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Minutes of the
Board of Water and Natural Resources
In-Person or On-Line
Matthew Training Center
523 East Capitol
Pierre, SD

March 24, 2022
1:00 p.m. Central Time

CALL MEETING TO ORDER: Chairman Jerry Soholt called the meeting to order. The roll was called, and a quorum was present.

The meeting was streaming live on SD.net, a service of South Dakota Public Broadcasting.

BOARD MEMBERS PRESENT: Jerry Soholt, Vance Newman, and Karl Adam participated remotely. Todd Bernhard and Paul Gnirk participated in person.

BOARD MEMBERS ABSENT: Gene Jones, Jr. and Jackie Lanning.

OTHERS: See attached attendance sheet.

APPROVE AGENDA: Bernhard, seconded by Gnirk, to approve the agenda. A roll call vote was taken, and the motion carried unanimously.

APPROVE MINUTES OF JANUARY 6, 2022, MEETING: Motion by Gnirk, seconded by Adam, to approve the minutes of the January 6, 2022, Board of Water and Natural Resources meeting. A roll call vote was taken, and the motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

SOLID WASTE MANAGEMENT PROGRAM FUNDING APPLICATIONS: Drew Huisken presented an overview of available funds.

Mr. Huisken presented the applications and the staff recommendations for funding.

Pierre requested funding to purchase a new scraper to use at the Regional Landfill Facility. The existing scraper is past its service life and is currently non-operable. The purchase of a scraper will allow Pierre's landfill facility to continue operating and achieve its daily and intermediate cover requirements.

The estimated total project cost is \$860,200, and the amount requested is \$215,100.

The city plans to purchase the equipment as soon as possible so it is available for spring operations.

Staff recommended awarding a Solid Waste Management Program grant for up to 20.0 percent of approved total project costs not to exceed \$172,000.

Mr. Huisken noted that grant awards have historically been between 10 and 20 percent of total project costs for landfill projects.

The city of Pierre is not interested in a Solid Waste Management loan and has committed to funding the remaining project costs with local cash.

Val Keller, solid waste manager, discussed the project and answered questions from the board.

Motion by Bernhard, seconded by Adam, to adopt **Resolution No. 2022-01** approving a South Dakota Solid Waste Management Program grant agreement for the **city of Pierre** for up to 20.0 percent of eligible costs not to exceed \$172,000 for the purpose of landfill equipment. A roll call vote was taken, and the motion carried unanimously.

Sioux Falls requested funding for the purchase of a waste shredder to grind construction and demolition debris and other bulky wastes at its regional landfill facility. The shredder will improve volume reduction of these waste streams and ultimately extend the useful life of the landfill by taking up less volume.

The estimated total project amount is \$904,575, and the amount requested is \$452,288.

The city anticipates purchasing the equipment in April 2022.

Staff recommended awarding a Solid Waste Management Program grant for up to 20.0 percent of approved total project costs not to exceed \$180,000 .

Mr. Huisken stated that grant awards have historically been between 10 and 20 percent of total project costs for landfill projects.

The city of Sioux Falls is not interested in a Solid Waste Management loan and has committed to funding the remaining project costs with local cash.

Donny Kuper, Sioux Falls landfill, discussed the project and answered questions from the board.

Motion by Gnirk, seconded by Adam, to adopt **Resolution No. 2022-02** approving a South Dakota Solid Waste Management Program grant agreement for the **city of Sioux Falls** for up to 20.0 percent of eligible costs not to exceed \$180,000 for the purchase of a solid waste shredder equipment. A roll call vote was taken, and the motion carried unanimously.

AMENDMENT TO CUSTER-FALL RIVER SWMP GRANT 2022G-SW-200: Mr. Huisken reported that on June 24, 2021, the Board of Water and Natural Resources awarded the Custer-Fall River Waste Management District a \$70,000 Solid Waste Management Program grant for up to 17.8 percent of project costs to construct a final cover of the Phase II municipal solid waste area and make drainage

improvements around the landfill. The project has been completed and the actual realized project costs came in at \$480,460, which was higher than the estimate of \$393,550.

On December 29, 2021, DANR received a letter from FMG, Inc., the project engineer, and the Custer-Fall River Waste Management District requesting that the Solid Waste Grant be amended to reflect the increased project costs.

Staff recommended amending the amount of Solid Waste Management Program Grant 2022G-SW-200, awarded at 17.8 percent based on adjusted project costs of \$480,460 not to exceed \$85,500.

Jason Hinds, FMG, Inc. discussed the project and requested board approval of the amendment.

Motion by Gnirk, seconded by Newman, to adopt **Resolution No. 2022-03** approving the first amendment to **Custer-Fall River Waste Management District** Solid Waste Management Program Grant Agreement 2020G-SW-200 for up to 17.8 percent of approved total project costs not to exceed \$85,500. A roll call vote was taken, and the motion carried unanimously.

Mr. Huisken provided an overview of remaining Solid Waste Management Program funds.

WATERTOWN STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT

AGREEMENT: Andy Bruels reported that the 2022 State Legislature appropriated \$249,727 in grant funds for the Watertown and Vicinity Big Sioux Flood Control Study in Section 2 of Senate Bill 64, the 2022 Omnibus Bill. This funding is provided through the State Water Resources Management System component of the State Water Plan. The department has received a request from the city of Watertown to place this appropriation under agreement. A grant agreement has been drafted with the assistance of DANR legal counsel, and the DANR review process has been completed.

These funds are for the feasibility level study update of the Watertown and Vicinity Big Sioux Flood Control Study to be completed by the United States Army Corps of Engineers. The Corps of Engineers originally completed a feasibility report and cost-benefit study in the 1990s.

In 2015, the Corps of Engineers proposed an update to the study. At that time, staff and the board recommended placing \$225,125 under agreement with Watertown, and that was approved by the 2016 Legislature. The Corps of Engineers has not moved forward with the study, but the city of Watertown remains hopeful that the study will be done in the coming years. The authority to expend the original \$225,125 appropriated by the 2016 Legislature is ending. Watertown submitted a request to reappropriate the funds and adjust for cost indexing. The new estimated study cost is \$1,148,907, and the requested amount of \$249,727 is the State's cost-share for the study.

Staff recommended the board approve the resolution authorizing the chairman of the board to execute the State Water Resources Management System grant agreement with the city of Watertown.

Motion by Adam, seconded by Bernhard, to adopt **Resolution No. 2022-04** approving the State Water Resources Management System grant agreement to the **city of Watertown** for an amount not to exceed \$249,727 for the feasibility level study update of the Big Sioux Flood Control study to be completed by the U.S. Army Corps of Engineers and authorizing the chairman of the board to execute

the Water Resources Management System grant agreement. A roll call vote was taken, and the motion carried unanimously.

DEPARTMENT OF AGRICULTURE AND NATURAL RESOURCES STATE WATER RESOURCES MANAGEMENT SYSTEM GRANT AGREEMENT: Mr. Bruels reported that the 2022 State Legislature appropriated \$1,021,500 for the drilling and development of new ground water observation wells for DANR's Water Rights Program in Section 1 of Senate Bill 64. This funding was provided through the State Water Resources Management System component of the State Water Plan under the Statewide Hydrology and Water Management Studies Project. The appropriation language authorized the board to provide the grant for up to 100 percent of the nonfederal cost of the project.

The department has requested that the board place this appropriation under agreement. A grant agreement has been drafted with the assistance of DANR legal counsel, and the DANR review process has been completed.

The additional observation wells will be primarily in areas with limited or no current observation well data. The additional wells will aid the DANR's Water Rights program and the Water Management Board in monitoring aquifer water levels in order to assess impacts, if any, from withdrawal to these groundwater resources for the purpose of determining if new appropriations can be approved.

Staff recommended the board approve the resolution authorizing the chairman of the board to execute the State Water Resources Management System grant agreement with the Department of Agriculture and Natural Resources.

Mr. Bruels answered questions from the board regarding the estimated cost of installing wells and determining the location of the wells.

Chairman Soholt asked that the board be provided with a map showing the locations of the new observation wells after they are installed.

Motion by Adam, seconded by Bernhard, to adopt **Resolution No. 2022-05** approving the State Water Resources Management System grant agreement to the **Department of Agriculture and Natural Resources** for an amount not to exceed \$1,021,500 for hydrology and water management studies and authorizing the chairman of the board to execute the Water Resources Management System grant agreement. A roll call vote was taken, and the motion carried unanimously.

APPROVAL OF GRANT AGREEMENT TEMPLATE FOR THE AMERICAN RESCUE PLAN ACT FUNDING PROVIDED BY SENATE BILL 62: Mr. Bruels reported that the American Rescue Plan Act (ARPA) includes water and sewer infrastructure projects as an eligible use of funds. There was a proposal from Governor Noem to appropriate \$600,000,000 in ARPA funds to the Department of Agriculture and Natural Resources and the Board of Water and Natural Resources for funding of water and sewer infrastructure projects that allowed under ARPA.

Senate Bill 62, passed by the 2022 legislature, provides \$600,000,000 of ARPA funding for the Board of Water and Natural Resources to award to eligible projects based on the criteria provided in the bill and according to all federal and state requirements for awarding of the funds. A draft grant agreement

template was prepared with the help of legal counsel. This was done to make sure future grant agreements are in compliance with the legislation. The draft grant agreement was included in the board packet. Mr. Bruels discussed each section of the grant agreement.

Staff recommended the board adopt the grant agreement template for the American Rescue Plan Act funding provided by Senate Bill 62.

Motion by Adam, seconded by Newman, to adopt the grant agreement template for the American Rescue Plan Act funding. A roll call vote was taken, and the motion carried unanimously.

REVISE INTEREST RATES FOR THE CLEAN WATER AND DRINKING WATER STATE REVOLVING FUND PROGRAMS: Mike Perkovich reported that the administrative rules that govern the state revolving programs allow the Board of Water and Natural Resources to adjust interest rates at any meeting, if the proposed action is included on the board meeting agenda.

Staff proposed to revise interest rates for the Clean Water and Drinking State Revolving Fund Programs. The changes will not affect the current overall interest rates, but the change will be to decrease the administrative surcharge by 25 basis points and increase the interest portion by the same amount. This will provide additional funds for debt service on upcoming leveraged bond issues to address increased demand created by the American Rescue Plan Act grant. With the Federal Reserve recently raising interest rates and more increases expected in the future, it is expected that upcoming bond issues will price higher than the last few bond issues undertaken by the board.

Staff is expecting the board to award more than \$700,000,000 in SRF loans at the April 2022 board meeting. These loans will have the lowest rates in the history of the state revolving fund programs, so collecting more money from these loans that can be used to repay future bonds makes sense. Staff expects no short-term negative effects from decreasing the administrative surcharge fee portion. The Drinking Water SRF administrative fees are currently used for planning district Joint Powers Agreements, Operator Certification training, and to sporadically fund the Very Small System Compliance Grant Program. The Drinking Water SRF administrative fee funds have substantial balances at this time.

The Clean Water SRF administrative fees provide funding for the planning district Joint Powers Agreements, Small Community Planning Grants, a small technical assistance contract with the Midwest Assistance Program, and Water Quality Grants. Recent changes to the Clean Water SRF Program allow states to now use two percent of the capitalization grant for technical assistance. With this change the Small Community Planning Grants and the contract with the Midwest Assistance Program will be able to utilization capitalization grant funds from now on.

Staff recommended that the board revise the rates for the Clean Water and Drinking Water State Revolving Fund Programs by decreasing the administrative surcharge by 25 basis points and increasing the base interest rate portion of the rate by 25 basis points on the following: The Clean Water SRF base interest rates for loans up to 10 years, loans up to 20 years, and loans up to 30 years and the Drinking Water SRF base interest rates for loans up to 10 years, loans up to 20 years, and loans up to 30 years.

In response to a question from Mr. Newman, Mr. Perkovich stated that interest rates are reviewed by staff periodically, and staff expects the rates will be adjusted again sometime in 2022.

Motion by Bernhard, seconded by Adam, to adopt **Resolution No. 2022-06** setting the Clean Water State Revolving Fund interest rates as follows:

1. The interest rate for conventional loans at 1.875 percent (consisting of 1.625 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 2.00 percent (consisting of 1.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 2.125 percent (consisting of 1.875 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years;
2. The interest rate for interim financing remains at 2.00 percent (with no administrative surcharge component) for a term up to 5 years; and
3. The interest rate for NPS-Watershed Incentive loans at 1.00 percent (consisting of 0.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 1.25 percent (consisting of 1.00 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 1.375 percent (consisting of 1.125 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; and

The interest rates established above apply only to loans awarded after March 24, 2022, pursuant to applications submitted prior to that date.

And to adopt **Resolution No. 2022-07** setting the Drinking Water State Resolving Fund interest rates as follows:

1. The interest rates for conventional loans at 1.875 percent (consisting of 1.625 percent interest rate and 0.25 percent administrative surcharge) for loans with a term up to 10 years, 2.00 percent (consisting of 1.75 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 10 years up to a maximum of 20 years, and 2.125 percent (consisting of 1.875 percent interest rate and 0.25 percent administrative surcharge) for loans with a term greater than 20 years up to a maximum of 30 years; and
2. The interest rate for disadvantaged communities remain at 1.875 percent (consisting of a 1.625 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years for communities with a median household income (MHI) between 80 percent to 100 percent of the statewide MHI, and 1.625 percent (consisting of a 1.375 percent interest rate and 0.25 percent administrative surcharge) for loans up to 30 years and 1.00 percent (consisting of a 1.00 percent interest rate and no administrative surcharge) for loans up to 10 years for communities with an MHI between 60 percent to 80 percent of the statewide MHI, and loans with zero percent interest up to 30 years for communities with an MHI less than 60 percent of the statewide MHI; and

3. The interest rate for interim financing remains at 2.00 percent (with no administrative surcharge component) for a term up to 5 years; and

The interest rates established above apply only to loans awarded after March 24, 2022, pursuant to applications submitted prior to that date.

A roll call vote was taken, and the motion carried unanimously.

AMENDMENTS TO STATE WATER PLAN, 2022 CLEAN WATER SRF AND 2022 DRINKING WATER SRF INTENDED USE PLANS: Water projects which will require state funding or need state support for categorical grant or loan funding need to be on the State Water Plan. The Board of Water and Natural Resources annually approves projects for placement onto State Water Facilities Plan and provides for amendment of projects onto the plan. Placement of a project on the State Water Plan by the board provides no guarantee of funding. The projects placed on the plan at this meeting will remain on the facilities plan through December 2023.

Projects seeking a Clean Water or Drinking Water State Revolving Fund loan must be included on the project priority list of the Intended Use Plan. The State Water Plan applications are used to determine which projects should be amended onto the State Revolving Fund Project Priority Lists.

Mr. Bruels reported that 41 State Water Plan applications were received by the February 1, 2022, deadline. A list of projects was included in the board packet. As he presented the State Water Plan applications, Mr. Bruels also identified those projects to be placed on the Clean Water SRF and Drinking Water SRF project priority lists.

Mr. Bruels presented the following State Water Facilities Plan applications and staff recommendation:

Project Sponsor	Description	Projected State Funding (\$)	Recommendation
Angostura Irrigation District	Irrigation Pipe Repair	\$194,062	Place on Facilities Plan
Belle Fourche	Gallery Springs Line Replacement	\$5,328,000	Place on Facilities Plan
Black Hawk Water User District	Water System Improvements - Phase II	\$6,675,500	Place on Facilities Plan
Box Elder	Westgate Sewer Interceptor	\$2,868,750	Place on Facilities Plan
Box Elder	Water Distribution Improvements 2022	\$4,392,150	Place on Facilities Plan
Britton	Industrial Park Wastewater Improvements	\$532,000	Place on Facilities Plan
Britton	Industrial Park Water Improvements	\$1,043,000	Place on Facilities Plan

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Colman	Water Distribution Improvements 2022	\$480,000	Place on Facilities Plan
Colman	Wastewater Collection System Improvements 2022	\$1,995,000	Place on Facilities Plan
Dakota Dunes Community Improvement District	Parallel Sanitary Sewer Line	\$415,376	Place on Facilities Plan
DeSmet	Water Distribution Improvements 2022	\$5,050,000	Place on Facilities Plan
DeSmet	Wastewater Collection System Improvements 2022	\$2,090,000	Place on Facilities Plan
Fall River Water User District	Water System Improvements	\$12,088,000	Place on Facilities Plan
Flandreau	Wastewater Collection System Improvements 2022	\$4,380,000	Place on Facilities Plan
Flandreau	Water Distribution Improvements 2022	\$4,440,000	Place on Facilities Plan
Huron	Water System Improvements 2022	\$42,317,600	Place on Facilities Plan
Huron	Wastewater Infrastructure Improvements 2022	\$16,660,850	Place on Facilities Plan
James River Water Development District	South Central Watershed Implementation Project - Segment 2	\$1,575,000	Place on Facilities Plan
Keystone	Well, Storage Tank, and Booster Station	\$781,258	Place on Facilities Plan
Keystone	Bullion Street Water and Wastewater Replacement	\$1,187,606	Place on Facilities Plan
Lake Andes	Lift Station and Forcemain Improvements	\$1,230,000	Place on Facilities Plan
Lead	Mill Street Wastewater and Storm Sewer Separation	\$501,261	Place on Facilities Plan
Lead	Mill Street Water Main Replacement	\$490,320	Place on Facilities Plan
Lead	Miners Avenue Wastewater and Storm Sewer Separation	\$346,788	Place on Facilities Plan
Lead	Miners Avenue Water Main Replacement	\$219,045	Place on Facilities Plan
Lead-Deadwood Sanitary District	Wastewater Treatment Plant Improvements	\$907,000	Place on Facilities Plan

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Lead-Deadwood Sanitary District	Drinking Water System Improvements	\$3,720,000	Place on Facilities Plan
Mitchell	Wastewater Collection System Replacements	\$98,000,000	Place on Facilities Plan
Mobridge	Drinking Water System Improvements	\$11,300,000	Place on Facilities Plan
Mobridge	Wastewater System Improvements	\$3,000,000	Place on Facilities Plan
Philip	Wastewater and Storm Sewer Improvements	\$3,164,500	Place on Facilities Plan
Rapid City	Booster Station Improvements and Security Fencing Installation	\$710,000	Place on Facilities Plan
Rapid City	Water Reclamation Facility Equipment Upgrades and Security Fencing Installation	\$5,300,000	Place on Facilities Plan
Rosholt	Water Tower Construction	\$2,300,000	Place on Facilities Plan
S.D. Ellsworth Development Authority	West River Water Regionalization Study	\$225,000	Place on Facilities Plan
Spearfish	Wastewater Conveyance and Treatment Improvements	\$8,521,000	Place on Facilities Plan
Spearfish	Exit 17 Water Tank and Well	\$4,620,000	Place on Facilities Plan
Tulare	Wastewater Improvements	\$2,540,000	Place on Facilities Plan
Valley Springs	Drinking Water System Improvements 2022	\$2,703,000	Place on Facilities Plan
Watertown	Landfill Cell #7 Construction	\$1,500,000	Place on Facilities Plan
WEB Water Development Association	Waterline Improvement Project	\$21,665,000	Place on Facilities Plan

Motion by Gnirk, seconded by Adam, to place the 41 projects on the 2022 State Water Facilities Plan. A roll call vote was taken, and the motion carried unanimously.

Staff recommended that the following projects be added to Attachment I – Project Priority list of the 2022 Clean Water SRF Intended Use Plan:

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Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
36	James River Water Development District	\$1,575,000	2.125%, 30 yrs
20	Rapid City	\$5,300,000	2.00%, 20 yrs
18	Spearfish	\$8,521,000	2.125%, 30 yrs
16	Lead	\$501,261	2.125%, 30 yrs
16	Lead	\$346,788	2.125%, 30 yrs
16	Lead-Deadwood Sanitary District	\$907,000	2.00%, 20 yrs
16	Mobridge	\$3,000,000	2.125%, 30 yrs
16	Watertown	\$1,500,000	1.875%, 10 yrs
13	Tulare	\$2,540,000	2.125%, 30 yrs
12	Huron	\$16,660,850	2.125%, 30 yrs
12	Mitchell	\$98,000,000	2.125%, 30 yrs
9	Box Elder	\$2,868,750	2.125%, 30 yrs
9	Britton	\$532,000	2.125%, 30 yrs
9	DeSmet	\$2,090,000	2.125%, 30 yrs
9	Flandreau	\$4,380,000	2.125%, 30 yrs
8	Colman	\$1,995,000	2.125%, 30 yrs
8	Dakota Dunes Community Improvement Dist.	\$415,376	2.125%, 30 yrs
8	Lake Andes	\$1,230,000	2.125%, 30 yrs
8	Philip	\$3,164,500	2.125%, 30 yrs
7	Keystone	\$593,803	2.125%, 30 yrs

Motion by Newman, seconded by Bernhard, to place the 20 projects on the 2022 Clean Water SRF Project Priority List. A roll call vote was taken, and the motion carried unanimously.

Staff recommended that the following projects be added to Attachment I – Project Priority list of the 2022 Drinking Water SRF Intended Use Plan:

Priority Points	Loan Recipient	Estimated Loan Amount	Expected Loan Rate & Term
69	Fall River Water Users District	\$12,088,000	2.125%, 30 years
61	Mobridge	\$11,300,000	1.875%, 30 years
43	Keystone	\$781,258	1.625%, 30 years
38	Spearfish	\$4,620,000	1.625%, 30 years
37	Box Elder	\$4,392,150	1.625%, 30 years
35	South Dakota Ellsworth Development Authority	\$225,000	2.125%, 30 years
33	Huron	\$39,300,000	1.875%, 30 years
26	Lead-Deadwood Sanitary District	\$3,720,000	1.875%, 30 years
20	DeSmet	\$5,050,000	1.875%, 30 years
19	Colman	\$480,000	1.875%, 30 years
19	Valley Springs	\$2,703,000	2.125%, 30 years
12	Belle Fourche	\$5,328,000	1.625%, 30 years
11	Lead	\$501,261	1.875%, 30 years

11	Lead	\$219,045	1.875%, 30 years
10	Britton	\$1,043,000	1.875%, 30 years
10	Flandreau	\$4,440,000	1.875%, 30 years
10	Rapid City	\$710,000	1.875%, 30 years
10	WEB Water Development Association	\$21,665,000	1.875%, 30 years
8	Keystone	\$593,803	1.625%, 30 years
6	Black Hawk Water User District	\$6,675,500	2.125%, 30 years
3	Rosholt	\$2,300,000	2.125%, 30 years

Motion by Gnirk, seconded by Bernhard, to place the 21 projects on the 2022 Drinking Water SRF Project Priority List. A roll call vote was taken, and the motion carried unanimously.

LEGISLATIVE UPDATE: Mr. Bruels provided a summary of the following bills that were passed by 2022 Legislature:

- SB 62, which makes an appropriation of \$600,000,000 in American Recovery Plan Act funds for eligible water, wastewater, storm water, and nonpoint source projects.
- SB 64, the Omnibus Funding Bill, which makes appropriations from the Water and Environment Fund and revolving fund subfunds for various water and environmental purposes.
- SB 50, which appropriates \$60,000,000 in American Recovery Plan Act funds for water, wastewater, and storm water projects at state-owned facilities.
- HB 1034, which makes an appropriation of up to \$500,000 from the Coordinated Natural Resources Conservation Fund to the State Conservation Commission for South Dakota Conservation Districts to implement effective conservation practices throughout the state.
- HB 1046, which revises the disposal fee for large-scale solid waste disposal facilities operated by political subdivisions.

BIPARTISAN INFRASTRUCTURE LAW UPDATE: Mr. Perkovich provided a slide presentation on the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL).

Clean Water SRF Program

Staff expects the 2022 Capitalization Grant to be approximately \$5,700,000, which is 23 percent lower than the prior year, and the 2022 BIL allocation will be approximately \$8,809,000, so there will be a total of approximately \$14,509,000 for the coming year.

The subsidy level in the 2022 base grant is \$2,300,000 and the 2022 BIL mandated subsidy is \$4,316,410 for a total of \$6,616,410 available as principal forgiveness. The BIL subsidy is only for disadvantaged communities.

Drinking Water SRF Program

Staff expects the 2022 Capitalization Grant to be approximately \$7,150,000, which is lower than previous years, and the 2022 BIL allocation will be approximately \$17,955,000, so there will be a total of approximately \$25,105,000 available for the coming year.

The subsidy level in the 2022 base grant is \$3,500,000 and the 2022 BIL mandated subsidy is \$8,797,950 for a total of \$12,297,950 available for principal forgiveness. The BIL subsidy is only for disadvantaged communities.

BIL Funding

The BIL funding authorizations are for five years. Funding levels are similar to 2022 levels with a slight increase each year. BIL allocations are in addition to the annual SRF Capitalization Grants.

New Program Allotments

There is an allotment in the BIL for emerging contaminants. The amount for the Clean Water SRF Program is \$462,000 annually and the amount for the Drinking Water SRF Program is \$7,540,000 annually. The BIL mandates 100 percent subsidy to any entity that takes one of these loans. The focus on the emerging contaminants is primarily on perfluoroalkyl and polyfluoroalkyl (PFAS) substances. Twenty five percent of the funds are required to go to small or disadvantaged communities. The funding is authorized for five years.

Another new program allotment is for lead line replacement, with \$28,275,000 allotted annually for the Drinking Water SRF Program. It mandates that 49 percent of the subsidy go to disadvantaged communities. Mr. Perkovich said his staff does not know what the lead line situation is in South Dakota, although the DANR Drinking Water Program staff believe it is minimal.

The funding is authorized for five years.

New Requirements

The Build America, Buy America Act requires that construction materials used in a project are produced in the United States. The act also requires that all manufacturing processes for the construction material occurs in the United States. Construction material includes iron and steel, lumber, sheetrock, and manufactured items.

Mr. Perkovich stated that more guidance is forthcoming. This requirement does not go away after the Bipartisan Infrastructure Law terminates. Mr. Perkovich noted that there may be a waiver process for this requirement.

Other Requirements

The BIL reduced the state match to 10 percent for the first two years. There is a lot of tracking and reporting that will need to take place with the lead and emerging contaminant allocations, the base grants and the BIL grants, and potentially seven Capitalization Grants per year.

The Intended Use Plans must also identify the uses for all of these allocations.

Guidance continues to be ongoing, and new requirements may be forthcoming.

NEXT MEETING: The next meeting is April 12-13, 2022. The board will consider funding applications at that meeting.

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Chairman Soholt encouraged the board members to attend the meeting in-person because of the large number of funding applications the board will be considering.

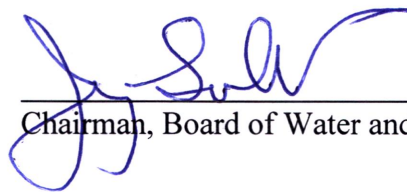
Mr. Adam commended the staff for their hard work and dedication.

Chairman Soholt also thanked the staff.

ADJOURN: Motion by Bernhard, seconded by Adam, to adjourn. Motion carried.


Approved June 23, 2022.

(SEAL)



Chairman, Board of Water and Natural Resources

ATTEST:



Secretary, Board of Water and Natural Resources

