

REPLACEMENT OF LSLs FUNDED THROUGH STATE GRANTS & WATER FEES



A crew member continues to dig toward one of Lansing's lead service lines. *Image taken and courtesy of Lindsey Scullen of Michigan Radio*

Location:	Eau Claire, Wisconsin
Issues Addressed:	Public LSL replacement, Private LSL replacement, Funding and Financing, Legal Considerations, Impact on low-income residents
Most Applicable for Community Types:	Smaller communities with the highest financial and water quality need.

Executive Summary:

This memo analyzes the viability of complete lead service line (LSL) replacement through a combination of state grants and increased water fees. The City of Eau Claire's strategy involved three components:

1. Obtained state grants to partially reimburse homeowners for the cost of replacing the private portion of the LSL.
2. Change to WI State Law to authorize water utilities to pay for private portion of LSLs.
3. Change WI State Law to allow water utilities to increase water rates to pay for full LSL replacement.

The City had limited success with property owners taking advantage of the state reimbursement of private LSLs, but recently increased the reimbursement amount from \$1,000 to \$2,000 and is seeing increased replacements. The State [allows](#) cities to cover up to 50% of the cost of private side replacement, or they may set a specific dollar amount for each class of customer. The City is currently working on an ordinance to require replacement of LSLs paired with increased funding through increased water fees to continue replacement when State funds are exhausted.

Background/Process:

Over the past two years, the Wisconsin State Legislature has taken action to make statutory changes to allow communities to use water rates to pay for full LSL replacement (private and public), and provided funding to support private LSL replacement in high-need communities. In implementing the Legislature's action, the Department of Natural Resources (WDNR) established the [Private LSL Replacement Funding Program](#). This program now exists in addition to the [WI Safe Drinking Water Loan Program](#) which supports replacement of municipally owned LSLs. The City of Eau Claire was one of 35 municipalities to

receive funding from the Private LSL Replacement Funding Program to assist property owners with replacement of their LSLs.

State Process:

1. In June 2016, the WDNR established a two-year, \$26.8 million grant program to help disadvantaged municipalities pay for full LSL replacement projects on private property. Thirty-five municipalities were awarded funds in 2017 and 30 have applied for funding in 2018.
 - a. The WDNR receives federal funding to implement the SDWA and uses most of the funding to make low-interest loans and principal forgiveness awards for infrastructure improvements at eligible municipal water systems. The majority of the principal forgiveness funding last year (\$13.6 million) was awarded for 35 projects through the Private Lead Service Line Replacement Program. This program is Wisconsin's innovative approach to funding replacement of both the public and private portions of LSLs.
2. In February 2018, the Governor signed legislation to allow communities to use water system funds to pay for the private portion of LSL replacement, meaning water systems may use ratepayer funds. The Wisconsin League of Conservation Voters led a successful advocacy effort to make this change.

City of Eau Claire Process:

1. In June 2016, the City applied for funding from the WDNR.
2. The City was awarded \$800,000 in July 2017. The City Council passed a resolution authorizing execution of the Department of Natural Resources Principal Forgiven Financial Assistance Agreement through the Safe Drinking Water Loan Program.
3. The City Utilities Division designed an LSL replacement application and started taking applications from residents.
4. By June 2018, only about 29 property owners took advantage of the voluntary replacement program.
5. To address this issue, the City doubled the reimbursement amount to \$2,000, which nearly covers the total average cost of LSL replacement. The higher reimbursement rate was implemented in July 2018 and has already resulted in 25 new applications within the first month.

LEAD & COPPER



Crew members in Lansing get closer to the lead service line they plan to remove. *Image taken and courtesy of Lindsey Scullen of Michigan Radio*

Project Status:

Expected completion date: No set goal or required completion date for city or state

City: The City of Eau Claire still has approximately 1,200 LSLs on private property. Eau Claire has spent \$100,000 of its initial \$800,000 grant, and the remaining \$700,000 will be enough to provide reimbursements to 350 property owners. When the money runs out, homeowners may have to cover the replacement cost themselves. The City of Eau Claire is also working on an ordinance to require LSL replacement by homeowners while also providing funding for the private portion via water rates.

Statewide: Based on WDNR's \$3,000 per private replacement estimate, the base \$11.8 million in funding currently allocated by the State would cover fewer than 4,000 homeowner-side LSL replacements, leaving about 172,000 statewide. Replacing all the LSLs, on both homeowner and utility sides, could cost more than a billion dollars according to the WDNR. Funds were allocated to communities with the most need, according to DNR criteria that included local income levels and water quality testing results. *Additionally, there are concerns about equitable distribution of state funds.*

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Process-Related Resources:

1. Sample application for residents to apply for reimbursement
2. More information regarding the WDNR funding programs
3. Detailed Intended use plan WDNR used to direct Federal funds to Private Lead Service Line Replacement Program
4. Guidance on how Wisconsin made changes to State policy to allow for replacement of private portion of LSLs
5. Legislative summary memo outlining legislation that changed LSL regulations
6. Strategies to obtain customer acceptance of complete LSL replacement

Funding/Financing:

- **Anticipated cost on current timeline (no set timeline):** Very broad estimate: 2.4 - 12 million. The City says it is hard to tell because of the variable cost of individual LSL replacements, which are anywhere from \$2,000 - \$10,000 per replacement, and the city has approximately 1,200 LSLs remaining.
 - **Funding sources:**
 - \$800,000 - Reimbursement for private LSL funded by a grant from WI DNR
 - \$2 million spent annually on overall public water main replacement/construction, funded through water fees
 - **Impact on water rates:** Expected to increase water rates slightly, but no number has been estimated. (It was illegal to use water rates to pay for private LSL replacement until a recent state law change. The City is currently assessing raising fees to cover costs.)
- **Portion of line replaced:** Entire LSL (Public via water fees, Private via state funds)

Challenges Addressed:

- **Funding Public LSL Replacement:** The city says water system funds are sufficient to cover replacement of public portion, but that is with no specific timeline requirement. They are considering raising water fees to address private LSL replacement.
- **Private LSL Replacement Legal Question: Is Water System Legally Permitted to Replace Private portion of LSL?** To address this concern the City of Eau Claire is using State funds to pay for the private portion of LSL replacement. Additionally, the Wisconsin Legislature changed state law in 2018 to allow usage of water rates to pay for replacement of the private portion of LSLs.
- **How to mitigate burden on low-income residents:** The City implemented

a reimbursement program for the cost of private LSL replacement, funded by the WDNR. The City did not increase water fees to cover replacement costs at this point, but is looking at potentially increasing water fees in the future. The program does not specify any ability of communities to prioritize low-income residents, but in order to be eligible for state funds, communities must include a proportion of low-income residents.

Remaining Challenges:

1. Funding Shortfall:

- a. **Remaining Private LSLs in the City of Eau Claire:** State funds will only cover a total of 400 LSL replacements while there are 1,200+ remaining in Eau Claire.
- b. **Statewide Funding Challenge:** With only 35 water systems receiving funding for private LSL replacement, most remaining communities in Wisconsin will have to lean more heavily on water rates to cover full replacement costs.

2. Replacement Timing:

- a. The pace of voluntary LSL replacement is unlikely to meet the 20 year timeline required in MI.
- b. Some residents who want to replace their LSL may need to wait until the water system replaces the public water main and may miss out on the current reimbursement offered.

Lessons Learned:

1. A proactive State Role is critical in two areas:

- a. To resolve legal uncertainty regarding private LSL replacement
- b. Providing funding to allow communities to replace private LSLs within a 20 year timeline without significantly burdening low-income residents.

2. Voluntary private LSL replacement alone is likely not effective. Even with nearly full reimbursement, residents have been slow in their willingness to replace LSLs. Required replacement may be necessary to increase replacement of private LSLs, paired with full funding of replacement cost.

3. Covering only partial replacement cost results in significantly lower voluntary participation.

4. Better engagement with citizens/residents is needed. Using a variety of different ways to engage citizens would be beneficial such as social media, mobile app, etc. (The city explored app that allowed residents to check if they have LSLs and directly connect with grant program.)