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# PROGRAMMATIC ENVIRONMENTAL ASSESSMENT FOR THE STATEWIDE DNRC FINANCING OF STATE REVOLVING FUND LOANS PROGRAMS

Montana Department of Natural Resources and Conservation  
Conservation and Resource Development Division

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January 2023

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## Acronyms and Abbreviations

ARM	Administrative Rules of Montana
CARDD	Conservation and Resource Development Division
CATEX	Categorical Exclusion
CCMP	Comprehensive Conservation Management Plan
DNRC	Department of Natural Resources and Conservation
DWSRF	Drinking Water State Revolving Fund
EA	Environmental Assessment
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
FONSI	Finding of No Significant Impact
FFY	Federal Fiscal Year
GO	General Obligation
IUP	Intended Use Plan
MCA	Montana Code Annotated
MEPA	Montana Environmental Policy Act
NEPA	National Environmental Policy Act
NPS	Nonpoint Source
NEP	National Estuary Program
PEA	Programmatic Environmental Assessment
PER	Preliminary Engineering Report
POTW(s)	Publicly Owned Treatment Works
SDWA	Safe Drinking Water Act
SRF	State Revolving Fund
WPCSRF	Water Pollution Control State Revolving Fund

# **Programmatic Environmental Assessment for the Statewide DNRC Financing of State Revolving Fund Loans Programs**

Montana Department of Natural Resources and Conservation  
Conservation and Resource Development Division

January 2023

## **Executive Summary**

The Montana Department of Natural Resources and Conservation (DNRC) – Conservation and Resource Development Division (CARDD) is preparing this Programmatic Environmental Assessment (PEA) to evaluate the impacts of water pollution control and drinking water infrastructure projects receiving DNRC financial assistance through the State Revolving Fund (SRF) Loans programs.

DNRC is preparing this Programmatic EA in accordance with the Montana Environmental Policy Act (MEPA; MCA 75-1-101<sup>1</sup>) and the Agency specific rules of preparing a Programmatic assessment per the Administrative Rules of Montana<sup>2</sup> (ARM; 36.2.522 Definitions; 36.2.523 General Requirements of the Environmental Review Process; 36.2.537 Preparation, Content, and Distribution of a Programmatic Review). DNRC is required to assess the impacts the Agency may have on the Montana human and physical environment.

### *State of Montana –State Revolving Fund Loans Programs Overview*

The SRF loan programs provide low-interest loans to public entities for eligible drinking water and wastewater projects. The Federal Clean Water Act and its 1987, 1996, and 1997 Amendments established the Water Pollution Control and Drinking Water SRF program(s) and allowed the Environmental Protection Agency (EPA) to make capitalization grants to states. These grants are then administered cooperatively by the Montana Department of Environmental Quality (DEQ) and the DNRC to provide financial assistance for the construction of both water pollution control projects and drinking water infrastructure projects. Legislation for these programs also allowed the State to provide match funds through the sale of State General Obligation (GO) Bonds, which can provide interim financing for federal funds approved, but not yet appropriated<sup>3</sup>.

### *Purpose and Need*

DNRC identified a need to develop a programmatic review to efficiently process environmental documents for the DNRC financing of the SRF Loans Programs. The DNRC and DEQ cooperatively administer the Water Pollution Control and Drinking Water SRF Programs. The DEQ is primary agency responsible for the oversight of the State Revolving Fund (SRF) program which includes ensuring compliance with state and federal requirements, technical expertise and review and approval of projects. The DEQ is required to complete an environmental review compliant with the National Environmental Policy Act (NEPA) and public involvement process as required by the

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<sup>1</sup>Montana Code Annotated 2021; [leg.mt.gov/bills/mca](http://leg.mt.gov/bills/mca)

<sup>2</sup>Montana Secretary State's Office; <https://sosmt.gov/arm/>

<sup>3</sup>Montana Department of Environmental Quality and Montana Department of Natural Resources and Conservation. October 2021. Montana Drinking Water State Revolving Fund Annual Report – For State Fiscal Year 2021 (July 1, 2020 through June 30, 2021). EPA Region VIII.

Environmental Protection Agency. DNRC CARDD has typically 'adopted' the DEQ environmental document as compliant with the Montana Environmental Policy Act (MEPA). A 'MEPA Adoption Decision Notice' must be included on each individual DNRC funding agreement and thus an adoption is required for each SRF project. This method is duplicative and unnecessary because each SRF funded project undergoes a thorough environmental review by the DEQ before DNRC can simply adopt their review as a MEPA compliant. This inefficient processing can potentially delay the loan funding disbursement.

#### *Alternatives*

The DNRC proposes to analyze two alternatives within this PEA: the No Action Alternative in which DNRC continues to 'adopt' SRF environmental review documents on an individual project basis to comply with MEPA; and the Proposed Action Alternative, which includes the DNRC issuing this PEA. The PEA provides an analysis of the DNRC financial involvement and standard operating procedures for the SRF program and declares the DEQ environmental review process sufficient for DNRC MEPA compliance in all Water Pollution Control and Drinking Water SRF projects hereon from the final approval and issuance of this PEA.

#### *Environmental Consequences*

The DEQ, as the lead agency for SRF loans, is the agency responsible for compliance with both NEPA and MEPA and coordinates with DNRC as codified in Montana Code Annotated (MCA) 75-6-201 (Drinking Water State Revolving Fund) and MCA 75-5-1101 (Water Pollution Control State Revolving Fund). As such, DEQ is mandated to disclose all direct, indirect, and cumulative environmental impacts for each project the SRF programs would finance. Through this PEA, DNRC will accept the environmental impact findings disclosed by the DEQ through their NEPA/MEPA review for each SRF project. Thus, the environmental consequences are disclosed by DEQ on a case-by-case basis and this PEA provides an encompassing acceptance of the DEQ final environmental document.

## 1. Introduction

### 1.1. *Background*

The SRF programs are guided by the initial implementation of the Clean Water Act (33 U.S.C. §1251 et seq.) in 1972<sup>4</sup>. The Act effectively established the rules and regulations associated with discharging of pollutants into the waters of the United States and provided water quality standards for surface waters within the United States.

The 1987 Amendments to the Federal Clean Water Act (33 U.S.C. §1251 et seq.) established the Water Pollution Control (Clean Water) State Revolving Fund under the EPA<sup>5</sup>. The amendments officially transitioned the ‘federal construction-grants’ program to the state-operated SRF loan program. These actions delegated the responsibility for financing, constructing, and managing municipal wastewater facilities to states and localities.

The 1989 State Legislature passed the Montana Wastewater Treatment Revolving Fund Act, under Title 75, Chapter 5, Part 11, Montana Code Annotated<sup>1</sup>. This act allowed the DNRC and DEQ to adopt agency administrative rules to implement the program and provide funding for water pollution control projects. The 1997 amendments changed the title of the act to the ‘Water Pollution Control State Revolving Fund’ (WPCSRF) and added non-point source projects to the definition<sup>6</sup>.

The Safe Drinking Water Act (SDWA) of 1974 (42 U.S.C. §300f et seq.) established the necessary rules and policies to protect the quality of drinking water for the United States<sup>7</sup>. The Clinton Administration later amended the Act in 1996, which further specified all drinking water sources, including above ground and underground (groundwater), be maintained to specific water quality standards set forth through a detailed risk and cost assessment, and best available peer-reviewed science.

The 1996 Amendments to the Federal Safe Drinking Water Act (SDWA) established the Drinking Water SRF program<sup>3</sup>. Anticipating the impacts of the 1996 Amendments, the 1995 Montana State Legislature passed the Safe Drinking Water Treatment Revolving Fund Act under Title 75, Chapter 6, Part 2, Montana Code Annotated<sup>1</sup>. The legislation gave agency authority to the Montana DEQ and DNRC to cooperatively adopt administrative rules implementing the Drinking Water SRF program, allowing the agencies to provide financial assistance for drinking water infrastructure projects within the State of Montana.

### 1.2. *PEA Scope and Content*

This PEA is statewide in scope and will identify the financial processes the DNRC completes when providing financing assistance for the SRF programs. The purpose of the PEA is for DNRC to maintain compliance with the MEPA through a broad adoption of the DEQ environmental review process. While the Montana Code Annotated (MCA) states the interagency cooperation between the DNRC and DEQ for implementing and administering both the water pollution control SRF and drinking water SRF programs, there does not appear to be explicit language identifying the DNRC as exempt from

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<sup>4</sup>Summary of the Clean Water Act. <https://www.epa.gov/laws-regulations/summary-clean-water-act>. Date Accessed: 11/9/2022.

<sup>5</sup>EPA Press Release. February 2, 1988. <https://www.epa.gov/archive/epa/aboutepa/epa-announces-guidance-state-revolving-funds-sewage-treatment.html>.

<sup>6</sup>Montana Department of Environmental Quality and Montana Department of Natural Resources and Conservation. November 2021. Montana Water Pollution Control State Revolving Fund Annual Report – For State Fiscal Year 2021 (July 1, 2020 through June 30, 2021). EPA Region VIII.

<sup>7</sup>Summary of the Safe Drinking Water Act. <https://www.epa.gov/laws-regulations/summary-safe-drinking-water-act>. Date Accessed: 11/9/2022.

completing a separate environmental review document compliant with MEPA apart from the DEQ environmental review. To date, DNRC has ‘adopted’ the DEQ environmental document as sufficient for compliance with MEPA. Given the DEQ is required to complete an environmental review compliant with the National Environmental Policy Act (NEPA) and public involvement process as required by the Environmental Protection Agency, this ‘adoption’ by DNRC is inherently redundant and causes inefficiency.

A ‘MEPA Adoption Decision Notice’ must be included on each individual DNRC funding agreement and thus an adoption is required for each SRF project. This method is duplicative and unnecessary because each SRF funded project undergoes a thorough environmental review by the DEQ before DNRC can simply adopt their review as a MEPA compliant. This inefficient processing can potentially delay the loan funding disbursement. Thus, the DNRC is proposing to issue this PEA as a broad adoption of all DEQ environmental documents for individual SRF funded projects. By issuing this PEA, the DNRC will no longer need to complete an individual Adoption Decision for a given SRF project and therefore will decrease the processing time of loan applications and reviews for the DNRC.

### 1.3. *State Revolving Fund Program Overview*

As stated in the ‘*Uniform Application for Montana Public Facility Projects*’<sup>8</sup>, ‘the Montana Legislature established two State Revolving Fund (SRF) Loan Programs - one for water pollution control projects (wastewater and nonpoint source projects) and the other for drinking water projects. Both programs provide at or below market interest rate loans to eligible Montana entities. These programs are funded with capitalization grants from the U.S. Environmental Protection Agency and are matched with State issued general obligation bonds. Combined, these two sources of funds create the state revolving funds from which loans are made and borrower repayments revolve to provide loans for future infrastructure projects.

The Department of Environmental Quality (DEQ) is the administering agency and assures that the technical, financial, and programmatic requirements of the program are met. The Department of Natural Resources and Conservation (DNRC) issues the State’s general obligation bonds and makes loans to the project borrowers. Cooperatively, DEQ and DNRC administer the State Revolving Fund Loan Programs.’

#### 1.3.1. *Eligibility Requirements*

##### 1.3.1.1. Applicant Eligibility

##### Water Pollution Control (Clean Water) SRF Program (WPCSRF)

Applicants can be considered any municipality, intermunicipal, interstate, or State agency proposing to construct publicly owned treatment works (as defined in section 212 of the Clean Water Act) that reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse, or which reduce the energy consumption needs for publicly owned treatment works<sup>9</sup>.

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<sup>8</sup>Water, Wastewater and Solid Waste Action Coordinating Team (W<sup>2</sup>ASACT). March 2022. *Uniform Application for Montana Public Facility Projects. 13<sup>th</sup> Edition*.

<sup>9</sup>Environmental Protection Agency (EPA). 2016. Overview of Clean Water State Revolving Fund Eligibilities.

Applicants can also be any qualified nonprofit entity, as determined by the Administrator, that aids owners and operators of small and medium sized publicly owned treatment works. This assistance can be in the form of planning, design, and associated preconstruction activities; or to assist such treatment works in achieving compliance with the Clean Water Act.

### *Drinking Water SRF Program (DWSRF)*

The EPA Drinking Water SRF eligibility guidance proclaims States can issue financial assistance to public water systems, including private- and publicly-owned community water systems, non-profit non-community water systems, which are systems using either point of entry or residential central treatment, and new community water systems that either reduce existing public health problems caused by unsafe drinking water well sources, or create efficiency through consolidation of existing systems due to administrative and technical difficulty<sup>10</sup>. The Drinking Water SRF guidelines state a community water system is comprised of either 15 service connections with year-round residents, or a system that regularly serves 25 year-round residents.

#### 1.3.1.2. Project Eligibility

### *Water Pollution Control (Clean Water) SRF Program*

Projects applying under the Water Pollution Control SRF Program must be categorized under the three statutory eligibilities established by the EPA in 1987: 1) the construction of publicly owned treatment works (POTWs), 2) the implementation of a state nonpoint source (NPS) management program, and (3) the development and implementation of a National Estuary Program (NEP) Comprehensive Conservation and Management Plan (CCMP).

The WPCSRF program can fund a variety of projects. The projects must fit under at least one of the following broad categories as it relates to publicly owned treatment works: centralized wastewater treatment, energy conservation, water conservation, stormwater, agricultural best management practices, decentralized wastewater treatment, resource extraction, contaminated sites, landfills, habitat protection and restoration, silviculture, desalination, groundwater protection and restoration, surface water protection and restoration, and planning/assessment. Examples of projects within these categories include wastewater treatment plant improvements, interceptors, collectors, lagoon rehabilitation or construction, storm drains, land used for treatment purposes and non-point source pollution control projects (including certain solid waste management projects).

### *Drinking Water SRF Program*

Projects applying under the Drinking Water SRF Program must adhere to the SDWA and thus the DWSRF would provide financial assistance to those projects which would facilitate compliance with national primary drinking water regulations or satisfy the public health protection objectives of the SDWA. There are six (6) broad categories within which DWSRF projects may fall under, including treatment, transmission and distribution, source, storage, consolidation, and creation of new systems. These projects may include upgrading and replacing drinking water infrastructure, addressing exceedances of the SDWA, or preventing future violations, consolidating water supplies, acquisition of land that is integral to the project, source water protection, and planning and design.

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<sup>10</sup>Environmental Protection Agency (EPA). 2017. Drinking Water State Revolving Fund Eligibility Handbook.



### 1.3.2. *Application Process*

To apply to either the WPCSRF or DWSRF programs, entities must first request their project(s) be added to the Priority List within the 'Intended Use Plan' and submit a survey for either the WPCSRF or DWSRF Program<sup>11</sup>. Once the project is successfully on the Priority List, a project will remain on the list until it is completed regardless of the different funding sources potentially used for the project. The Intended Use Plan is drafted on an annual basis beginning in Spring and establishes which projects may require SRF funding for the upcoming year.

Projects must also submit the 'Uniform Application for Montana Public Facility Projects' to formally request the SRF funding. These applications are accepted year-round and are often evaluated after the preliminary engineering report (PER) has been submitted to and reviewed by DEQ. In addition to submitting a PER, these applications include providing certification from the chief elected official or executive officer, project summary, financial information (including total costs, other funding sources, budget, current debt, income and expense information, and funding strategy), and system information (i.e., system revenue, annual operation and maintenance, residential equivalent dwelling units, and average monthly residential water and/or sewer rates).

After DEQ and DNRC review, DEQ will complete their environmental review compliant with MEPA and issue an environmental decision with each project. After the MEPA review and approval, SRF funding can be committed to a project.

### 1.3.3. *SRF Intended Use Plan*

The purpose of developing the Intended Use Plan (IUP) for both the WPCSRF and DWSRF programs is to identify the amount of available federal and state funds for a given fiscal year and how they will be used by each of the programs<sup>12</sup>. Federal dollars appropriated in one year are available for use the following year (i.e., the FFY22 appropriation is available in FFY23).

#### Water Pollution Control SRF Program (WPCSRF)

DEQ reviews and ranks the projects for the IUP based on public health protection benefits, water quality, effectiveness on reducing or eliminating health hazards or improving water quality, impacts as either a point source or nonpoint source project, and readiness to proceed<sup>13</sup>. DEQ assigns each category points, and the total points awarded determines priority of the project. As above, DEQ considers and ranks each project annually beginning in Spring.

#### Drinking Water SRF Program (DWSRF)

DEQ reviews and ranks the DWSRF projects for the IUP based on current and potential health hazards due to drinking water, compliance with the SDWA, if the system is the creation of a new system or a consolidation of an existing system, works toward water conservation, and the project's readiness to proceed. DEQ assigns each category points, and the total points awarded determines priority of the project. As above, DEQ considers and ranks each project annually beginning in Spring.

<sup>11</sup>Montana Department of Environmental Quality (DEQ). Engineering Infrastructure and Subdivision website. <https://deq.mt.gov/water/Programs/eng>. Date accessed: 11/15/2022.

<sup>12</sup>Montana Department of Environmental Quality (DEQ). 2022. Drinking Water State Revolving Fund Intended Use Plan and Project Priority List. Water Quality Division.

<sup>13</sup>Montana Department of Environmental Quality (DEQ). 2012. Water Pollution Control State Revolving Fund Priority List Ranking Criteria.

#### 1.4. Compliance Requirements

All projects receiving SRF funds or State General Obligation (GO) Bonds are required to comply with all applicable federal and state laws and regulations, and Executive Orders. These laws can include MEPA, National Environmental Policy Act (NEPA), Endangered Species Act, National Historic Preservation Act, Clean Water Act, and Safe Drinking Water Act. The DEQ addresses many of these laws when completing their MEPA environmental review and require consultation and comment from many crosscutting agencies.

Table 1 below lists a variety of environmental and cultural resource compliance laws and statutes that may apply to SRF projects. This is not a comprehensive list but presents commonly encountered laws and regulations to consider for a MEPA environmental review.

Table 1. Potential Natural Resource or Cultural Laws and Information to Consider

Potential Natural Resource or Cultural Laws and Regulations	Additional Information
<i>National Historic Preservation Act, 16 U.S.C. 470 et seq.</i>	<a href="https://www.nps.gov/archeology/tools/laws/NHPA.htm">https://www.nps.gov/archeology/tools/laws/NHPA.htm</a>
<i>Native American Graves Protection and Repatriation Act (NAGPRA) 25 U.S.C. 3001-3013</i>	<a href="https://www.nps.gov/nagpra/">https://www.nps.gov/nagpra/</a>
<i>Clean Water Act, 33 U.S.C. 1251 et seq.</i>	<a href="https://www.epa.gov/laws-regulations/summary-clean-water-act">https://www.epa.gov/laws-regulations/summary-clean-water-act</a>
<i>Safe Drinking Water Act, 42 U.S.C. 300f et seq.</i>	<a href="https://www.epa.gov/ground-water-and-drinking-water">https://www.epa.gov/ground-water-and-drinking-water</a>
<i>Executive Order 11988, Floodplain Management, 42 FR 26951</i>	<a href="https://www.archives.gov/federal-register/codification/executive-order/11988.html">https://www.archives.gov/federal-register/codification/executive-order/11988.html</a>
<i>Executive Order 11990, Protection of Wetlands, 42 FR 26961, as amended by Executive Order 12608, 52 FR 34617</i>	<a href="https://www.epa.gov/cwa-404">https://www.epa.gov/cwa-404</a>
<i>Endangered Species Act, 16 U.S.C. 1531 et seq.</i>	<a href="https://www.fws.gov/endangered/">https://www.fws.gov/endangered/</a>
<i>Bald and Golden Eagle Protection Act, 16 U.S.C. §§ 668-668c</i>	<a href="http://www.fws.gov/midwest/midwestbird/EaglePermits/bagepa.html">www.fws.gov/midwest/midwestbird/EaglePermits/bagepa.html</a>
<i>Migratory Bird Treaty Act, 16 U.S.C. §§ 703-712</i>	<a href="https://www.fws.gov/birds/policies-and-regulations/laws-legislations/migratory-bird-treaty-act.php">https://www.fws.gov/birds/policies-and-regulations/laws-legislations/migratory-bird-treaty-act.php</a>
<i>EO 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, 59 FR 7629</i>	<a href="https://www.archives.gov/files/federal-register/executive-orders/pdf/12898.pdf">https://www.archives.gov/files/federal-register/executive-orders/pdf/12898.pdf</a>

*EO 13045, Protection of Children from Environmental Health Risks and Safety Risks, 62 FR 19885* <https://www.epa.gov/children>

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### 1.5. Public Involvement

DNRC published a Scoping Notice to prepare this PEA for the DNRC financing portion of the SRF programs on November 9<sup>th</sup>, 2022 and solicited comments for 14 days. The notice initiated the scoping process by inviting comments from federal, state, and local agencies, Tribal governments, and the public to help identify the environmental issues and reasonable alternatives to be examined in the PEA. The DNRC received three public comments. The comments were largely supportive or were clarification requests and included no substantive recommendations.

DNRC invites public, agency, and Tribal participation in the MEPA process. Consideration of the views and information of all interested persons promotes open communication and enables better decision-making. All agencies, organizations, and members of the public having a potential interest in the proposed action are urged to provide input on the PEA and future project-specific MEPA processes.

This PEA and preliminary FONSI are available for a 14-day public review and comment period starting on the day DNRC publishes the document on the 'DNRC Public Notices'. Comments submitted within the 14-day public comment period will be made part of the PEA document. DNRC will consider and respond to any substantive comments received before finalizing the PEA and preliminary FONSI.

An electronic copy of this document is available for download from DNRC's Public Notice webpage at <http://dnrc.mt.gov/public-interest/public-notice>.

Comments can be submitted via email, mail, or phone to either:

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## 2. Proposed Action

### 2.1. *Proposed State Action*

DNRC proposes to issue this PEA as a uniform adoption of DEQ environmental review documents, whether they are categorical exclusions, environmental assessments, or environmental impact statements (EIS), for individual WPCSRF or DWSRF projects. The DNRC proposed action evaluated in this PEA is the DNRC financing of SRF loan funded projects, not the environmental evaluation of SRF funded projects as those actions are undertaken by the DEQ.

### 2.2. *Purpose and Need*

DNRC identified a need to develop a programmatic review to efficiently process environmental documents for the DNRC financing of the SRF Loans Programs. The DNRC and DEQ cooperatively administer the Water Pollution Control and Drinking Water SRF Programs. The DEQ is primacy agency responsible for the oversight of the State Revolving Fund (SRF) program which includes ensuring compliance with state and federal requirements, technical expertise and review and approval of projects. DEQ is required to complete an environmental review compliant with the National Environmental Policy Act (NEPA) and public involvement process as required by the Environmental Protection Agency. DNRC CARDD has typically 'adopted' the DEQ environmental document as compliant with the Montana Environmental Policy Act (MEPA). A 'MEPA Adoption Decision Notice' must be included on each individual DNRC funding agreement and thus an adoption is required for each SRF project. This method is duplicative and unnecessary because each SRF funded project undergoes a thorough environmental review by the DEQ before DNRC can simply adopt their review as a MEPA compliant. This inefficient processing can potentially delay the loan funding disbursement.

DNRC CARDD has also implemented the 'Adoption Decision Memos' as DNRC provides not only the financial administration of the project loans, but also oversees the sale of state General Obligation (GO) bonds that serve as state match for the SRF loan funds. From the DWSRF and WPCSRF 2022 IUP, "A portion of the funds for this program come to Montana in the form of capitalization grants through EPA. For the base grant, Montana provides the required 20% matching funds by issuing state GO bonds. For FFY 2022, the supplemental grant has a required match of 10% of the grant which will also be covered by issuing state GO bonds. Interest on the project loans is used to pay the GO bonds, thus using no state general funds to operate the program. The repaid principal on the project loans is used to rebuild the DWSRF and WPCSRFs loan funds and to fund additional projects in the future. Since the inception of the program, federal capitalization grants had only been authorized through FFY 2004. Still, Congress has continued to appropriated funds each year. In 2021, the BIL included language that reauthorizes the base federal capitalization grant for each federal fiscal year from FFY 2022 through FFY 2026. The BIL also authorizes additional appropriations which encompass the supplemental federal capitalization grant for each federal fiscal year from FFY 2022 through FFY 2026. Federal and state law requires the DWSRF to be operated in perpetuity.' Thus, as DNRC is required to be compliant with MEPA through this additional funding assistance, DNRC has been completing Adoptions in part for the GO bonds.

Completing this PEA assures the DNRC financing of SRF loans and issuance of GO bonds is compliant with MEPA and provides an efficient environmental review process by eliminating the need to

complete an Adoption decision for each SRF funded project. Thus, the PEA will likely not delay the loan funding disbursement, ultimately benefiting the proposed SRF project overall.

### 3. Alternatives

#### 3.1. *No Action Alternative*

The DNRC has included the No Action Alternative and includes not drafting this PEA and continuing to issue Adoption Decision Memos for each SRF funded project. Evaluating this alternative provides a baseline from which to evaluate the benefits of the 'Proposed Action' alternative.

By choosing the No Action Alternative, DNRC would continue to draft individual Adoption Decision Memos for each SRF project. While this does not necessarily impact the DEQ processing and completion of their environmental review, it is an additional step and document for the DNRC to complete to also be compliant with MEPA. The decision document must be approved and finalized before DNRC can provide loan assistance. This additional step requires time for DNRC personnel to complete and may delay the ability of DNRC to provide timely loan assistance for SRF projects.

#### 3.2. *Proposed Action Alternative*

Given the nature of this PEA, DNRC is only evaluating the Proposed Action Alternative in addition to the 'No Action Alternative'. In this instance, the proposed action undertaken by the DNRC is to broadly adopt the DEQ environmental document for all SRF loan funded WPCSRF and DWSRC projects and provide financial assistance and support to those SRF loan funded projects.

By providing this broad adoption, the DNRC would no longer draft individual Adoption Decision Memos for each SRF funded project. This would eliminate an additional step in the DNRC financing of SRF loan funded projects and thus remove any potential delays regarding compliance with MEPA for the DNRC. Again, this would not change the DEQ environmental review process and requirements and DEQ would still issue either categorical exclusions, environmental assessments, or environmental impact statements for each SRF project. Implementing the PEA would instead create a more efficient MEPA process for the DNRC by eliminating the need to consider an additional MEPA (or NEPA document in some cases depending on funding sources for a given project) document for an individual SRF project.

### 4. Affected Environment and Environmental Consequences

#### 4.1. *Montana Department of Environmental Quality (DEQ) Environmental Review Procedures*

The DNRC and DEQ are subject to the provisions set forth by the Montana Environmental Policy Act (1971) – Chapter 75, Chapter 1, Parts 1 through 12 Montana Code Annotated<sup>14</sup>. Thus, the MCA and Administrative Rules of Montana (ARM) requires DEQ to complete a detailed environmental review on projects, programs, legislation, or other major actions of the state government that would significantly impact the human environment<sup>15</sup>.

This detailed environmental review includes evaluating the resource impacts. From the ARM<sup>16</sup>:

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<sup>14</sup>MCA § 75-1-201 et seq.

<sup>15</sup>ARM § 17.4.601 et seq.

<sup>16</sup>ARM § 17.4.609

‘(d) an evaluation of the impacts, including cumulative and secondary impacts, on the physical environment. This evaluation may take the form of an environmental checklist and/or, as appropriate, a narrative containing more detailed analysis of topics and impacts that are potentially significant, including, where appropriate: terrestrial and aquatic life and habitats; water quality, quantity, and distribution; geology; soil quality, stability, and moisture; vegetation cover, quantity and quality; aesthetics; air quality; unique, endangered, fragile, or limited environmental resources; historical and archaeological sites; and demands on environmental resources of land, water, air and energy;

(e) an evaluation of the impacts, including cumulative and secondary impacts, on the human population in the area to be affected by the proposed action. This evaluation may take the form of an environmental checklist and/or, as appropriate, a narrative containing more detailed analysis of topics and impacts that are potentially significant, including where appropriate, social structures and mores; cultural uniqueness and diversity; access to and quality of recreational and wilderness activities; local and state tax base and tax revenues; agricultural or industrial production; human health; quantity and distribution of employment; distribution and density of population and housing; demands for government services; industrial and commercial activity; locally adopted environmental plans and goals; and other appropriate social and economic circumstances;’

The DEQ would review all potential human environmental impacts for each SRF loan funded project and consider the affected environment. The DEQ would then issue either a CATEX, EA, or EIS for the given project and the DNRC would approve of their final environmental review decision and finding through this finalized PEA.

#### 5. Draft Significance of Potential Impacts and Need for Further Analysis

Agency actions taken because of the PEA would simply reduce duplicative administrative actions and would not impact the physical environment or the human population. Therefore, the DNRC finds that there are no significant impacts and no need for further analysis.

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