

DRAFT

# FY 2024 INTENDED USE PLAN

## INVESTING IN IOWA'S WATER



### CLEAN WATER STATE REVOLVING FUND

Approved by the Environmental Protection Commission (EPC) on June 20, 2023. Anticipated approval by the EPC on September 19, 2023.

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## Introduction

Under the authority of Title VI of the Federal Water Pollution Control Act and Iowa Code Sections 455B.291-455B.299, the Clean Water State Revolving Fund (CWSRF) Program finances wastewater treatment, sewer rehabilitation, stormwater quality improvements, and nonpoint source projects.

Since 1989, Iowa's State Revolving Fund (SRF) Programs have provided over **\$4 billion** in financial assistance for water and wastewater infrastructure, agricultural best management practices, and other water quality projects. With the State Fiscal Year (SFY) 2024 Intended Use Plan (IUP) and future program plans, Iowa's SRF will continue to help Iowans protect public health and the environment through investing in Iowa's water.

## A. Highlights and Changes

In the past year, many exciting opportunities have developed to advance environmental equivalency in the water sector through increased investment in water and wastewater infrastructure. Iowa is expanding and revising the SRF Program, as needed, to adapt to and take advantage of these new opportunities. Highlighted below are some of the changes Iowa SRF is incorporating into SFY 2024 IUPs.

- ✓ Plans for implementing funding for the General Supplement and PFAS/Emerging Contaminants funding awarded from the **Infrastructure Investment and Jobs Act (IIJA)**, also known as, **Bipartisan Infrastructure Law (BIL)** are included in this annual release of the IUP.
- ✓ The **Socioeconomic Assessment Tool** used to define a **Disadvantaged Community** (DWSRF Program) and **Affordability Criteria** (CWSRF Program) has been updated with current American Community Survey and state-level employment data. In addition, the assessment criteria were refined to improve desired outcomes and comply with existing federal statute.
- ✓ Additional subsidization in the form of loan principal forgiveness will only be applied to eligible construction costs of projects selected to receive additional subsidization.
- ✓ Borrowers receiving loan forgiveness will only receive one award per project.
- ✓ Program planning continues in SFY 2024 for the **Water Resources Restoration Sponsored Project Program**. Future quarterly updates to the IUP will provide information on the availability of this program.

## B. SRF Program Overview

### SRF PROGRAM ADMINISTRATION

The unique partnership between the Iowa Department of Natural Resources (DNR), Iowa Finance Authority (IFA), and the Iowa Department of Agriculture and Land Stewardship (IDALS) is the foundation for the success of the SRF programs. These agencies work together to deliver streamlined programs and good customer service:

- DNR-Administers the environmental, permitting, and regulatory compliance aspects of the program as well as project approval and eligibility
- IFA-Administers the financial aspects of the program including fund management, bonding, loan approval, disbursements, and servicing
- IDALS-Through a contractual agreement with DNR, IDALS administers three SRF Nonpoint Source Linked Deposit Programs and provides technical assistance to the CWSRF Nonpoint Source Programs

Iowa's SRF also relies on partnerships with Soil and Water Conservation Districts, county public health agencies, watershed and land trust organizations, and lending institutions across the state to implement program and financial goals.

## INTENDED USE PLANS

The State of Iowa IUP for the CWSRF is prepared annually in accordance with the provisions of Clean Water Act, 40 CFR Part 35 and Iowa Code Sections 455B.291-455B.299 and 567 Iowa Administrative Code (IAC) Chapters 90-93.

The IUP is developed annually in June and updated quarterly in September, December, and March (or more often as needed). This IUP covers activities during the SFY 2024, July 1, 2023 through June 30, 2024.

The IUP identifies the intended use of funds available to the SRF, the program's goals, information on the types of activities to be supported, assurances and specific proposals on the manner by which the State intends to meet the requirements of the Operating Agreement with the U.S. Environmental Protection Agency (EPA), criteria and method for distribution of funds, and the loan rates, terms, and fees for the fiscal year; and includes a ranked listing of projects to be funded.

The IUP and Project Priority List (PPL) are submitted to the EPA as part of the application for a capitalization grant. The IUP and PPL are reviewed and approved quarterly by the Iowa Environmental Protection Commission (EPC)<sup>1</sup>. Federal and state law requires, and Iowa welcomes, public participation in the development of the IUP.

## METHOD OF AMENDMENT OF THE INTENDED USE PLAN

The Iowa SRF Program will follow this IUP in administering CWSRF funds in SFY 2024. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules and loan amounts are allowed without public notification by the procedures of this IUP and state rules for administration of the CWSRF. Adjustments to the PPL to utilize actual funds available to the CWSRF for SFY 2024 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if borrowers are added to or removed from the PPL.

## PUBLIC REVIEW AND COMMENT

(See Appendix I - Public Review and Comments Received)

The SRF Program accepts new IUP applications quarterly by the first business day in March, June, September, and December<sup>2</sup>. The IUP and PPL are updated and available to the public for review about 60 days after the quarterly IUP application deadline. The IUP is posted on the CWSRF Program webpage of the SRF Program's website ([www.iowasrf.com](http://www.iowasrf.com)) and public comments are accepted for up to 30 days following the posting.

Public Hearings are scheduled on the second Thursday of the months of May, August, November and February to highlight changes from the previous quarter and to collect public comments. A final draft version of the IUP, including all comments incorporated during the comment period, will be posted as part of the EPC Meeting and Agenda on the EPC webpage on the DNR's website<sup>3</sup>.

An open forum client contact group meeting will be held on the Thursday prior to each EPC meeting to discuss agenda items. The IUP is approved quarterly by the EPC at regularly scheduled EPC meetings typically held the third Tuesday of the months of June, September, December and March. EPC meetings are open to the public, providing a final opportunity for public comment on the IUP.

All of the opportunities mentioned above are open to the public. Meetings and hearings are announced on the News page of the [SRF website](http://www.iowasrf.com) and agency-managed listservs.

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<sup>1</sup> <https://www.iowadnr.gov/About-DNR/Boards-Commissions/Environmental-Protection-EPC>

<sup>2</sup> Clean Water Program page of <https://www.iowasrf.com>

<sup>3</sup> <https://www.iowadnr.gov/About-DNR/Boards-Commissions/Environmental-Protection-EPC>

## PROJECT PRIORITY LIST

(See Attachment 1 - CWSRF Project Priority List)

The CWSRF Program management includes a priority list of projects for loan assistance, developed according to DNR rules 567 IAC Chapter 92 (455B). Attachment 1 constitutes the CWSRF PPL and is included as a separate, sortable Excel file. This priority list will be amended quarterly during SFY 2024 and includes projects funded by both CWSRF Base and BIL Funds.

The PPL is a list of projects currently requesting funding from the SRF. This list provides the CWSRF Program with a projection of loan funding assistance needed for applications. Priority order is determined by point source rating criteria defined in 567 IAC Chapter 91 (455B). More information on priority ranking is available in Appendix C - Project Ranking Criteria. Projects are listed on the PPL in ranking order by the IUP year and quarter the application was received. Planning and Design loan applications are not ranked.

Pursuant to Section 606(c) (3) of the Clean Water Act and 40 CFR Part 35, the PPL also includes the following required items: name of the potential borrower; project description; National Pollutant Discharge Elimination System (NPDES) Permit Number (as applicable); SRF project number; projected amount of eligible assistance; and type of assistance. The PPL may also include SRF project number, project ranking, or project status.

Attachment 1 includes the following project categories for funding during SFY 2024:

- **Planning and Design Loans.** These are loan requests that cover planning and engineering costs related to the design of an eligible CWSRF project and the development of a Facility Plan.
- **New Section 212 Treatment Works Projects.** Projects are added to the PPL only after a complete IUP application is received, the project has passed a preliminary review of eligibility, and the project is scored.
- **Unfunded Prior Years' Section 212 Treatment Works Projects.** These are loan requests remaining on the PPL from previous years' IUPs. It is Iowa's intention to make CWSRF loans to these projects during SFY 2024 if they are ready for a binding loan commitment.
- **Segments of Previously Funded Section 212 Treatment Works Projects.** Subsequent segments of a project which have previously received funding priority or assistance will be placed on the PPL and may carry over their original priority point total from the previous year.
- **New General Nonpoint Source Projects including Source Water Protection.** New applications for assistance through a direct loan will be accepted on a quarterly basis and added to the PPL if projects are determined to be eligible for funding and the application is complete.
- **Supplemental Financing.** Supplemental financing provides additional funds for projects listed in previously approved IUPs. These funds will be used to cover cost overruns on previously approved scopes of work and are added to the IUP as they are requested.

Fundable projects are further identified as "R - ready for loan" (indicating that the construction permit and environmental review have been completed), "P - in planning" and "L - loan signed."

If a project on the approved IUP list is not going to proceed or will not be utilizing SRF funds, the applicant should notify the SRF in writing that they wish to withdraw the IUP application from the PPL. For the purpose of program planning, projects on the IUP list (or listed in Appendix H - Funding Recommendations of this IUP) for over three years will be evaluated for removal. A notification will be sent to the SRF applicant that their project may be dropped if adequate progress toward a binding loan commitment is not demonstrated within six months following the notice. If a project is withdrawn or dropped from the PPL, the applicant may reapply when the project is ready to move ahead.

**Project Scope.** The scope of the project must be outlined in the IUP application and in the facility plan (FP).

**Scope Changes.** Significant changes in scope may cause delays if additional work is required by the project manager or environmental review specialist. Changes to the scope are allowed prior to loan closing. Once a loan is signed, only minor changes to the scope are allowed and only if the changes do not require additional public bidding, technical or environmental review.

## TYPES OF FINANCING

(See Appendix D - Interest Rates, Fees, and Loan Terms)

The Iowa SRF Program provides low-interest financing using one of three financing mechanisms:

- **Direct Loans** - CWSRF funds are used to purchase municipal bond debt, secured by utility system revenues or a general obligation pledge.
- **Loan Participation** - CWSRF funds are used to purchase an existing loan from a lender. These loans are not listed in the PPL but are identified in Appendix H - Funding Recommendations of the CWSRF IUP and are individually reported in the annual report.
- **Linked Deposit** - CWSRF funds are deposited with a participating lender and are used to fund the loan and reduce the interest rate. These loans are not listed in the PPL but are reported by total program usage in the annual report.

Direct Loans for **Planning & Design** are available to public and private borrowers to cover engineering and project development costs such as testing and scoping, preparing facility plans, and project specifications that are directly related to the development of an eligible SRF treatment works or General Nonpoint Source project.

Direct Loans for **Section 212 Treatment Works Projects** are available to Publicly Owned Treatment Works (POTW) to address new construction or improvements to existing wastewater treatment facilities, treatment techniques, transmission lines and collection systems.

Financing for **General Nonpoint Source Projects** is available to public and private borrowers in the form of direct loans, loan participations or linked-deposit loans, depending on the borrower and project type. These loans address stormwater quality, inadequate septic systems, landfill closure, lake restoration, soil erosion control, brownfield cleanup, manure management and more. (SFY 2024 Program Activities to be Supported)

Current interest rates and fees are established in the IUP in Appendix D - Interest Rates, Fees, and Loan Terms

Loan Forgiveness criteria is established in the IUP in Appendix B - Additional Subsidization

## CO-FUNDING

While SRF offers low loan rates and additional subsidization to eligible applicants, many of Iowa's communities need additional help from other funding sources. SRF funding can be combined with several other funding sources to make costly infrastructure projects possible. Joint funding that combines SRF loan dollars and funds from other agencies is crucial to making some wastewater infrastructure upgrade projects more affordable for many communities. The Iowa SRF Program is committed to coordinating with other funding agencies to simplify the process of co-funding and to find an affordable solution to wastewater needs.

## EMERGENCY FUNDING

In May of 2019, a Memorandum of Understanding (MOU) was signed regarding coordination between EPA and the Federal Emergency Management Agency (FEMA). The MOU established a framework for the EPA funded SRF programs to assist and collaborate with FEMA disaster assistance grant programs. The Iowa SRF Program will work with communities on a case-by-case basis to provide assistance addressing public health threats related to drinking water and wastewater resulting from a disaster. Some of the ways the SRF can help following a disaster include:

**Use SRF loans as match for FEMA grants.** FEMA funds will generally pay for a percentage of the replacement costs for public water and wastewater systems. The SRF can be used to finance the amount not covered by FEMA.

**Use SRF funds as short-term loans to be repaid with FEMA grants.** There may be times when a public facility has been approved for a FEMA grant but there is a delay in receiving the funds. In those situations, when all program requirements are met, an SRF loan may be used to finance the repairs and then be repaid with FEMA money. Emergency loans meeting these conditions may be executed and then reported in the next quarterly IUP update.

## APPLICATION PROCESS

New applications for **infrastructure construction projects** will be accepted on a quarterly basis the first working day of the months of March, June, September and December.

*Infrastructure Construction Projects:* IUP applications can be found on the SRF website<sup>4</sup>, the DNRs Wastewater Construction Permit website<sup>5</sup>, and are submitted to [srf-iup@dnr.iowa.gov](mailto:srf-iup@dnr.iowa.gov).

New applications for **Planning & Design** and **General Nonpoint Source Projects** will be accepted on a quarterly basis the first working day of the months of April, July, October and January.

*Planning & Design Projects:* Applications are available on the SRF website<sup>6</sup> and are submitted to IFAs SRF Program Staff at [waterquality@iowafinance.com](mailto:waterquality@iowafinance.com).

*General Nonpoint Source Projects:* IUP applications can be found on the SRF website<sup>7</sup>, and submitted to [srf-iup@dnr.iowa.gov](mailto:srf-iup@dnr.iowa.gov).

*Linked Deposit Programs:* Applications for these programs are accepted on a continuous basis. Application submission instructions vary for each program and are indicated on each program application. Lender applications can be found on the SRF website<sup>8</sup>.

Project applications eligible for SRF funding under the BIL General Supplemental and BIL PFAS/EC Fund will use the CWSRF IUP application and follow the same quarterly IUP application cycle as the CWSRF Base Program. Additional application information may be required for projects applying for BIL Funds. The SRF Program will provide additional application materials for BIL Funds directly to applicants, as applicable, and application materials will be available on the SRF website<sup>9</sup>.

## C. SFY 2024 CWSRF Program Goals

### SHORT TERM GOALS

Goal: Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding, to assist in the construction of projects with the highest water quality impacts.

Goal: Update internal tracking systems and software to assist with streamlining and improving processes necessary to co-administer the CWSRF Program.

Goal: Update marketing materials and website to better facilitate communication and outreach with customers and to provide them with streamlined resources for program information and materials.

Goal: Assign/reallocate loan forgiveness funds from previous capitalization grants.

Goal: Revise affordability criteria to expand environmental equality and ensure Iowa's SRF Programs are reaching communities most in need of assistance.

Goal: Incorporate the use of Environmental Finance Center (EFC) resources to assist the Iowa SRF Program and disadvantaged community borrowers.

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<sup>4</sup> Clean Water Loan Program page of <https://www.iowasrf.com/>

<sup>5</sup> <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Wastewater-Construction/Construction-Permits>

<sup>6</sup> Planning & Design Loan Program page of <https://www.iowasrf.com/>

<sup>7</sup> Nonpoint Source Water Quality Programs page, Programs for Communities of <https://www.iowasrf.com/>

<sup>8</sup> Nonpoint Source Water Quality Programs, Programs for Landowners page of <https://www.iowasrf.com/>

<sup>9</sup> Bipartisan Infrastructure Law page of <https://www.iowasrf.com/>

Goal: Continue process improvement of the state’s oversight program for American Iron and Steel (AIS) requirements and align the program with Build American, Buy America (BABA) requirements, as needed.

Goal: Complete the process improvement efforts of enhancing Iowa CWSRF’s Nonpoint Source Programs and begin outreach efforts to educate borrowers on NPS funding opportunities.

Goal: Expand marketing and outreach efforts of SRF Nonpoint source programs.

### LONG TERM GOALS

Goal: Endeavor to make the SRF Program the first choice for Iowa communities to finance a water infrastructure project.

Goal: Work with other state and federal agencies to coordinate water quality funding.

Goal: Maintain mechanisms for funding the ongoing administration of the program that will assist publicly owned treatment works in achieving compliance with public health objectives of the CWA.

Goal: Maintain the long-term financial integrity of the CWSRF Program by managing its assets to realize a rate of return that will sustain the CWSRF Loan Program in perpetuity.

Goal: Apply program requirements that are simple and understandable and do not add unnecessary burdens to applicants or recipients.

Goal: Implement programs that effectively address water quality needs and target appropriate audiences.

## D. SFY 2024 Program Activities to be Supported

Iowa’s CWSRF Program can fund a wide variety of water quality improvement and protection efforts. In 1987 when the program was established, there were three statutory eligibilities. The CWSRF Program eligibilities have since been expanded by the American Recovery and Reinvestment Act (ARRA) of 2009, the Water Resources Reform and Development Act (WRRDA) of 2014, and the America’s Water Infrastructure Act (AWIA) of 2018 to incorporate twelve eligibilities. These eligibilities allow Iowa SRF to fund a variety of project types. Eligible projects exist under all of the following categories: Centralized Wastewater Treatment, Energy Conservation, Water Conservation, Stormwater, Agricultural Best Management Practices, Decentralized Wastewater Treatment, Resource Extraction, Contaminated Sites, Landfills, Habitat Protection and Restoration, Estuary Protection and Restoration, Silviculture, Desalination, Groundwater Protection and Restoration, Surface Water Protection and Restoration, Planning / Assessment, and Source Water Protection.<sup>10</sup>

### CWSRF BASE PROGRAM

Allotments for the Federal Fiscal Year (FFY) 2023 EPA Capitalization Grants have been determined and the Iowa SRF Program will apply for and/or receive FFY 2023 CWSRF Base Program Funding during the SFY 2024.

FFY	Funding Source	Allocation Amount*
2023	CWSRF Base Cap Grant	\$10,152,000

\*This award amount is anticipated to be received by SFY 2024 but has not been received as of the publication of this DRAFT IUP

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<sup>10</sup> <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-factsheets>



**POINT SOURCE ASSISTANCE-CWA 603 (C) 1 - SECTION 212**

Eligible Borrowers: Any municipal, interstate, or state agency for the construction of publicly owned, centralized wastewater treatment projects.

Eligible Activities: Eligible projects address primary and secondary treatment, advanced treatment, sewer system repair and replacement, combined sewer operations (CSO) correction, resilience to extreme weather events, security and system consolidation/regionalization.<sup>11</sup>

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in E. Financial Administration of this IUP.

**NONPOINT SOURCE (NPS) ASSISTANCE PROGRAMS**

Iowa SRF is committed to funding projects that control NPS pollution. An annual budget is established for each program to ensure that funding is dedicated to these initiatives. During SFY 2024, budgets may be modified in future IUP updates, based on need.

***General Nonpoint Source Practices-CWA section 603(c)2-Section 319***

Eligible Borrowers: Any public, private or nonprofit entity

Eligible Activities: Eligible projects must implement NPS management programs established under Section 319 of the CWA. Initiatives of water quality improvement or of water quality protection efforts must support Iowa’s State Nonpoint Source Management Plan<sup>12</sup> or nine-element watershed-based plan.

Nonpoint Source Assistance Programs	Proposed SFY 2024 Budget
General Nonpoint Source Projects	\$10,000,000

Projects funded as a direct loan under this program are listed in Attachment 1 - CWSRF Project Priority List. Projects funded as loan participation are listed in Appendix H - Funding Recommendations. Nonpoint Source Assistance offered as loan participation is reported by project in the annual report.

Projects that involve purchase of land require separate approval by the EPC<sup>13</sup> and are listed in Appendix H - Funding Recommendations.

***Linked Deposit Programs***

Iowa authorizing legislation allow the use of CWSRF program funds for nonpoint source pollution control projects. Four Nonpoint Source Assistance Programs have been established which target areas of need allowed under federal guidance and identified in the state Nonpoint Source Water Quality Management Plan. Iowa SRF contracts with the Iowa Department of Agriculture and Land Stewardship to operate the Local Water Protection, Livestock Water Quality Facilities, and Stormwater Best Management Practices programs through local Soil and Water Conservation Districts.

**Onsite Wastewater Systems Assistance Program (OSWAP)** provides loans to homeowners to replace inadequate septic systems. New systems must be certified by county sanitarians.

**Local Water Protection (LWP) Program** addresses soil, sediment, and nutrient control practices on agricultural land.

**Livestock Water Quality Facilities (LWQ) Program** assists livestock producers with manure management plans, structures, and equipment. Facilities with fewer than 1,000 animal unit capacity are eligible.

<sup>11</sup> [https://www.epa.gov/sites/default/files/2016-07/documents/overview\\_of\\_cwsrf\\_eligibilities\\_may\\_2016.pdf](https://www.epa.gov/sites/default/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf)

<sup>12</sup> <https://www.iowadnr.gov/environmental-protection/water-quality/watershed-improvement/nonpoint-source-plan>

<sup>13</sup> Iowa Administrative Code 567 - 93 (455B)

**Stormwater Best Management Practices (SWP)** offers financing for projects that address storm water quality and are designed to keep pollutants out of waterways.

<b>Nonpoint Source Assistance Programs</b>	<b>Proposed SFY 2024 Budget</b>
Stormwater Best Management Practices	\$1,000,000
Livestock Water Quality Facilities (LWQ) Program	\$5,000,000
Local Water Protection (LWP) Program	\$3,000,000
Onsite Wastewater Systems Assistance Program (OSWAP)	\$1,500,000

The Nonpoint Source Assistance Programs are operated as linked deposits. Therefore, individual loan applicants are not identified in this IUP but loans reported by program use in the annual report.

***Sponsored Project Program***

The CWSRF Water Resource Restoration Sponsored Project Program or “Sponsored Projects” provides wastewater utilities with the opportunity to fund locally directed, watershed-based, nonpoint source projects that address water quality issues. Iowa Code Section 384.84 authorizes these projects to be financed with sewer revenues. On a CWSRF loan with a sponsored project, the utility borrows for both the wastewater improvement project and the sponsored project. However, the overall interest rate on the total amount of principal borrowed is reduced so that the utility’s ratepayers do not pay any more than they would have for just the wastewater improvements.

**The Sponsored Project Program is not accepting new applications as NPS Program planning and process improvements continue in SFY 2024.**

Program resources are available for current projects on the Water Resource Restoration Sponsored Projects webpage.<sup>14</sup>

Loan Amendments. Beginning with projects awarded in SFY 2022, Sponsored Project loan amendments must be executed prior to the second principal payment on the sponsoring CWSRF loan or the Sponsored Project award may be withdrawn.

Scope Change. The waterbody, watershed, and water quality concern identified in the Water Resource Restoration Sponsored Project application cannot be changed after an application has been awarded funding.

Maintenance. Water quality practices funded through sponsored projects must be maintained for the useful design life of the practice. Sponsored Project recipients will be required to develop and execute a maintenance plan for all practices, and agree to a Water Resource Restoration Sponsored Project Performance Agreement to ensure that the water quality practices being funded are constructed and maintained in a manner that will achieve, and continue to provide, the water quality improvement according to the approved design.

<b>Nonpoint Source Assistance Programs</b>	<b>Proposed SFY 2024 Budget</b>
Sponsored Project Program	TBD

**CWSRF BIPARTISAN INFRASTRUCTURE LAW (BIL) PROGRAMS**

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), provides CWSRF programs with two additional capitalization grants annually through FFY 2026. Allotments for the FFY 2023 EPA capitalization grants have been determined and the Iowa SRF Program will apply for and/or receive FFY 2022 and 2023 BIL Funding during the SFY 2024.

Due to BIL funding requirements, projects financed with BIL PFAS/EC and General Supplemental funding must enter into a loan assistance agreement within one year of becoming eligible for the funds. CWSRF staff may bypass projects that

<sup>14</sup> Nonpoint Source Water Quality Programs, Programs for Communities at [www.iowasrf.com](http://www.iowasrf.com)

have not signed a loan obligation within one year. If an eligible project is bypassed, the applicant may be reconsidered when the project is ready to move ahead, as funding is available, or may be financed through CWSRF Base Funds.

### **CWSRF BIL GENERAL SUPPLEMENTAL (GS) FUNDS**

Eligible borrowers and eligible activities for BIL GS Funds are the same as the CWSRF Base Program.

Special Conditions. Projects selected as equivalency will comply with the federal requirements described in E. Financial Administration of this IUP and BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

Projects receiving additional subsidization from this fund will also comply with BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

<b>FFY</b>	<b>Funding Source</b>	<b>Allocation Amount*</b>
2023	CWSRF BIL General Supplemental Grant	\$28,210,000

\*This award amount is anticipated to be received by SFY 2024 but has not been received as of the publication of this DRAFT IUP

### **BIL PFAS/EMERGING CONTAMINANTS (EC) FUND**

Eligibility. Eligible borrowers and eligible activities are the same as the CWSRF Base Program. For a project or activity to be eligible under this funding source, it must be otherwise eligible under section 603(c) of the CWA and the primary purpose must be to address emerging contaminants.

As defined by EPA, emerging contaminants refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment.<sup>15</sup>

The main categories of emerging contaminants include but are not limited to:

- Perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other persistent organic pollutants (POPs)
- Biological contaminants and microorganisms
- Some compounds of pharmaceuticals and personal care products (PPCPs)
- Nanomaterial

Special Conditions: Projects being funded with BIL PFAS/EC are all considered equivalency projects and will comply with the federal requirements described in Equivalency of this IUP and BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

<b>FFY</b>	<b>Funding Source</b>	<b>Allocation Amount*</b>
2022	CWSRF BIL PFAS/Emerging Contaminants	\$1,265,000
2023	CWSRF BIL PFAS/Emerging Contaminants	\$2,878,000

\*This award amount is anticipated to be received by SFY 2024 but has not been received as of the publication of this DRAFT IUP

The Iowa CWSRF Program reserves the right to request transfer of the unobligated portions of this Cap Grant to the Drinking Water State Revolving Fund (DWSRF) BIL PFAS/EC Fund.

## **E. Financial Administration**

### **RATES, FEES AND LOAN TERMS & CONDITIONS**

(See Appendix D - Interest Rates, Fees, and Loan Terms)

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<sup>15</sup> [https://www.epa.gov/system/files/documents/2022-03/combined\\_srf-implementation-memo\\_final\\_03.2022.pdf](https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf)

## PROJECT READINESS FOR LOAN APPLICATION

SRF Construction Loan Applications will not be accepted until applicants have met certain program requirements:

1. Construction Permit(s) issued by DNR Project Manager for all project phases to be funded by the SRF loan
2. Environmental Clearance issued by SRF Environmental Review Staff
3. Project Bid and Bid Documents (including signed SRF Front-End Documents) submitted to DNR
4. Opinion of legal counsel certifying compliance with Iowa public bidding laws
5. SRF Eligibility Letter issued by SRF Project Compliance Specialist

Prior to executing a construction loan, applicants must submit a pro forma financial analysis (completed by a registered municipal advisor) identifying all outstanding parity obligations and demonstrating system revenues can meet loan requirements. Additionally, applicants will need to demonstrate that appropriate action has been taken to implement the recommendations of their Municipal Advisor set forth in the pro-forma cash flow analysis.

## AFFORDABILITY CRITERIA

(See Appendix A - Affordability Criteria)

The Clean Water Act requires Iowa to consider income, unemployment data, population trends, and other data determined to be relevant in establishing affordability criteria used to award certain additional subsidy under the SRF program. In SFY 2023, a Socioeconomic Assessment (SA) Tool was developed to include a more comprehensive range of metrics by which communities are evaluated for disadvantaged community (DAC) status.

In SFY 2024, the metrics behind the SA Tool have been refined to improve desired outcomes and comply with existing federal statute while still including social, economic and demographic information that may indicate a lack of access to affordable clean water and safe drinking water. The SA Tool and the metrics are discussed in Appendix A - Affordability Criteria, and they define the affordability criteria that will be used to evaluate the DAC status of a borrower for the purpose of SRF loan forgiveness (LF) eligibility.

## ADDITIONAL SUBSIDIZATION

(See Appendix B - Additional Subsidization)

Iowa applies additional subsidization in the form of LF. Appendix B - Additional Subsidization, identifies the available funding and the criteria used to determine projects and borrowers eligible to receive additional subsidization. Criteria for additional subsidization is established for each Cap Grant.

## EQUIVALENCY

An *Equivalency Project* is a treatment works project (as defined in Section 212 of the Clean Water Act) that is constructed, in whole or in part, with funds equaling the amount of a federal capitalization grant awarded to a state. The Iowa CWSRF Program must designate a project or group of projects equal to each capitalization grant amount received. This project or projects will have to comply with all federal funding requirements.

Compliance with the following requirements apply to equivalency projects:

- Disadvantaged Business Enterprise<sup>16</sup>
- Single Audit Act
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- Procurement of A/E services in accordance with the federal Brooks Act (Section 602(b)(14))<sup>17</sup>
- EPA signage requirements
- Buy America Build America Act (FFY 2022 and all future capitalization grants)<sup>18</sup>
- Federal environmental and socioeconomic crosscutters<sup>19</sup>

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<sup>16</sup> <https://www.epa.gov/grants/disadvantaged-business-enterprise-program-under-epa-assistance-agreements-dbe-program>

<sup>17</sup> <https://www.epa.gov/sites/default/files/2021-03/documents/best-practice-guide-for-procuring-services-supplies-equipment.pdf>

<sup>18</sup> <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

<sup>19</sup> <https://www.epa.gov/grants/epa-subaward-cross-cutter-requirements>

See Appendix G - Federal Assurances, Certifications and Proposals for program compliance requirements.

**Project Selection for Equivalency.** The Iowa SRF Program intends to select projects for equivalency that will impose the least amount of administrative or financial burden on a borrower. Iowa SRF has identified a primary borrower, the *Des Moines Wastewater Reclamation Authority (WRA)*, to serve as the subawardee because they regularly borrow funds equivalent to the amount of the federal capitalization grant and they are already meeting the several requirements of FFATA and equivalency reporting. Because it is unknown which projects listed on the PPL will execute loan agreements, alternative borrowers will be identified. The final equivalency loans selected will be listed in the annual report.

### **CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS**

The cash draw procedure used is the direct loan method. The Iowa CWSRF Program uses its Equity Fund to originate loans. When enough loans have been made, the CWSRF Program issues bonds and uses the bond proceeds to replenish the Equity Fund. Iowa's bonds are cross-collateralized across both the Clean Water and Drinking Water SRF accounts, in a manner consistent with state and federal laws. State match bonds are issued along with leveraged bond issues for greater cost effectiveness. State match proceeds are fully disbursed prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Iowa expects to fully disburse the loan portion of the FFY 2023 CWSRF Base Capitalization Grant, FFY 2023 BIL General Supplemental Fund and FFY 2022 BIL PFAS/EC during the program year.

**Allocation of Funds Among Projects.** All projects listed in the CWSRF Project Priority List (see Attachment 1) may be funded from the CWSRF subject to available funds and eligibility. All projects scheduled for funding with Iowa's CWSRF will be reviewed for consistency with appropriate plans developed under section 205(j), 208, 303(d), and 603(c) of the Clean Water Act, as amended. Evidence of this review and finding of consistency will be documented in each CWSRF project file.

The following approach was used to develop Iowa's proposed distribution of CWSRF funds:

1. Analysis of the priority of communities applying and financial assistance needed;
2. Identification of the sources and spending limits of available funds;
3. Allocation of funds among projects;
4. Development of a payment schedule which will provide for making timely binding commitments to the projects selected for CWSRF assistance; and
5. Development of a disbursement schedule to pay the project costs as incurred.

Allocation of funds to eligible projects was based on a four-step process:

1. The amount of financial assistance needed for each application was estimated.
2. The sources and allowable uses of all CWSRF funds were identified.
3. The CWSRF funds were allocated among the projects, consistent with the amount available and the financial assistance needed.
4. A designated amount was reserved for each Nonpoint Source Assistance Program based on past funding and expected future needs.

All projects listed in the CWSRF PPL may be funded from the CWSRF subject to available funds and eligibility. Information pertinent to each CWSRF project is contained in the attached PPL (Attachment 1).

**Priority of Communities and Financial Assistance Needed.** The state's priority rating system used to establish priorities for loan assistance are described in Appendix C - Project Ranking Criteria.

**Capitalization Grant Requirements.** Cap Grants include requirements for minimum and maximum percentages of the funds to be allocated for additional subsidization and/or green project reserve (GPR). Iowa will identify projects meeting eligibility criteria during SFY 2024 and will report assignments of these funds in the annual report.

## FUNDING SOURCES AND USES

(See Appendix E - Estimated Sources and Uses)

During SFY 2024, the Iowa SRF Program will apply for and/or receive the following capitalization grants and amounts:

FFY	Funding Source	Allocation Amount*
2022	CWSRF BIL PFAS/Emerging Contaminants	\$1,265,000
2023	CWSRF BIL PFAS/Emerging Contaminants	\$2,878,000
2023	CWSRF Base Cap Grant	\$10,152,000
2023	CWSRF BIL General Supplemental Grant	\$28,210,000
2023	CWSRF BIL PFAS/Emerging Contaminants	\$2,878,000

Appendix E - Estimated Sources and Uses illustrates potential sources and uses of funds in the CWSRF for SFY 2024. As shown, all pending loan requests and program administration needs can be funded. Projects will draw on their funding at different intervals based on their construction cycles. These differences are used to estimate cash needs throughout the year. Appendix E - Estimated Sources and Uses will be updated, as needed, to provide an ongoing view of the financial plan for meeting loan requests.

Other uses for CWSRF program funds in SFY 2024 include \$20.5 million reserved for the Nonpoint Source Assistance Programs.

**Current and Projected Financial Capacity of the CWSRF.** The leveraging capacity of the CWSRF is robust due to the maturity of the fund and the current loan portfolio. SRF staff has analyzed the future financial capacity of the CWSRF in light of the discussion over water quality standards and other future wastewater needs. Assuming that Iowa SRF continues receiving Cap Grants and providing at least 20% of the Cap Grant as LF, it is projected that the CWSRF could loan an average of approximately \$200 million per year over the next 10 years, or a total of \$2.0 billion. These figures would increase with an increase in interest rates.

## STATE MATCH

(See Appendix F - State Match)

The Iowa SRF Program issues bonds for state match.

## BONDS

Iowa's SRF program issues bonds as needed. These bond issues typically include the anticipated state match for the next federal Cap Grants.

## SWIFIA

The Iowa SRF program was invited to apply for a loan through EPA's State Infrastructure Financing Authority Water Infrastructure Finance and Innovation Act (SWIFIA). SWIFIA is a loan program exclusively for state infrastructure financing authority borrowers. SWIFIA may be used for up to 49 percent of an eligible project's costs that are ready to proceed. A preliminary list of CWSRF and DWSRF projects eligible for SWIFIA funding has been identified, totaling more than \$500 million. The SRF Program is in the process of working through the underwriting process; the timeline for closing the loan is yet to be determined.

## TRANSFERS BETWEEN FUNDS

The Iowa CWSRF reserves the right to transfer 33% of the amount of the Drinking Water capitalization grants from the Water Pollution Control Revolving Fund to the Public Water Supply Loan Fund in the future. The transferred funds will not be federal funds and will come from either bond proceeds, investment earnings, or recycled funds. This would help the DWSRF Program to meet loan demands in the future and should not impact the ability for the CWSRF to fund demand for projects.

## PLAN FOR EFFICIENT AND TIMELY USE OF CWSRF FUNDS

The Iowa CWSRF has a robust and sustained demand for loans and it uses federal cap grant funds as expeditiously as possible. After SRF bonds are issued, state match funds are used first, prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Loan disbursements requests are processed on a weekly basis. In SFY 2023, the program has disbursed an average of approximately \$21.3 million per month (10 months, through April 2023). With a return of \$4.87 for every dollar of federal investment (compared to the national average of \$3.01), Iowa's CWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

## OTHER PROGRAM USES

### PLAN FOR USE OF ADMINISTRATIVE ACCOUNTS

There are three distinct funding sources for CWSRF administrative expenses:

**CWSRF Cap Grant Administrative Set-Aside.** A total of 4% of the cumulative amount of federal Cap Grants received may be used for program administration.

**Loan initiation fees.** A 0.5% loan origination fee will be charged on new CWSRF construction loans which is included in the loan principal. The fees are deposited outside of the fund. The maximum amount charged is \$100,000. Under EPA rules, because Iowa's origination fees are financed through the loans, the proceeds are considered Program Income. Program Income can only be used for the purposes of administering the CWSRF program or for making new loans. Iowa uses the initiation fee receipts for administration of the CWSRF Program.

*Loan initiation fees will not be assessed on loans to DAC receiving SRF LF.*

**Loan servicing fees.** An annual servicing fee of 0.25% is charged on the outstanding principal of CWSRF construction loans. The fees are deposited outside of the fund. Under EPA rules, only servicing fees received from loans made above and beyond the amount of the Cap Grant and after the Cap Grant under which the loan was made has been closed are considered Non-Program Income. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Non-Program Income are discussed below.

**Planned Expenses.** CWSRF administration expenses include the work of wastewater engineering section project managers, specialists in environmental review, nonpoint source program administrators, financial officers, loan coordinators, and program managers. It also covers expenses for financial and legal advisors. These program expenses will first be paid out of Program Income and then Non-Program Income once Program Income has been fully expended.

The CWSRF Program intends to use a portion of Non-Program Income funds during SFY 2024 to support DNR staffing to the Field Services Bureau for wastewater compliance activities including inspections, investigations and technical assistance and to support Iowa DNR staffing in the Water Quality Bureau for construction permitting, NPDES permitting, AIS/BABA Site Inspections, and other programmatic staffing needs.

### PROGRAM & NON-PROGRAM INCOME USES

**Program Income.** Program Income collected in SFY 2024 will be used for administering the CWSRF Program. Program Income is replenished throughout the fiscal year by funds received from loan initiation fees as described above.

**Non-Program Income.** A portion of these funds will be used in SFY 2024 for administering the CWSRF Program.

### WATER QUALITY MANAGEMENT PLANNING

A reserve for water quality management planning as required by Title VI of the Clean Water Act will be set aside from Iowa's Title VI allotments and granted to the state for this purpose separately from the CWSRF. This reserve does not appear in this IUP as it has been already deducted from Iowa's allotment and considered in projecting Iowa's available Cap Grant.

## **SENIOR ENVIRONMENTAL EMPLOYEE (SEE) SALARY FUNDS DEDUCTED FROM CAPITALIZATION GRANT**

The CWSRF Program will not withhold any funding from FFY 2023 CWSRF Base Cap Grant application for the SEE Program. These positions are filled by EPA Region 7 and assigned to the DNR's Wastewater Engineering section to provide technical and administrative assistance to the CWSRF projects and program. The SEE enrollees help provide staffing at DNR to maintain the CWSRF program and keep up with the increasing CWSRF project technical and administrative workload. Authorized under the Environmental Programs Assistance Act of 1984 (PL 98- 313), the SEE program is intended "to utilize the talents of older Americans in programs authorized by other provisions of law administered by the Administrator in providing technical assistance to Federal, State, and local environmental agencies for projects of pollution prevention, abatement, and control."

## **F. Technical Assistance**

States have the flexibility to use up to 2% of their annual CWSRF Cap Grant for the purpose of providing technical assistance to rural, small, and tribal publicly owned treatment works. The eligibilities for this funding are very broad. Iowa does not intend to duplicate the technical assistance efforts being provided by EPA and other organizations receiving U.S. EPA Technical Assistance grants; so additional planning and coordination is needed before activities are identified for this funding. The Iowa CWSRF Program reserved the right to use 2% of the FFY 2023 Cap Grant. Activities completed with these funds will be described in the annual report.



## Appendix A - Affordability Criteria

The affordability criteria established in this IUP after public review and comment will be the criteria used to determine disadvantaged community (DAC) status.<sup>20</sup>

For SFY 2024, applicants with a Socioeconomic Assessment (SA) score of at least 11 points meet the affordability criteria of the CWSRF Program and are identified as a “Disadvantaged Community” for the Program purposes.

### REVISED AFFORDABILITY CRITERIA USED TO DETERMINE DAC STATUS

The CWSRF Program historically focused on income, unemployment data, population trends, and other data to identify borrowers that would experience a significant hardship raising the revenue necessary to finance a wastewater project. In SFY 2023, the Iowa SRF Program began using a **SA Tool** with a broad range of metrics to evaluate a community or service area’s underlying socioeconomic and demographic conditions in an effort to develop a more comprehensive definition of what it means to be a DAC. The SA Tool provides a comprehensive analysis of factors influencing whether a community is disadvantaged and can determine the affordability of wastewater infrastructure projects.

The Iowa CWSRF Program will use the results of the SA Tool, or “Socioeconomic Assessment Score,” to determine the disadvantaged status of a borrower and/or **eligibility to receive SRF loan forgiveness** (also referred to as additional subsidization) or other incentives offered by the CWSRF Program specifically for DAC.

The amount of additional subsidization available to a DAC will be established annually in the IUP.

### SA TOOL

In SFY 2023, the metrics (affordability criteria) used in the SA Tool were established using EPA guidance and revised with public input. The SA Tool was revised for SFY 2024 and is part of the annual IUP public review and comment process. It will go into effect upon approval of this IUP by the EPC.

There are two versions of the SA Tool:

- **Service Area-Based** - Metrics results are for an entire community or primary county
  - Applicable to: Municipalities which serve populations within incorporated boundaries
- **Census Tract-Based** - Metrics results are for Census tracts or primary county
  - Applicable to: Homeowner’s Associations (HOA), Sanitary Districts, Rural Water Associations and SRF borrowers for BIL Lead Service Line projects. This tool will be used when the primary purpose of a consolidation/regionalization project is to expand a system’s service area.

Both versions of the SA Tool are available to the public through the [SRF website](#).

The SA Tool assesses 10 datapoints from publicly available sources produced by the Census Bureau of the U.S. Department of Commerce and Iowa Workforce Development. The SA Tool **is updated annually** with the release of new data from these sources. In SFY 2024, the SA Tool will use 2017-2021 data from the American Community Survey and up-to-date employment data from Iowa Workforce Development. Figure 1 below provides a list of the metrics used in the SA Tool.

To use the SA Tool, a borrower will select each community that makes up the utility’s service area, along with the corresponding percent of population served. For each of the metrics evaluated, applicants will be given a score indicating the relative disadvantage to the other communities in the state (see Figure 1 and Figure 2)<sup>21</sup>. A weighted average for each metrics will be calculated and assigned points. Scores for each metric are totaled to produce an overall assessment of the applicant’s underlying social, economic, and demographic profile.

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<sup>20</sup> IAC 265 Chapter 26.7 - Disadvantaged Community Status

<sup>21</sup> The only exception is Population Trend. No points for positive or 0% growth, 1 point for negative growth up to -2%, 2 points for more than -2% population growth.

**Example:** An applicant with a poverty rate falling in the 73<sup>rd</sup> percentile (a high rate) would be one of the bottom 1/3 of communities and receive 2 points for that metric.

		Points		
		0	1	2
1	Median Household Income	Top 1/3 (Highest MHI)	Middle 1/3	Bottom 1/3 (Lowest MHI)
2	Percent Below Poverty	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
3	Percent Receiving Public Assistance or Supplemental Nutrition Assistance Program (SNAP)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
4	Percent Receiving Supplemental Security Income (SSI)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
5	Unemployment Rate (County 12-mo avg.)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
6	Percent Not in Labor Force	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
7	Population Trend Between 2010 and 2020 Census	Positive population growth	Decline up to -2%	Decline of more than -2%
8	Percent with High School Diploma or less	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
9	Percent of Vacant Homes (excluding 2nd/Vacation dwellings)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)
10	Percent of Cost Burdened Housing (>= 30% of income spent on owner-occupied and renter-occupied housing)	Bottom 1/3 (Lowest %)	Middle 1/3	Top 1/3 (Highest %)

Figure 1

Percentile Rank	Relative Disadvantage	Points
Top 1/3	Low	0
Middle 1/3	Moderate	1
Bottom 1/3	High	2

Figure 2

### USING THE SA SCORE TO DETERMINE DAC STATUS

The following information applies to CWSRF Base and BIL Capitalization Grant Funds (General Supplemental, PFAS/EC and LSL):

- DAC status for the purposes of the CWSRF Program will be determined by completing the SA worksheet to produce a SA score.
- With 10 total metrics, equally weighted, the maximum number of points will be 20. Communities or service areas with a cumulative score of 11 and up (e.g., falling in the top 1/2 of the total possible cumulative score) indicates that the community or service area is socially, economically, and/or demographically disadvantaged relative to the other communities in the state. Conversely, applicants who score in the bottom 1/2 of total cumulative points (e.g., 10 total points or less), will not be considered disadvantaged for SRF Program purposes.

Applicants with a total SA score of at least 11 points meet the CWSRF Program’s definition of DAC

	<b>Point Range</b>	<b>Disadvantaged Community</b>
Low	0-10	No
Moderate	11-15	Yes
High	16-20	Yes

## Appendix B - Additional Subsidization

Iowa applies additional subsidization in the form of loan forgiveness (LF). The final amount of LF offered will be based on the eligible construction costs related to the final amount drawn on the loan. LF is applied as principal forgiveness on the date of the final loan disbursement.

Borrowers being offered additional subsidization will be asked to accept the award by signing an offer letter of LF terms and conditions.

Time limits will be established for signing loan commitments in order to apply LF awards.

Maximum time limits may also be established for commencing construction of an eligible project. If construction has not been initiated or a loan commitment has not been signed by the date indicated in the LF terms and conditions award letter, the LF offer may be withdrawn or reassigned to meet grant timeline requirements.

Beginning in SFY 2024, projects that have previously received a Sponsored Project award are not eligible to receive LF for the same qualifying project.

Taxable portions of SRF projects are not eligible for LF.

Applicants who received a DAC determination from DNR prior to September 20, 2022 and are eligible for extended term financing (up to 30 years) at the 20-year interest rate, are not eligible for LF.

Borrowers receiving congressionally directed spending or additional subsidization awards from a previous cap grant will not be eligible to receive subsequent awards from the Iowa SRF program for the same project.

Unless otherwise allowed by the SRF Program, borrowers will only receive one LF award per project (LF awards may consist of more than one funding source).

### LOAN FORGIVENESS CRITERIA

The CWSRF Program will comply with additional subsidization requirements of each Cap Grant and will identify recipients of available funds during the fiscal year. Criteria for LF eligibility is established with each Cap Grant (see below). Individual projects may be capped to allow more eligible borrowers to receive subsidization.

#### FFY 2022 CWSRF BASE CAPITALIZATION GRANT AND BIL GENERAL SUPPLEMENTAL FUND

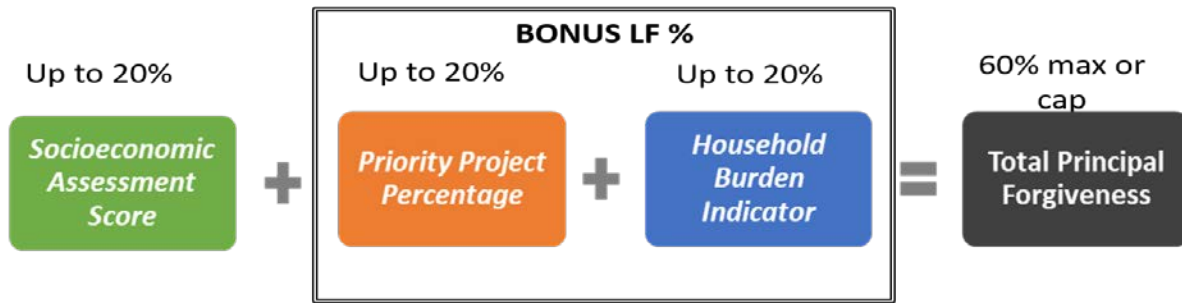
At the conclusion of SFY 2023, there was an estimated unobligated balance of LF of about \$44,000 using these criteria.

FFY 2022	LF Required	LF Obligated	LF Available to Award
CWSRF Base Cap Grant	\$3,132,000	\$3,088,280	\$43,720
CWSRF BIL General Supplemental Fund	\$11,803,120	\$11,803,120	\$0

At the conclusion of each fiscal year, unused portions of LF awards may be combined and reallocated to the next eligible borrower.

#### FFY 2023 CWSRF BASE CAPITALIZATION GRANT AND BIL GENERAL SUPPLEMENTAL FUND

LF of up to 20% may be offered for eligible construction costs to projects that meet the Iowa SRF's DAC affordability criteria. An additional 20% may be offered to priority projects and/or 20% offered to projects that demonstrate a household user-rate burden, for a **total of 60% LF** of construction costs.



1. Up to 20% LF awarded for Disadvantaged Status (SA score of 11 or higher);

	Point Range	Principal Forgiveness
Low	0-10	0%
Moderate	11-15	15%
High	16-20	20%

2. Up to 20% LF awarded for constructing a priority project; and/or

Priority Projects for FFY 2023 CWSRF Base and BIL General Supplemental Funds	% Loan Forgiveness
Project that Achieve Compliance (Projects that result in meeting increased effluent limits such as advanced treatments for Ammonia, E. Coli, nutrients and other limits; and Combined Sewer Operation (CSO) correction)	20%
Projects that Maintain Compliance (Sewer Collection System Rehab, I&I and Aging Infrastructure)	15%
Project that involve Consolidation/Regionalization (includes unsewered communities)	10%

3. Up to 20% LF awarded based in the Household Financial Burden Indicator (see Determining Household Financial Burden Indicator).

Burden	Principal Forgiveness
Low	0%
Moderate-Low	5%
Moderate	10%
Moderate-High	15%
High	20%

LF eligibility will be evaluated at the time of SRF loan application (see Project Readiness for Loan Application) and will be based on the current SA Tool in effect at the time the loan application is approved by the IFA.

Awards will be assigned on a first ready, first served basis to projects that have executed an SRF loan commitment until all funding is obligated. Projects will be funded from the top socioeconomic score down and in priority project ranking order with consideration given to readiness to proceed. In the event of a tie, the project with the highest priority points (based on Appendix C - Project Ranking Criteria) will receive LF.

Funding for individual projects is **capped at \$2 million per project** and LF will be applied only to eligible construction costs. The CWSRF Program reserves the right to withdraw or modify the individual project cap.

FFY 2023	LF Required	LF Obligated	LF Available to Award
CWSRF Base Cap Grant	\$2,030,400	\$0	\$2,030,400*
CWSRF BIL General Supplemental Fund	\$13,822,900	\$0	\$13,822,900*

\*This award amount is anticipated to be received by SFY 2024 but has not been received as of the publication of this DRAFT IUP.

At the conclusion of each fiscal year, unused portions of LF awards may be combined and reallocated to the next eligible borrower.

#### FFY 2022 BIL PFAS/EMERGING CONTAMINANTS FUND

LF of up to 100% may be issued to any applicant addressing PFAS or an emerging contaminant (EC) meeting the criteria described in SFY 2024 Program Activities to be Supported.

LF will be awarded on a first ready, first served basis while funds are available.

FFY 2022	LF Required	LF Obligated	LF Available to Award
CWSRF PFAS/EC	\$1,265,000*	\$1,265,000**	\$0

As of the publication of this DRAFT IUP:

\*This award amount is anticipated to be received by SFY 2024 but has not been received

\*\*Obligation pending acceptance of LF terms and conditions

#### FFY 2023 BIL PFAS/EMERGING CONTAMINANTS FUND

LF of up to 100% may be issued to any applicant addressing PFAS or an emerging contaminant (EC) meeting the criteria described in SFY 2024 Program Activities to be Supported.

LF will be awarded on a first ready, first served basis while funds are available.

FFY 2023	LF Required	LF Obligated	LF Available to Award
CWSRF PFAS/EC	\$2,878,000*	\$1,800,000**	\$1,078,000

As of the publication of this DRAFT IUP:

\*This award amount is anticipated to be received by SFY 2024 but has not been received

\*\*Obligation pending acceptance of LF terms and conditions

#### DETERMINING HOUSEHOLD FINANCIAL BURDEN INDICATOR

The Household Financial Burden Indicator is an assessment of a household's ability to afford the proposed project. The Assessment is made up of two components<sup>22</sup>:

- **New Residential Monthly Water or Sewer Bill at 4,000 gallons/mo:** The projected residential water or sewer bill (including the proposed project and any known LF from the other two categories) for a residential user, normalized to 4,000 gallons of usage.
- **Poverty Prevalence Indicator:** The percentage of community households at or below 200% of the Federal Poverty Level

Using this combination of factors will indicate both the cost burden borne by lower-income households as well as the overall affordability challenges facing the community.

The resulting Household Financial Burden Indicator matrix corresponds to the resulting category of unaffordability as shown below:

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<sup>22</sup> Credit to R Raucher, E Rothstein, and J Mastracchio's [Developing a New Framework for Household Affordability and Financial Capability Assessment in the Water Sector](#), 2019

		Poverty Prevalence*		
		Low <= 32.0%	Mid 32.0 - 41.0%	High > 41.0%
New Monthly Sewer Bill at 4,000 gal/month	High > \$44	Moderate-High	Moderate-High	High
	Mid \$30 - \$44	Moderate-Low	Moderate	Moderate-High
	Low <= \$30	Low	Moderate-Low	Moderate-High

\* Poverty Prevalence is measured by the percentage of people in the community living at or below 200% of the federal poverty level.

The amount of LF attributed to the Household Financial Burden may be different from grant to grant and will be indicated in the LF criteria for each Cap Grant.

## Appendix C - Project Ranking Criteria

Projects are added to the PPL to be funded based on the rules for the CWSRF Program in 567 IAC Chapter 91. Projects will be funded as they become ready to proceed to construction.

The criteria for scoring and ranking CWSRF projects use an integrated approach which allows comparison of Section 212 POTW (publicly owned wastewater treatment works) projects as well as Nonpoint Source (NPS) pollution control projects to gain the highest water quality benefits for the funding available.

Iowa is currently able to fund all projects that are eligible, but the priority system will be available to use in the case the demand for CWSRF loans exceeds supply of funds. In the event that available funds are limited, funding shall be offered to the projects with highest rank on the PPL, subject to the project's readiness to proceed, and shall proceed from the highest project downward, subject to availability of funds.

### PROJECT PRIORITY LIST RANKING CRITERIA

Planning and Design projects are not ranked. Construction projects are ranked based on the DNR's scoring system, described in 567 IAC Chapter 91. Priority ranking for the projects is based on the total points awarded for all the categories; the greater the total number of points, the higher the ranking. The ranking will be done at the time the IUP is prepared and will not be updated during the year.

Subsequent segments of projects funded by CWSRF loan programs of previous years will be ranked at the top; projects ranked in the current year application group will follow.

The priority system for Nonpoint Source Assistance Programs projects will not be implemented until 90 percent of the funds reserved for that program have been allocated and no additional funds are available. If that occurs, ranking will be done at the time that a new project application is received.

### PROJECT PRIORITY LIST SCORING CRITERIA

Eligible CWSRF projects (treatment works and nonpoint source projects) will be scored in accordance with the scoring system described in 567 IAC Chapter 91.

The CWSRF project scoring system assigns points to projects in each of the following scoring criteria:

- A. Use and classification of receiving waters
- B. Water quality of the receiving waters
- C. Protection of groundwater resources
- D. Project type
- E. Project Purpose

All projects will be listed in descending order on the published PPL according to the number of total priority points assigned each project. The tie breaker category (described in 567 IAC Chapter 91) will be used when necessary.



# Appendix D - Interest Rates, Fees, and Loan Terms

## TYPES AND TERMS OF FINANCING

### PLANNING AND DESIGN LOANS

Planning and Design (P&D) Loans provide affordable financial assistance for costs incurred in the planning and design phase of SRF-eligible proposed wastewater, stormwater, or drinking water project. Eligible costs include, but are not limited to, engineering fees, archaeological surveys, environmental studies, fees related to project plan preparation and submission, and other costs related to project plan preparation.

P&D Loans have no interest or payments due for up to three years while the project is designed, no minimum or maximum loan amounts, and no initiation or servicing fees. However, borrowers will still need to engage their Bond Counsel to authorize and issue the debt. P&D Loans will be rolled into an SRF Construction Loan or may be repaid when other permanent financing is committed.

### SRF CONSTRUCTION LOANS

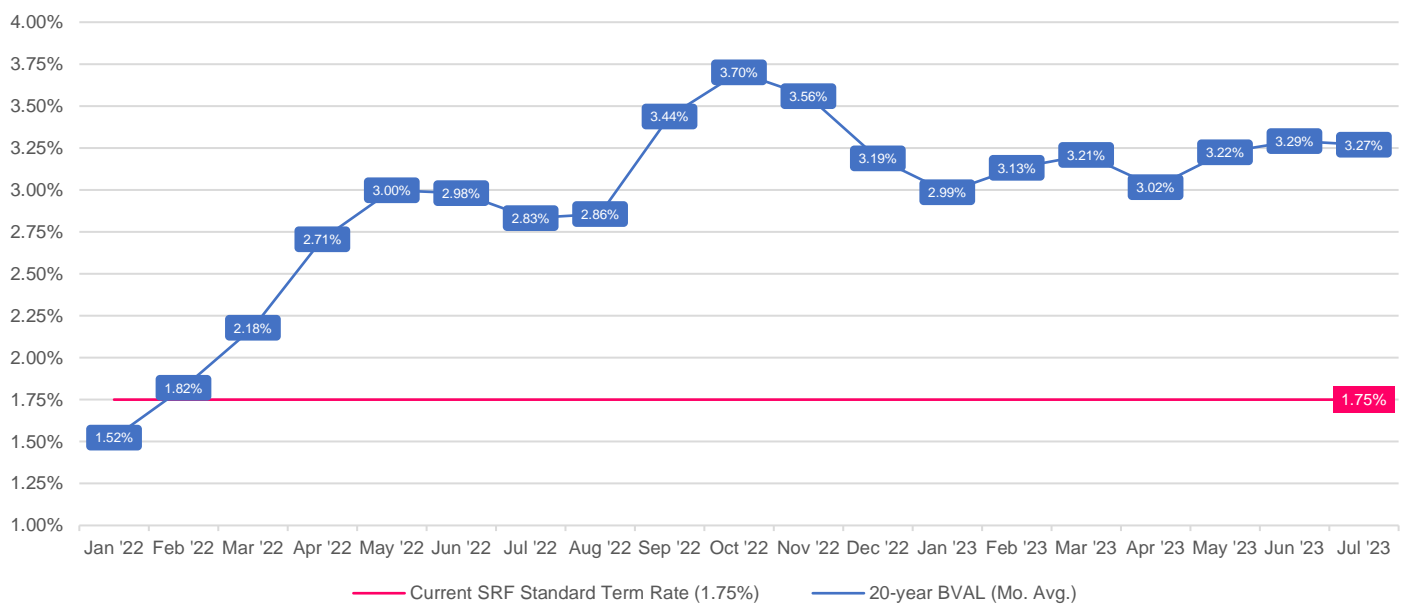
SRF Construction Loans provide eligible entities with low-cost financing for a variety of wastewater and drinking water infrastructure projects. SRF Construction Loans are offered for up to 30 years, with below-market interest rates, low fees, and favorable terms.

Standard Term Construction Loans are offered for up to 20 years. Qualifying projects may request extended term financing for up to 30 years (not to exceed the average useful life of the project).

### INTEREST RATES (EFFECTIVE OCTOBER THROUGH DECEMBER 2023)

Clean Water and Drinking Water State Revolving Fund Programs are charged with providing communities with a low-cost, long-term, perpetual funding source to construct the infrastructure and implement practices that will deliver safe drinking water to citizens and treat water pollution for a healthy environment.

To carry out this mandate, SRF Programs must remain responsive to evolving financial markets. Interest rates in both the Treasury and municipal markets have been trending higher over the past 18 months, resulting in substantially higher cost of funds. The graph below compares the monthly average 20-year AAA General Obligation market yield to Iowa SRF's Standard Term Construction Loan interest rate. Since the beginning of Calendar Year 2022, the average AAA 20-year yield has more than doubled.



**IMPORTANT CHANGE TO LOAN INTEREST RATE METHODOLOGY**

In response to recent market trends, and to ensure the Program can meet the future water infrastructure financing needs of future borrowers, Iowa SRF will implement a change to how interest rates for SRF Construction Loans are calculated beginning in the second quarter of Fiscal Year 2024.

Beginning October 1, 2023, Iowa’s State Revolving Fund Loan Programs will utilize Base Interest Rates for Tax-Exempt and Taxable Standard Term SRF Loans (up to a 20-year term) that will be re-calculated and published on the first business day each January, April, July, and October (the “Effective Date”). Current SRF loan interest rates will be published and readily available at the [SRF website, www.iowasrf.com](http://www.iowasrf.com).

**STANDARD TERM LOANS (UP TO 20 YEARS)**

The Base Interest Rate for tax-exempt loans will be calculated by taking 75 percent of the average Bloomberg BVAL General Obligation Municipal AAA 20-year yield (“BVAL”) for the calendar month immediately preceding the Effective Date. For example, the Base Interest Rate effective October 1 will be calculated using the average 20-year BVAL yield for the month of September.

The Base Interest Rate for the taxable portions of SRF projects will be calculated by taking 75 percent of the average Bloomberg BVAL Taxable General Obligation Municipal AAA 20-year yield for the calendar month immediately preceding the Effective Date.

*About BVAL*

*BVAL use real-time trades and contributed sources to signal movement in the municipal market as it is happening. Iowa SRF has chosen BVAL's AAA Municipal Curves as the benchmark indices because they are widely used, objective, transparent, and publicly available through the [Municipal Securities Rulemaking Board](#) to anyone who wishes to track the market independently.*

**EXTENDED TERM LOANS (21-30 YEARS)**

Extended term loans of up to 30 years are available for qualifying projects. The interest rate for projects that qualify and wish to close a loan with extended term financing will be:

<b>Loan Term*</b>	<b>Interest Rate</b>
<b>21-30 years</b>	Base Interest Rate + 1.00%

*\* Not to exceed the qualifying average useful life of the project*

**SPECIAL PURPOSE FUND LOANS**

The interest rate for the loaned portion of lead service line projects is 0%. Loan servicing fees will still apply (see Fees section below).

**INTEREST RATE LOCK**

Once DNR Staff issues the SRF Notice of Eligibility Letter, applicants will receive a financing offer from Iowa Finance Authority including an interest rate lock for up to 90 days<sup>23</sup> and a final loan forgiveness percentage offer, if applicable. The applicant should then work with their Bond Counsel, Municipal Advisor, and other members of the financing team to complete the loan issuance process (e.g., submit SRF Construction Loan Application, hold public hearing and authorize debt, complete proforma financial analysis, pass rate ordinance if required, etc.). Should the Program’s loan interest rates fall prior to signing a loan agreement, the applicant will automatically receive the more favorable rate at loan closing, given they are still within the 90-day rate lock period.

<sup>23</sup> Actual interest lock period may extend beyond 90 days to align with loan closing dates or account for state holidays.

## **FEES**

### **LOAN INITIATION FEES**

A 0.50% loan origination fee will be charged on new SRF Construction Loans, not to exceed \$100,000. Since Iowa's loan initiation fees are capitalized, the fee income is considered program income and may only be used for the purposes of administering the SRF Program or for making new loans.

Initiation fees will not be assessed on either P&D Loans or Construction Loans to borrowers that have received a LF award (due to a SA score that meets the Program's affordability criteria as a DAC).

### **LOAN SERVICING FEES**

An annual loan servicing fee equal to 0.25% of the outstanding loan balance is charged on SRF Construction Loans. Payment of the loan servicing fee is made semiannually along with scheduled interest payments. Loan servicing fees are calculated based on the outstanding principal balance. Under U.S. EPA rules, only servicing fees received from loans made above and beyond the amount of the Capitalization Grant and after the Capitalization Grant under which the loan was made has been closed are considered Non-Program Income. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Non-Program Income are discussed in Other Program Uses in this IUP.

## Appendix E - Estimated Sources and Uses<sup>24</sup>

### Clean Water SRF - State Fiscal Year 2024

#### SOURCES OF FUNDS

FFY 2022 Federal Capitalization Grants	
BIL Emerging Contaminants	\$1,265,000
FFY 2023 Federal Capitalization Grants	
Base Program	\$10,152,000
BIL Supplemental	\$28,210,000
BIL Emerging Contaminants	\$2,878,000
Estimated Loan Repayments (P&I)	\$113,000,000
Estimated Fee Income	\$5,718,000
Funds Available in Equity and Program Accounts	\$170,755,000
Estimated Investment Earnings on Funds	\$2,166,000
Estimated Bond Proceeds:	
Leveraged/Reimbursement	\$210,000,000
State Match	\$1,500,000
<b>TOTAL SOURCES</b>	<b>\$545,644,000</b>

#### ANTICIPATED USES OF FUNDS

Administration	\$5,108,000
Project Funding	
Disbursements to Existing Loan Commitments <sup>25</sup>	\$227,927,000
Disbursements to Future Loan Commitments:	
Planning & Design Requests from IUP <sup>26</sup>	\$6,354,000
Additional CWSRF Project Requests <sup>27</sup>	\$123,719,000
Debt Service:	
Principal Payments on Outstanding Revenue Bonds	\$52,090,000
Interest Payments on Outstanding Revenue Bonds	\$60,056,000
Retained Equity	\$70,390,000
<b>TOTAL USES</b>	<b>\$545,644,000</b>

#### NET SOURCES (USES)

\$0

<sup>24</sup> All amounts are as of May 2, 2023, and are rounded to the nearest \$1,000.

<sup>25</sup> Undisbursed CWSRF loan commitments: \$303,902,406 at 75% disbursement rate.

<sup>26</sup> Planning & Design requests per CW IUP: \$12,707,054 at 50% disbursement rate.

<sup>27</sup> Additional projects from IUP up to total budgeted disbursements for SFY 2024, plus 25% of total budgeted new loan commitments for SFY 2024.

## Appendix F - State Match

### Clean Water SRF FFY 2021

<u>Sources of State Match</u>		
Surplus State Match from Prior Year(s)		\$197,400
State Match Bonds Issued in Feb 2020		\$10,000,000
<b>Total CW State Match Available</b>		<b>\$10,197,400</b>
<u>Application of State Match</u>		
FFY21 Base Cap Grant	\$21,505,000	
State Match Required (%)	x 20%	
State Match Required (\$)		\$4,301,000
<b>Total CW State Match Required</b>		<b>\$4,301,000</b>
<b>State Match Surplus (Deficit)</b>		<b>\$5,896,400</b>
<b>FFY 2022</b>		
<u>Sources of State Match</u>		
Surplus State Match from Prior Year(s)		\$5,896,400
State Match Bonds Issued in May 2022		\$3,000,000
<b>Total CW State Match Available</b>		<b>\$8,896,400</b>
<u>Application of State Match</u>		
FFY22 Base Cap Grant	\$15,660,000	
State Match Required (%)	x 20%	
State Match Required (\$)		\$3,132,000
FFY22 Supplemental Cap Grant	\$24,088,000	
State Match Required (%)	x 10%	
State Match Required (\$)		\$2,408,800
<b>Total CW State Match Required</b>		<b>\$5,540,800</b>
<b>State Match Surplus (Deficit)</b>		<b>\$3,355,600</b>
<b>FFY 2023</b>		
<u>Sources of State Match</u>		
Surplus State Match from Prior Year(s)		\$3,355,600
State Match Bonds Issued in June 2023		\$1,500,000
<b>Total CW State Match Available</b>		<b>\$4,855,600</b>
<u>Application of State Match</u>		
FFY23 Base Cap Grant	\$10,152,000	
State Match Required (%)	x 20%	
State Match Required (\$)		\$2,030,400
FFY23 Supplemental Cap Grant	\$28,210,000	
State Match Required (%)	x 10%	
State Match Required (\$)		\$2,821,000
<b>Total CW State Match Required</b>		<b>\$4,851,400</b>
<b>State Match Surplus (Deficit)</b>		<b>\$4,200</b>

## Appendix G - Federal Assurances, Certifications and Proposals

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the EPA, the grant terms and conditions, and the proposals listed within this Appendix.

### SPECIFIC PROPOSALS AND CERTIFICATIONS

#### PROGRAM BENEFITS REPORTING

The Iowa CWSRF Program plans to enter data into the EPA reporting database for the Office of Water State Revolving Funds (OWSRF) not less than quarterly and enter data into the National Information Management System (NIMS) annually.

#### SIGNAGE

SRF staff and recipients will notify the public in the most effective ways possible about assistance agreements and benefits of the CWSRF program in order to enhance public awareness of EPA assistance agreements nationwide. The Iowa CWSRF program sends out press releases listing all CWSRF loans that have closed and borrower contact information.

Projects receiving additional subsidization, or are funded as equivalency projects from Infrastructure Investment and Jobs Act (IIJA) or Bipartisan Infrastructure Law (BIL) funds will follow the OMB<sup>28</sup> and EPA Signage Guidance<sup>29</sup> for those funds, as summarized below:

The BIL signage term and condition requires a physical sign displaying the official Building a Better America emblem and EPA logo be placed at construction sites for BIL-funded projects. The sign must be placed in an easily visible location that can be directly linked to the work taking place and must be maintained in good condition throughout the construction period. This requirement applies only to the following projects:

- Construction projects identified as “equivalency projects” for BIL general supplemental capitalization grants;
- Construction projects that receive additional subsidization (grants or forgivable loans) made available by BIL general supplemental capitalization grants

#### COST EFFECTIVENESS ANALYSIS

To comply with EPA guidance on cost and effectiveness requirements under Section 602(b)(13) of the Clean Water Act, Iowa will require applicants to submit a self-certification form indicating compliance with this requirement.

#### GREEN PROJECT RESERVE

Congressional Appropriations require 10% of CWSRF Cap Grant amounts be used to fund projects that qualify under the EPA’s Green Project Reserve (GPR), if such applications are submitted. GPR projects address green infrastructure, water and energy efficiency, and/or other environmentally innovative activities. Iowa’s Nonpoint Source Programs, including the Sponsored Project Program, finance several projects annually which meet this criterion. During SFY 2024, the SRF Program will identify recipients that comply with green project reserve requirements for the FFY 2022 and FFY 2023 Cap Grant allocations. The specific projects identified as GPR will be listed in the annual report.

	Iowa Allocation	GPR Required (10%)
FFY 2022 Capitalization Grant	\$15,660,000	\$1,566,000
FFY 2022 BIL General Supp Grant	\$24,088,000	\$2,408,800
FFY 2022 BIL PFAS/EC	\$1,265,000	\$126,500
FFY 2023 Capitalization Grant	\$10,152,000	\$1,015,200
FFY 2023 BIL General Supp Grant	\$28,210,000	\$2,821,000
FFY 2023 BIL PFAS/EC	\$2,878,000	\$287,800

<sup>28</sup> Guidelines and design specifications for using the official Building A Better America emblem and corresponding logomark available at <https://www.whitehouse.gov/wp-content/uploads/2022/08/Building-A-Better-America-BrandGuide.pdf>

<sup>29</sup> Compliance guidelines for sign specifications provided by the EPA Office of Public Affairs (OPA) are available at <https://www.epa.gov/grants/epa-logo-seal-specifications-signage-producedepa-assistance-agreement-recipients>

## **ADDITIONAL SUBSIDIZATION**

CWSRF Base Program funding, provided through the Consolidated Appropriations Act, includes two different additional subsidization authorities (Congressional and Clean Water Act). Additional subsidy authority also exists under the Bipartisan Infrastructure Law. Iowa has established criteria in Appendix B - Additional Subsidization to comply with these authorities and will document recipients of these funds in the annual report.

## **AMERICAN IRON AND STEEL**

CWSRF assistance recipients are required to use iron and steel products produced in the United States for projects for constructing, altering, maintaining, or repairing public water systems<sup>30</sup>. Iowa CWSRF Program proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. All recipients will be required to sign a self-certification of compliance at completion of the project.

Forms and guidance for compliance will be provided to SRF borrowers and/or made available on the [SRF website](#).

## **BUILD AMERICAN, BUY AMERICA (BABA) ACT**

On November 15, 2021, President Joseph R. Biden Jr. signed into law the Infrastructure Investment and Jobs Act ("IIJA"), Pub. L. No. 117-58, which includes the Build America, Buy America Act ("the Act") that strengthens the Made in America Laws.<sup>31</sup> Infrastructure projects funded by federal financial assistance must ensure that the ***iron, steel, manufactured products, and construction materials*** used in the project are produced in the United States.<sup>32</sup>

Since not all funds available through the Iowa CWSRF Program are considered federal financial assistance, SRF will provide information to those applicants required to comply with necessary documentation and inspection procedures. Iowa proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance<sup>33</sup>. All recipients will be required to sign a self-certification of compliance at completion of the project.

Forms and guidance for compliance will be provided to SRF borrowers and/or made available on the [SRF website](#).

## **ENVIRONMENTAL REVIEW**

Projects receiving assistance from the CWSRF must conduct environmental reviews of the potential environmental and historical impacts of projects and associated activities. To reduce costs and barriers to participating in the SRF loan program, Iowa SRF Environmental Review staff will conduct NEPA-like environmental review services on behalf of CWSRF applicants in accordance with the federal assurances below.

## **DAVIS-BACON**

The Davis Bacon Act requires that all contractors and subcontractors performing construction, alteration and repair (including painting and decorating) work under federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location.<sup>34</sup> Iowa proposes oversight of this requirement to be conducted by verification of bid documents and wage determinations, and will require applicants to submit a self-certification form at completion of the project indicating compliance with this requirement.

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<sup>30</sup> <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

<sup>31</sup> Build America, Buy America Act, P.L. 117-58, Secs 70911 - 70917

<sup>32</sup> <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

<sup>33</sup> <https://www.epa.gov/system/files/documents/2022-11/OW-BABA-Implementation-Procedures-Final-November-2022.pdf>

<sup>34</sup> <https://www.epa.gov/grants/interim-davis-bacon-act-guidance>

## FEDERAL ASSURANCES

**Instrumentality of the State.** See language in current Operating Agreement.

**Binding Commitments.** The State will enter into binding commitments with recipients to provide assistance in accordance with the requirements of the Clean Water Act (CWA), in an amount equal to 120 percent of the amount of each grant payment, within one year after receipt of such grant payment.

**Expeditious and Timely Expenditure.** All monies in the fund will be committed and expended in an expeditious and timely manner.

**State Laws and Procedures.** The state will commit or expend each quarterly capitalization grant payment in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State.

**State Accounting and Auditing Procedures.** In carrying out the fiscal control and auditing requirements of the CWA, the state will report to EPA in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board.

**Assistance Recipient Accounting and Auditing Procedures.** The state will require as a condition of making a loan or providing other assistance from the fund that the recipient of such assistance provide an annual audit of project accounts in accordance with GAAP. A copy of the loan agreement can be reviewed on the [SRF website](#).

**Annual Reports.** As required, the state agrees to report to EPA on the actual use of funds and how the state has met the goals and objectives for the previous fiscal year as identified in that year's IUP.

**Environmental Review.** The State will assure compliance through the procedures described in State Rules and 40 CFR 35.3140, in effect at the time of execution of this agreement, and any future amendments which are reviewed and approved by EPA. A NEPA-like (40 CFR Part 6) review will be completed for all CWSRF Treatment works projects as defined by Section 212 of the CWA. A NEPA-like review will be conducted for any CWSRF project receiving assistance.

**Types of Financial Assistance.** The State certifies that only the types of assistance authorized under Section 603 of the CWA, as amended, and the State's enabling legislation, will be awarded.

### PROCESS (APPLICATION/PAYMENT/DISBURSEMENT)

**Application.** Properly executed, completed grant applications with supporting documentation meeting 2 CFR Part 200 requirements will be submitted to the Regional Administrator at least 90 days prior to the target grant award date. The State and EPA agree to negotiate promptly, cooperatively, and in good faith to clarify or resolve questions which may arise during the 60-day application review time period.

**Grant Payments.** After the award of a capitalization grant, the state will begin receiving quarterly grant payments according to the schedule in the grant award. The quarterly payments, up to the full amount of the grant, must be made in no more than eight quarters following grant award or 12 quarters after funds are allotted.

**Cash Draws/Disbursements.** Cash draws will be made as costs are incurred. Disbursements will be made from state monies first, then federal monies.

**Annual Report, Review and Audit.** State will follow requirements in 40 CFR 35.3165.

**Corrective Action.** State will follow requirements addressed in 40 CFR 35.3170.

**Disputes.** Dispute provisions of 2 CFR Part 1500 Subpart E shall be used for disputes involving EPA disapproval of an application or a capitalization grant, as well as disputes arising under a capitalization grant including suspension or termination of grant assistance.



**Records, Retention and Access.** Records will be retained according to 2 CFR 200.333. Federal access to records will be according to 2 CFR 200.336a. The State will establish and maintain program and project files as required to:

1. Document compliance with the CWA, other federal regulations, and any general and special grant conditions;
2. Produce the required report;
3. Document technical and financial review and project decisions;
4. Support audits; and
5. Provide effective and efficient program management.

**Congressional and Public Inquiries.** Responses to Congressional and public inquiries will be made by State and coordinated with EPA as necessary. A copy of the inquiry and response will be sent to EPA for all Congressional inquiries. Although State will address project-level and most program inquiries. If EPA is responsible for any program inquiries, the State will provide background information in a timely manner and EPA will provide a copy of inquiry and response in a timely manner.

## Appendix H - Funding Recommendations

### SFY 2024 SPONSORED PROJECT FUNDING RECOMMENDATIONS

Sponsored Project loan amendments must be executed prior to the second principal payment on the sponsoring CWSRF loan or the Sponsored Project award may be withdrawn.

Applicant	Proposed Watershed and Project Description	Proposed Partners	Date Applied

### GENERAL NONPOINT SOURCE ASSISTANCE PROJECTS FOR APPROVAL OF LAND PURCHASE

Iowa Code Sections 455B.291 and 455B.295 set forth the conditions by which land acquisition is eligible under this Nonpoint Source Assistance Program. Per 567 IAC 93.7(5), costs for the purchase of land are not eligible costs unless specifically approved by the EPC.

Applicant	Project Description (Proposed watershed, land use, transfer of ownership)	Acres	Purchase Price

## Appendix I - Public Review and Comments Received

A public meeting to allow input to Iowa's SFY 2023 IUP and PPL was held June 8, 2023, 10:00 a.m. via video conference call. This meeting was announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, and other groups which might have an interest. Written comments were accepted until June 16, 2023.

A public meeting to allow input to Iowa's SFY 2023 IUP and PPL was held Aug. 17, 2023, 10:00 a.m. via video conference call. This meeting was announced in a notice provided to stakeholder organizations representing city officials, consulting engineers, county governments, councils of government, area planning agencies, and other groups which might have an interest. Written comments were accepted until Aug. 24, 2023.

## Attachment 1 - CWSRF Project Priority List

This is a separate, sortable Excel File