not just lead service line replacement and emerging contaminant projects. Individual projects will be ranked according to a priority ranking system and will be included on the appropriate Project Priority List of the 2023 Intended Use Plan for each program. Pre-application forms must be submitted to KDHE by June 15, 2022 to be considered for funding after July 1, 2022.

All proposed projects should be submitted using the Kansas SRF pre-application form found at <https://www.kdhe.ks.gov/DocumentCenter/View/2831/Kansas-SRF-Loan-Pre-Application-Form-PDF> Please contact Linda White at 785-296-5514 if you need a paper copy of this form to complete. It is acceptable to submit more than one project for funding consideration. For a drinking water project to be eligible for consideration, the public water supply system must have a water conservation plan that is approved by the Kansas Department of Agriculture. There is no water conservation plan requirement for sewer projects.

Loan Forgiveness

Certain projects and municipalities can qualify for loan forgiveness, outside of the lead service line replacement and emerging contaminant loan forgiveness mentioned previously.

Projects that will return a non-compliant drinking water system to compliance regarding Maximum Contaminant Level (MCL) requirements (excluding Total Organic Carbon MCLs), projects for systems that are under a KDHE Consent Order (as long as the project will satisfy the requirements of the Consent Order), projects that create or add membership to a Public Wholesale Water Supply District, or projects that will consolidate drinking water systems will be eligible to receive loans that provide 30% loan forgiveness up to \$1,000,000 (as funds are available).

Municipal public water supply systems (including rural water districts) with a population of 150 or less qualify for up to \$500,000 of loan forgiveness for small drinking water projects of any scope. Loan forgiveness will be awarded according to project ranking on the Project Priority List of the 2023 Intended Use Plan but only as funds are available.

Municipal wastewater projects that develop regionalization studies, construct facilities that treat wastewater from more than one municipality (or a municipality and large volume industrial discharger lying outside city limits that cannot have their wastewater treated by the facilities of the municipality where the industry resides), converts a mechanical treatment system (includes activated sludge package plant or Imhoff Tank) with a capacity of 1 MGD or less to a lagoon treatment system, or converts a discharging lagoon treatment system to a non-discharging lagoon treatment system, can qualify for 30% loan forgiveness up to \$1,000,000 (as funds are available).

All Municipal wastewater projects will be considered for 30% loan forgiveness (up to \$1,000,000 as funds are available) using the KWPCRF affordability criteria which considers if the municipality is in a federal opportunity zone, has unemployment above the state average, has a median household income less than 80% of the state average, and has a population of 500 or less.

If there are any questions concerning the wastewater loan program, please contact Cara Hendricks at (785) 296-5527 or Cara.C.Hendricks@ks.gov. If there are any questions concerning the drinking water loan program, please contact Mazaza Mtawali at (785) 296-5504 or Clement.Mtawali@ks.gov.

William J. Carr

William J. Carr
Assistant Director
Bureau of Water
Kansas Department of Health and Environment

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Update on Solicitation for Drinking Water and Wastewater Infrastructure Projects

As indicated in February, the Kansas State Revolving Fund (SRF) programs are requesting pre-applications for municipal water and wastewater infrastructure improvements to be considered for low interest loan financing through the Kansas State Revolving Fund programs - the Kansas Public Water Supply Loan Fund (KPWSLF), and the Kansas Water Pollution Control Revolving Fund (KWPCRF). Here is some additional information regarding eligible projects.

Loan Forgiveness for Drinking Water Projects

Due to statutory language, most of the loan forgiveness funding for drinking water projects is restricted to Disadvantaged Communities. KDHE intends to expand the criteria for Disadvantaged Communities so more municipalities will qualify for loan forgiveness. For the 2023 program year (starts July 1, 2022), KDHE will consider 3 tiers of qualification for Disadvantaged Communities: municipalities serving a population of 150 or less; municipalities that have a poverty rate higher than the statewide poverty rate; and project areas that are confined to serve census tracts that have a poverty rate higher than the statewide poverty rate. The population will be determined from the [Kansas Certified Population](#) data maintained by the Kansas Division of Budget and the poverty rates will be determined from the [US Census Bureau](#) using the most current American Community Survey data. Each project will be evaluated to determine if the municipality is considered a Disadvantaged Community and will be listed as such on the Project Priority List of the Intended Use Plan.

The source of funds used for loan forgiveness dependent on drinking water project scopes (compliance issues, consolidation, and Public Wholesale development) have been significantly reduced. KDHE will provide loan forgiveness for qualifying projects but only to the highest ranked projects.

Projects funded through the Emerging Contaminants funding, which will be 100% loan forgiveness, are not limited to Disadvantaged Communities.

Loan Forgiveness for Wastewater Projects

KDHE will not make any program changes for loan forgiveness qualifications regarding wastewater projects. Each municipality will be evaluated based on the existing affordability criteria to determine eligibility (population, median household income, unemployment, and federal opportunity zones). Loan forgiveness for sustainable project types (regionalization, conversion of small mechanical treatment to lagoon treatment, and conversion of discharging lagoons to non-discharging lagoons), will also be available.

Emerging Contaminants

Both the drinking water and wastewater SRF programs can provide 100% loan forgiveness funds for projects that address emerging contaminants. However, eligible project types are different between the programs.

Eligible drinking water projects for emerging contaminants include those addressing PFAS contaminants found in treated drinking water or any contaminant listed on any of EPA's [Contaminant Candidate Lists](#) (which includes contaminants like manganese, cyanotoxins, and unregulated disinfection by-products).

Eligible wastewater projects for emerging contaminants include addressing any contaminant that EPA has **not** established [water quality criteria](#) for. Categories of eligible contaminants are PFAS, persistent organic pollutants, biological contaminants, microorganisms, pharmaceuticals, personal care products, nanomaterials, and micro plastics.

Request for Pre-Applications

If your municipality has interest in using the Kansas SRF programs to fund water or wastewater infrastructure projects, including lead service line replacements or projects addressing emerging contaminants, please complete the [pre-application form](#) found on our website at <https://www.kdhe.ks.gov/516/Applications>. Pre-applications must be submitted prior to June 15, 2022 to be considered for funding after July 1, 2022. Send completed pre-application forms to kdhe.KansasSRF@ks.gov or mail hard copies to KDHE-SRF, 1000 SW Jackson, Suite 420, Topeka, KS 66612

If there are any questions concerning the wastewater loan program, please contact Cara Hendricks at (785) 296-5527 or Cara.C.Hendricks@ks.gov. If there are any questions concerning the drinking water loan program, please contact Mazaza Mtawali at (785) 296-5504 or Clement.Mtawali@ks.gov