



16 W. Lafayette St.
Trenton, NJ 08608
p: (609) 393-0008
f: (609) 360-8478
w: njfuture.org

COMMENTS

Comments on the New Jersey Department of Environmental Protection's Proposed SFY27 Clean Water and Drinking Water Intended Use Plans

By email to: waterbankinfo@dep.nj.gov

January 20, 2026

Contact: Jessika Sherman, Policy and Program Coordinator
609-393-0008 ext. 1031

Below are recommendations from New Jersey Future (NJF) on the New Jersey Department of Environmental Protection's (NJDEP) Proposed State Fiscal Year 2027 Drinking Water (DW) and Clean Water (CW) Intended Use Plans (IUPs). We highly value your willingness to consider these ideas and the ongoing dialogue with Department staff regarding these critical documents.

New Jersey Future thanks NJDEP's leadership and staff for their continued opportunities to provide feedback and recommendations during open comment periods for the SRF Intended Use Plans.

As state fiscal year 2027 will be the final year of funding from the Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law (BIL), New Jersey must make a significant and deliberate effort to prioritize communities with the greatest need. This is a unique opportunity to ensure that limited remaining federal funds are deployed strategically to address one of New Jersey's greatest infrastructure needs in an equitable manner. The following recommendations would support this mission.

Affordability Criteria and Disadvantaged Community (DAC) Definitions

In the Environmental Policy Innovation Center's (EPIC) April 2025 report, "How States' Disadvantaged Community Definitions Can Prioritize Access to SRFs for Under-Resourced Communities," they surveyed the variation in how states define disadvantaged communities and the different metrics they use. The following recommendations are based on the report's findings. The Department should consider how these recommendations could be adopted in New Jersey and the potential advantages they may offer.

Additional Factors in the Affordability Criteria: The affordability score primarily relies on median household income, with the project unemployment factor and project population trend worth only a single point. Below are a few of the factors New Jersey's affordability score formula does not include:

- Percentage of Population Receiving Government Assistance
 - Water System Size
 - Water Rates
 - Human Health-related Factors
 - Overburdened Communities¹
- **System Size as a Factor:** Including system size (population served or number of connections) in DAC criteria would help identify small systems and communities that struggle to spread infrastructure costs across a limited number of ratepayers. This is especially important for lead service line replacement (LSLR) projects, where smaller systems are likely to face disproportionate burdens.
 - **Rate Burden:** Affordability criteria should incorporate water rates relative to household income. Communities where water bills represent a high share of income are experiencing acute affordability stress, even if their median household income does not fall below the existing DAC threshold.
 - **Tailored DAC Definitions:** The Department could strengthen its affordability framework by tailoring DAC criteria to characteristics of specific project types. For example, projects seeking LSLR funding could include rate burden as a relevant factor in the affordability criteria, or projects seeking funding for Emerging Contaminants (EC) could include public health factors. States like Michigan and Texas vary their definitions of DAC based on factors such as project type or community characteristics.

We recommend that the department review [EPIC's](#) report for a more comprehensive list of factors to consider.

Principal Forgiveness (PF) and Maximizing DEP Loan Shares

- **Maximizing PF and Expanding 0% Loans:** NJDEP should increase the percentage and scale of principal forgiveness in SFY27 to ensure that the last year of BIL resources is deployed to its fullest potential. Additionally, the Department should maximize the DEP 0% interest loan share for affordability funding packages to the fullest extent.

¹ It might be more appropriate to add this metric after BIL funding is dispersed as the state is already subject to a requirement that 49% of funding goes to DACs.

Tiering

- We are encouraged to see NJDEP continue the tiered distribution of PF to DACs in the SFY27 IUPs. As noted in NJF's comments on the SFY26 IUPs, we strongly recommend revisiting efforts to target a greater share of the benefit to the most needy communities. As with SFY26, SFY27 proposed IUPs include only two tiers. Other states have ranked the need for PF based on multiple factors beyond MHI (e.g., poverty, joblessness, population trends) and use those scores to distribute PF on a sliding scale that is much more extensive, thereby driving more funds to the most distressed localities. See Principal Forgiveness Wisconsin DNR and Recommendation 5 of New Jersey Future's study, [Improving a Program That Works: Recommendations to the New Jersey Water Bank for Advancing Equity](#).

Transparency on Congressionally Directed Spending (Earmarks)

- New Jersey Future recognizes that Congressionally Directed Spending (earmarks) are identified at the federal level and are deducted from federal capitalization grants prior to funds being awarded, and therefore fall outside of NJDEP's authority. However, to promote transparency and public understanding of available SRF resources, we recommend that NJDEP, in coordination with US Environmental Protection Agency Region 2, publish an annual summary of Congressionally Directed Spending projects allocated to New Jersey as an addendum in the IUPs. This information would clarify the portion of the federal capitalization grant directed to specific utilities or projects and help stakeholders understand how earmarks affect the funds remaining for New Jersey's SRF priority system and principal forgiveness.

Transparent Communication

- Through New Jersey Future's engagement with systems and municipalities, it has become apparent that certain systems are apprehensive about applying to the SRF, as the program is administered by the NJDEP, and systems worry that they will be fined for violations if they participate in this program. It is our recommendation that the DEP offer clear communication that systems with violations are eligible for funding and, in fact, could receive additional ranking points based on certain violations.

We commend the release of the What's New for CW and DW factsheets on the NJDEP Water Infrastructure Investment Plan webpage. These visually easy-to-understand fact sheets support transparency by enabling water utilities to better understand the funding opportunities available to them for upgrading water infrastructure projects. We recommend that the Department release a similar communication tool to help water systems and municipalities clearly understand the changes in year-to-year policies that could impact their projects and SRF applications.