

Clean Water Fund

Financial Assistance Programs Municipal Water Pollution Control State Fiscal Years 2022 & 2023

- Section 1: Program Authorization and Objectives
- Section 2: Meeting Future Clean Water Fund Demands and Economic Benefits to the State
- Section 3: Municipal Funding Programs
 - Section 3a: Priority Project Program (Grant & Loan)
 - Section 3b: Set-Asides and Reserves (Grant & Loan)
 - Section 3c: Collection System Improvement Program (Loan)
- Section 4: Bipartisan Infrastructure Law (NEW)

Section 1: Program Authorization and Objectives

Authorizations:

The purpose of this document is to present the Department of Energy & Environmental Protection's (Department or DEEP) state and federal funding assistance programs for municipal water pollution control projects during state fiscal years 2022 (July 1, 2021 - June 30, 2022) and 2023 (July 1, 2022 - June 30, 2023). This document describes the uses of funds available under Sections 22a-478 and 22a-483 of the Connecticut General Statutes (CGS) and federal funds under the Water Quality Act of 1987.

A public hearing on this document (hereafter referred to as “the Priority List”) will be held by video conference on May 16, 2022 at 1 pm. The draft Priority List has been distributed through the Municipal Wastewater Listserv to all subscribers, posted on the Department’s website, and public notices of its availability were posted in various newspapers throughout the state. The Department is seeking public comment on the draft Priority List and all comments will be considered in the development of the final Priority List.

The Department has been funding projects in accordance with the FY20 and FY21 Priority List. The unallocated balances from that Priority List were considered in the development of the FY22 and FY23 Priority List. The anticipated funding for this Priority List is as follows:

	FY22 Funds Authorized	FY23 Funds Authorized
State General Obligation Bonds	\$ 100,000,000	\$ 100,000,000
State Revenue Bonds	\$ 281,000,000	\$ 237,000,000
Federal Capitalization Grant	\$ 19,465,000	\$ 19,000,000 ⁽¹⁾

(1) Anticipated grant level

Requirements of the Federal Capitalization Grant:

The requirements for the federal FY22 and FY23 Capitalization Grants are as follows:

- 10% of the grant shall be used for green infrastructure, energy efficiency, or other environmentally innovative projects. The projects that are deemed eligible for funding are identified in Section 3b;
- 10% to 30% of the Federal Capitalization Grant shall be applied as grant;

Funding Levels Based Upon Project Type:

The Clean Water Fund program is defined by Sections 22a-475 through 22a-483 of the CGS and by regulations adopted on February 19, 1992 pursuant to CGS 22a-482. The State's Clean Water Fund program (Section 3a of the Priority List) provides grants equal to 20% of the eligible project costs and a loan for the remainder of the project costs which are to be repaid over not more than 20 years at 2% interest for water pollution control projects. Exceptions to grant percentage are noted below.

- Combined Sewer Overflow (CSO) projects receive grants equal to 50% of the eligible project costs associated with CSO control.
- Nutrient (Nitrogen or Phosphorus) Removal projects receive grants equal to 30% of the project costs associated with nutrient removal.
- Small Community projects receive grants of 25% of the eligible project cost.

Management System

As required by Section 22a-482-1(b) of the Regulations of Connecticut State Agencies (RCSA), a Priority List is established for the purpose of determining funding assistance available for sewerage projects. This list is effective upon adoption and shall remain in effect until adoption of the subsequent Priority List. The intended effective period is from the date of adoption through June 30, 2023, or until the next Priority List is adopted.

The Priority List management system (Section 22a-482-1(c)(1) through (5) of the RCSA) includes sections on priority rating criteria, project ranking mechanism, order of priority funding, public hearing and revisions to the Priority List. The Priority List has been developed in accordance with the requirements referenced above.

This document incorporates the priority ranking systems for grant-eligible priority projects. The loan-only collection system improvement projects will be funded from the reserves on a first come, first served basis.

Projects will be removed from the Priority List if they have been fully funded by the Clean Water Fund, if funded by any other means, if no longer eligible for funding, or if the municipality withdraws the project from consideration.

Reserves

In developing the fundable portion of the Priority List and the intended use plan, the State has established a number of set-asides and reserves required or allowed under federal and state regulations. Reserves have been considered for:

- (a) Program administrative costs
- (b) Water quality management
- (c) Cost increases
- (d) Planning projects
- (e) Design projects
- (f) Small community projects
- (g) Infiltration and inflow rehabilitation projects
- (h) Pump station rehabilitation projects
- (i) Green infrastructure projects
- (j) Resiliency projects
- (k) Collection system improvement projects
- (l) Technical Assistance, new for FY22-23 due to the Bipartisan Infrastructure Law (see Section 4 for additional information)

Program Administrative Costs

The costs of administering the Clean Water Fund are covered by a combination of federal grants and state bonds. Section 35.2020(a) of the Code of Federal Regulations provides that the State may set aside from the federal capitalization grant of FY22 and FY23 a reserve not to exceed 4 percent of Title VI appropriations for the purpose of administration. In addition to these federal dollars, the state may set aside an amount not to exceed 4 percent of the total bonding authorization to cover the reasonable costs of administering the program. These administrative expenses are allowed in accordance with appropriate tax laws and bonding practices.

Water Quality Management

Section 604(b) of the 1987 Amendment to the Federal Water Pollution Control Act is applicable to Title VI only. This section is intended to provide a funding source to states for water quality management planning as defined by 205(j) and 303(e) of the Federal Act. The funding level is one percent of the total state allotment or \$100,000, whichever is greater. Accordingly, \$220,000 has been reserved from federal FY22 and approximately \$220,000 from federal FY23 for this purpose.

Small Communities

A “small community” means a municipality with a population of 5,000 or less, or highly dispersed sections of large municipalities. The regulations adopted pursuant to CGS Section 22a-482 require that a reserve of funds sufficient to finance the construction of at least one small community project per year be established.

Revisions to the Priority List

The Department reserves the right to evaluate the usage of funds in all of the reserves and the fundable construction projects at any time during the last six months of each fiscal year and to reallocate underutilized funds into any other reserve or construction project as determined by the Commissioner. This shall be done in accordance with the requirements of Section 22a-482-1 (c) (5) (Revisions to the Priority List) of the RCSA.

Revisions of the Priority List may be made at any time during the funding period in accordance with public participation requirements and all other established procedures. A public hearing with appropriate notice may be held on all significant changes to the Priority List and all parties affected by such changes may be notified directly. If the State determines that a change must be made and that such a change is not significant, or the affected municipality has been previously notified, public notice requirements and a public hearing may be waived.

If the passage of a public act or budgetary rescissions results in a reduction in the amount of funding authorized, the final Priority List will be revised without a public notice and public hearing. In order to account for a reduction in funding, DEEP will make adjustments in the funding reserves that are underutilized for new projects. Specifically, DEEP will revise Section 3b of the *Set-Asides and Reserves* and Section 3c of the *Collection System Improvement Program*. If adjusting those reserves is insufficient to account for the reduction in funding, then the lowest priority point projects listed in the table for *Fundable Construction Projects* will not receive funding. Any changes to the final Priority List will be posted on DEEP’s website.

Section 2: Meeting Future Clean Water Fund Demands and Economic Benefits to the State

The FY22 and FY23 state capital budget will continue a trend of generous financial support for the on-going improvement of our aging wastewater infrastructure. Current funding authorizations will further stimulate our recovering economy through the creation or retention of jobs for construction contractors, equipment manufacturers, construction materials suppliers, design and management professionals, and supporting businesses and industries. The availability of CWF financing will reduce the burden on ratepayers and taxpayers from stable, low interest financing as well as grant dollars to municipal wastewater treatment authorities.

Consistent with the priority list scoring process (See Section 3a) and in accordance with the RCSA Section 22a-482-1(c), available funding is proposed to address priority water quality areas. The priority needs of the state still remain achieving CSO abatement as required under Long Term Control Plans and/or the Integrated Municipal Stormwater and Wastewater Plan, meeting the nitrogen load allocation required by the Total Maximum Daily Load (TMDL) for the Long Island Sound, and phosphorus reduction to control nutrient enrichment of streams.

Other issues that will likely add to the CWF demands, but for which costs cannot be precisely determined at this time include:

- Tighter effluent limits for metals;
- Control of pharmaceuticals and personal care products; and
- Adaptation to address climate change effects of flooding and sea level rise.

Section 3: Municipal Funding Programs

Section 3a: Priority Project Grant-Loan Program

Priority Project Ranking System

Regulations adopted pursuant to CGS 22a-439 and 22a-482 (Section 22a-482-1(c) of the RCSA) and under 40 CFR Part 35 specify the use of a priority system for determining the funding of municipal projects.

The priority system and Priority List include project information and point ratings that become the basis for committing available and anticipated state and federal funds. Projects on the Priority List are rated on several criteria that emphasize the impact of each project upon public health, improvement of water quality, and water resource utilization. Both the federal regulations governing the development of this document, 40 CFR 35.2015 and 35.2020, and state law, CGS 22a-439 and 22a-478, stress the need to fund projects that improve "priority water quality areas," i.e., specific stream segments or bodies of water where municipal discharges have resulted in the impairment of a designated use or significant public health risk, and where the reduction of pollution from the municipal discharges will substantially restore surface or groundwater uses. Based on the priority rating system and other specific management criteria, all anticipated eligible sewerage projects as requested by the municipalities or identified by DEEP have been ranked for funding purposes and appear on the Priority List.

The Priority List contains the fundable portion, consisting of those projects anticipated to be funded from any unobligated balance of prior year carry-over funds and the anticipated FY22 and FY23 allotments. The priority rating score, which is developed from the priority rating system for every project, becomes the prime consideration in the overall Priority List ranking.

The criteria, which establish the priority rating number, are shown below. The application of this rating system to each individual project request that was received is shown in Table 1. Note that the criteria are evaluated against existing conditions, and not against future, 20-year flow projections. In cases where the priority rating number is the same for two or more projects, preference will be given to that project ready to proceed at the earliest date.

- I. Project impacts potable water supply – (10 points maximum).**
- A. Impaired water supply affecting less than 25 people – 2 points.
 - B. Impaired water supply affecting 26 to 100 people – 4 points.
 - C. Impaired water supply affecting 101 to 1,000 people – 6 points.
 - D. Impaired water supply affecting 1,001 to 5,000 people – 8 points.
 - E. Impaired water supply affecting more than 5,000 people – 10 points.
- II. Project is necessary for attainment of State water quality goals – (28 points maximum)**
- A. Project is necessary for attainment of water quality standards where the impacted water resource is:
 - 1. Smaller than main stem of a sub-regional drainage basin or groundwater goals will be attained – 5 points.
 - 2. Main stem of sub-regional drainage basin – 10 points.
 - 3. Main stem of regional drainage basin – 15 points.
 - 4. Main stem of major drainage basin – 20 points.
 - 5. Projects that impact coastal areas are considered the equivalent of a regional drainage basin and assigned – 15 points.
 - B. Project will enable the water body to meet minimum dissolved oxygen standards – 8 points.
- III. Project will enhance specific water resource values – (24 points maximum).**
- A. Fishery resources - (6 points maximum).
 - 1. Project will improve recreational fisheries – 3 points.
 - 2. Project will improve anadromous fisheries – 6 points.
 - 3. Project will open new streams for fish stocking programs – 6 points.
 - B. Shellfish resources – (6 points maximum).
 - 1. Project will lower coliform bacterial levels in the waters of shellfish beds – 3 points.
 - 2. Project will open new areas for shell fishing – 6 points.
 - C. Swimming – (6 points maximum).
 - 1. Project will enhance existing swimming opportunities – 3 points.
 - 2. Project will allow for new swimming opportunities – 6 points.
 - D. Eutrophication – (6 points maximum).
 - 1. Project will reduce eutrophication of a lake or impoundment by diverting septic system discharges out of a drainage basin – 3 points.
 - 2. Project will reduce eutrophication of a lake or impoundment by providing nutrient removal in a municipal treatment plant or by relocating an existing treatment plant discharge – 6 points.
- IV. Population equivalent (including commercial and industrial waste) initially served by the project – (12 points maximum).**
- A. Less than 5,000 2 points.
 - B. 5,000 but less than 10,000 4 points.
 - C. 10,000 but less than 20,000 6 points.
 - D. 20,000 but less than 40,000 8 points.
 - E. 40,000 but less than 75,000 10 points.
 - F. 75,000 or greater 12 points.

V. Health Related Issues - (6 points).

Project will eliminate ponding of sewage from failing septic systems, backup of sewage into basements, or overflow of sewage in streets (CSO correction projects are not eligible for points).

VI. Miscellaneous – (20 points maximum).

- A. Project involves the upgrading of an existing primary facility in order to comply with secondary treatment standards – 5 points.
- B. Project will result in the DEEP rescinding an Order concerning a sewer connection moratorium – 5 points.
- C. Project will eliminate nuisance odors associated with treatment processes or pump stations but exclusive of large-scale expansion or upgrading of treatment facilities – 5 points.
- D. Remedial action will improve treatment plant operations where treatment standards are already being achieved (Note that projects receiving points under this category cannot also claim points under category VIII) – 5 points.

VII. Connecticut Housing Partnership Program - Development Designation

Community has received development designation - 0 points.

Public Act No. 88-305 established a Connecticut housing partnership program, and amended CGS 22a-478, requiring the Commissioner of DEEP to consider the formation of a housing partnership program with a development designation as a factor in making grants and loans. However, the Department of Housing (DOH) has discontinued the housing partnership program, and is no longer maintaining a list of qualifying communities. Therefore, the priority points for such a program have been revised from 3 (on prior lists) to zero at this time.

VIII. Implementation of Long Island Sound TMDL

All projects that are designed to meet interim or final goals for nitrogen reduction per the Long Island Sound TMDL continue to receive points under this criterion. In order to prioritize the projects based on net impacts to Long Island Sound, a range of 15 to 32 points, rounded to the nearest whole number, based on their equalized baseline load, was established. This is in lieu of assigning each such project the full 32 points from Categories II.A.5 (15 pts), II.B (8 pts), III.A.1 (3 pts) and III.D.2 (6 pts). The actual formula for determining the points for each facility under this criterion is:

$$\text{Priority Points} = 14 + (\text{equalized baseline load, in lbs/day})^{0.368}$$

Once a facility has been constructed that is designed to or has demonstrated the ability to achieve the final nitrogen permit limit, it is no longer eligible for priority points under this criterion. This criterion constitutes a deviation from the existing regulations, has been approved by an action of the Commissioner dated February 2, 2002, and has been consistently applied since its inception.

Projects incorporating both phosphorus and nitrogen removal components shall only receive credit for one type of nutrient removal. These types of projects shall be rated two separate ways: the first score shall include points for phosphorus removal and no points under category VIII for nitrogen removal; the second score shall include points for nitrogen removal under category VIII, with no credit for phosphorus removal. The greater of the two scores shall carry forward.

Category I, II and III Projects

The priority rating system also includes a project ranking mechanism as permitted by federal and state regulations. The ranking system allows the State to put certain lower priority projects in a favorable position for funding for certain specific reasons. Any project listed in Category I, II, or III will be funded first without regard to priority points prior to funding other construction projects in order of priority points. In general, the rank of the project depends on its priority number, but the Commissioner **may**, in accordance with Clean Water Fund regulations, choose to assign a higher rank for projects which fall into one of the following categories:

Category I - Consists of projects for which:

- A complete financing application for construction was submitted to the DEEP for review during the previous funding period,
- The project was on the fundable portion of the previous priority list, and
- A Clean Water Fund agreement has not been executed for the project.

These applications have undergone preliminary review and represent the good faith efforts of the municipality to comply with program requirements. Funding for planning and design, initially funded by the municipality, may be recouped in the future, if the construction of the project is awarded Clean Water Fund assistance. It should be stressed that any project placed in this category must come from the fundable portion of the previous Priority List.

Category II - Consists of projects where previously funded segments of pollution abatement facilities have been built and are not usable or are severely restricted in use until the remainder of the project is fully constructed and operational.

Category III - Consists of projects that remedy documented pollution of potable water supplies.

One project has been selected for funding in Category II. At this time, no Category I or III project has been selected for funding.

Fundable Projects: Category II

<u>CWF#</u>	<u>Municipality</u>	<u>Description</u>	<u>Cost (\$M)</u>
TBD	MDC	Contract #3 SHCST	139

Fundable FY22 Projects: Construction

(In Order of Priority Points)

<u>Pts</u>	<u>CWF #</u>	<u>Municipality</u>	<u>Project Description</u>	<u>Cost (\$M)</u>
43	TBD	New Haven	CSO Projects (Orchard Street)	10
42	TBD	Norwich	CSO Projects (South Thames St. PS Force main)	3
30	TBD	MDC	East Hartford WPCF upgrade (2 phases)	16

Fundable FY23 Projects: Construction
(In Order of Priority Points)

<u>Pts.</u>	<u>CWF #</u>	<u>Municipality</u>	<u>Project Description</u>	<u>Cost (\$M)</u>
44	TBD	New Haven	WPCF upgrade (final phase denit. project - compressor)	10
43	TBD	New Haven	CSO Projects (Orchard St., Yale/Trumbull St.)	23
42	TBD	Norwich	CSO Projects (Rose Alley PS Force main)	2
40	TBD	MDC	Contract #4 SHCST	73
40	TBD	MDC	Hartford WPCF incinerator upgrade	8
40	TBD	MDC	Hartford WPCF site wrap up	5
27	TBD	Norwich	WPCF Upgrade	156
26	TBD	MDC	Rocky Hill WPCF upgrade (Bid Alt 1 & 2)	10
24	TBD	MDC	Poquonock WPCF upgrade	10
22	TBD	Litchfield	WPCF upgrade (Secondary Treatment System)	7
12	TBD	West Haven	WPCF Outfall Line Replacement	38
12	TBD	Plainfield	WPCF Upgrade (Collection System, North WWTP)	7

- (1) TBD – Clean Water Fund number to be determined at time of agreement execution.
- (2) SHCST – South Hartford Conveyance & Storage Tunnel
- (3) WPCF – Water Pollution Control Facility
- (4) The following projects were listed on the FY22 and FY22 Priority List for construction funding and were delayed until FY22. Those projects are MDC’s Contract #3 SHCST; WPCF upgrades in Norwich and MDC Poquonock; and small community projects in New Hartford, Pine Meadow sewer extension to Old Lyme Miami Beach Assoc., Old Colony Beach Assoc., Old Lyme Shores Beach Assoc., and Town of Old Lyme (Soundview & Route 156 projects).
- (5) “Denit.” – Denitrification project. The projects listed for Greater New Haven WPCA and MDC Rocky Hill represent the final portion of the upgrade that was not performed in the original contract.

Section 3b: Set-Asides and Reserves

As previously noted, in developing the fundable portion of the Priority List and the intended use plan, the State has established a number of set-asides and reserves required or allowed under federal and state regulations. These Reserves are accessed on a first-come, first-served basis unless otherwise noted, and do not rely on a priority point score for allocation to qualifying municipalities.

Reserve for Cost Increases
(Grant percentage varies)

FY22&23

\$37.5M

This reserve is intended for construction cost increases on currently funded projects.

Reserve for Planning Projects
(55% grant)

FY22&23

\$10M

Planning funds will be distributed on a first come, first served basis as complete applications are filed. In order for a planning project to be eligible, Quality Based Selection (QBS) must be used to choose an engineering consultant for that specific project.

After the planning reserve funds are depleted, municipalities may proceed with planning by utilizing local funds, and retain eligibility for future reimbursement of eligible costs provided the municipality has received prior written approval of the fees and scope of work from the Department. Municipalities that expend funds for eligible planning efforts without receiving prior written approval from the Department will not be eligible for reimbursement at a later date.

Reserve for Design Projects
(Non-CSO: 20% grant/80% loan; CSO: 50% grant/50% loan)

FY22&23

\$55M

Design funds will be made available only for those projects that can be expected to be reached on the Priority List for construction funding within three years. The QBS process must be followed in the selection of the design engineer. If the design engineer was selected by the town through a QBS process during the planning phase, the town may continue to use the same engineering consultant.

For design costs associated with collection system improvements in Section 3c of the Priority List, the Department will not process separate design agreements. Rather, the Department will require the municipalities to seek prior written approval on the design fees and to then complete design with local financing. The municipality may then recoup the design cost (as loan) by including them in the construction application for Clean Water Fund financing. This process is permitted by RCSA Section 22a-482-2(d)(3) of the Clean Water Fund Regulations.

Design funds will be awarded on a first-come, first-served basis as complete applications are filed. If the design reserve funds are depleted, municipalities may proceed with design by utilizing local funds and retain eligibility for future reimbursement of eligible costs provided the municipality has received prior written approval of the fees and scope of work from the department. In such cases, funding for design may be recouped at the time the construction of the project is awarded Clean Water Fund assistance. Municipalities that expend funds for eligible design efforts without receiving prior written approval from the Department will not be eligible for reimbursement at a later date.

Reserve for Construction of Green Infrastructure
(Non-CSO: 20% grant/80% loan; CSO: 50% grant/50% loan)

FY22&23

\$4M

This reserve includes, but is not limited to, the following types of construction projects:

- Energy efficiency projects as defined by EPA. Examples include cost-effective renewable energy components at treatment plants and projects that achieve a 20% reduction in energy consumption at treatment plants. (20% grant/80% loan)
- Community demonstration projects of green infrastructure technologies to promote infiltration of stormwater into the ground in combined sewer overflow areas. This reserve applies to CSO communities that are working toward compliance with their CSO Long Term Control Plans. (50% grant/50% loan)

Reserve for Construction of Resiliency Projects

(20% grant/80% loan)

FY22&23 \$6M

This reserve is for projects that allow wastewater infrastructure to better withstand the effects of severe weather events and expected climate change impacts such as an increase in frequency and severity of precipitation events, flooding, storm surge, wave action and sea level rise. This reserve will be administered on a first come, first served basis.

Reserve for Construction of Small Community

Projects (25% grant/75% loan)

FY22

\$6M

FY23

\$44M

This reserve allows for the funding of small community projects that will mitigate an existing documented community pollution problem. Small community projects include, but is not limited to, the following:

New Hartford, Pine Meadow sewer extension - \$4M

Old Lyme sewer extension projects - \$44M

Project funding to Old Lyme Miami Beach Assoc., Old Colony Beach Assoc., Old Lyme Shores Beach Assoc., and Town of Old Lyme (Soundview & Route 156 projects)

Reserve for Technical Assistance

FY22&FY23

Up to 2% of capitalization grant

New reserve category: For capitalization grants awarded after 11/15/21, Connecticut may choose to use up to 2% of its federal capital grant (under the CWSRF Base program, BIL CWSRF General Supplemental, and BIL CWSRF Emerging Contaminants funds) to provide assistance to nonprofits or State, regional, interstate, or municipal entities to provide technical assistance to rural, small, and tribal POTWs. This would be an eligible use of the fund similar to the CWSRF administrative funds. The amount available for this purpose would be calculated based on the capitalization grant amounts associated with the three aforementioned funds. States may choose to reserve funds for this purpose at their discretion and may reserve the right to utilize the unused portion(s) at a later date. States will need to report in planned use of reserve in Intended Use Plan.

Section 3c: Collection System Improvement Program

In accordance with Section 22a-478(c)(8) of the CGS, the funding of collection system improvement projects is permissive (“sewer collection system improvements may receive a loan for one hundred percent of the eligible cost...”). This is different from the priority project grant-loan program which is obligatory if funding is available. This funding is a 2% interest rate loan payable over 20 years.

It is important to note that this program is a subset of the Clean Water Fund and the only changes to the Clean Water Fund program are the funding level and the requirement for a separate priority system. All other aspects of the Clean Water Fund program, including the statutes and regulations, cost effectiveness of projects and environmental review apply to the collection system improvement program. Quality Based Selection must be used to choose an engineering consultant for that specific project. All administrative procedures applicable to the Clean Water Fund program apply to the collection system improvement program as well.

As indicated in Section 3b, the Department will not process separate design agreements for collection system improvements. Rather, the Department will require the municipalities to seek prior written approval on the design fees and then complete design with local financing rather than a Clean Water Fund loan. The municipality may then recoup the design cost by including them in the construction application for Clean Water Fund financing. This process is permitted by RCSA Section 22a-482-2(d)(3) of the Clean Water Fund Regulations.

For each municipality, there is a project limit of \$4 million per year and shall be administered on a first come, first served basis. For regional wastewater utilities that are responsible for the operation and maintenance of the entire collection system in the region, the limit per year is \$4 million times the number of communities in the region. These project funding limits apply to each of the funding reserves below.

Fundable FY22/FY23 Construction Projects (Collection System Improvement Program)

<u>Reserve for Construction of Collection System Improvement Projects (Loan Only)</u>	FY22&23	\$12M
---------------------------------------------------------------------------------------	---------	-------

This reserve will be available for the following types of sanitary sewer projects:

- Rehabilitation and/or replacement of sanitary sewers that cannot be adequately repaired through lining alone;
- Construction of relief sewers in separated sewer systems to address hydraulic overloading of existing sewers;
- Construction of sewers to cost effectively eliminate sanitary sewer pump stations; and
- Extension of sanitary sewers to solve an existing community pollution problem.

<u>Reserve for Construction of I/I Rehabilitation Projects</u> (20% Grant/80% Loan)	FY22&23	\$36M
----------------------------------------------------------------------------------------	---------	-------

Infiltration and Inflow (I/I) rehabilitation projects are designed to reduce the volume and frequency of extraneous flow (storm and surface water inflow and groundwater infiltration) entering sanitary sewer systems. Projects funded under this reserve minimize sewage overflows resulting from system surcharge, reduce hydraulic overloading and energy consumption, improve treatment efficiency, and reserve capacity for future wastewater needs.

<u>Reserve for Construction of Pump Station Rehabilitation Projects</u> (Loan Only)	FY22&23	\$10M
----------------------------------------------------------------------------------------	---------	-------

Projects funded under this reserve are for pump station improvement projects located in the collection system that result in a reduction in energy consumption, increase resiliency during extreme wet weather events, upgrade the ability to provide emergency power, or replace equipment that is beyond its design life.

Section 4: Bipartisan Infrastructure Law (BIL)

1. State Revolving Fund (SRF) Supplemental & other New Grants:

The BIL was signed into law on November 15, 2021 by President Biden and includes two new federal grants (namely, the SRF Supplemental Fund and the Emerging Contaminants Fund) for increased support of wastewater infrastructure needs through the Clean Water State Revolving Fund (CWSRF, aka Connecticut’s Clean Water Fund). These grants will be provided annually over the next five federal fiscal years (FFY), with implementation by CT DEEP subsequent to and in accordance with applicable implementation guidelines, which are currently under development by US EPA and/or OMB.

a. Emerging Contaminants Grant (NEW):

This grant seeks to address emerging contaminants (including PFAS) through any project eligible per section 603(c) of the Clean Water Act. Priority will be given to the study and/or removal of PFAS and other emerging contaminants from the environment in accordance with CT DEEP’s water quality goals and the state PFAS Action Plan, dated November 1, 2019.

b. Sewer Overflow & Stormwater Reuse Municipal (OSG) Grant (NEW):

Separate from the CWF SRF Program, the Sewer Overflow and Stormwater Reuse Municipal Grants Program (OSG Program) was reauthorized by America’s Water Infrastructure Act (AWIA) of 2018 and again by the 2021 BIL. The BIL reauthorized the program through 2026 to further support clean water needs. Upon Connecticut’s grant application submittal and subsequent EPA approval and disbursement of funds, the OSG grant will provide funding for critical stormwater infrastructure projects in communities including combined sewer overflows (CSO) and sanitary sewer overflows (SSO) to eligible entities with projects that address infrastructure needs for CSOs, SSOs, and stormwater management. Eligible projects can include planning, design, and

construction of treatment works to intercept, transport, control, treat, or reuse municipal combined sewer overflows, sanitary sewer overflows, or stormwater and any other measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water. Projects prioritized for funding will include communities in rural or distressed areas, have a long-term municipal CSO or SSO control plan, or green infrastructure, water and energy efficiency improvements, and other environmentally innovative activities. Projects under this program will have many of the same program requirements as the Clean Water SRF Program.

A summary of Connecticut’s expected allocations and state match requirements for the next two years is as follows:

	FY 22 Allocation	FY 23 Allocation	State Match
Supplemental Clean Water State Revolving Fund Grant	\$21,804,000	\$25.7M	<ol style="list-style-type: none"> 1. Match of 10% in FY22 and 23 (increases to 20% in FY24-26) 2. 49% of grant funds (\$10,683,960) must be additional subsidy (i.e. grants). Note: CT DEEP will determine one or more projects (as previously identified in this Priority List) which will receive additional subsidy based on a project(s) which meet the affordability criteria in Section 603(i) of Water Resources Reform and Development Act (WRRDA) to Titles I, II, V, and VI of the Federal Water Pollution Control Act and/or CT’s existing affordability criteria used by the Department of Economic and Community Development (DECD) to develop a list of distressed municipalities in Connecticut.
Emerging Contaminants Grant	\$1,145,000	\$2.25M	<ol style="list-style-type: none"> 1. Match not required 2. 100% of EPA’s capitalization grant to be provided as an add. Subsidy (i.e. grant)
Sewer Overflow & Stormwater Reuse Municipal Grants	\$6.2M	\$6.2M	<ol style="list-style-type: none"> 1. Match of 20% in FY 22 and 23

BIL establishes an additional subsidy range of 10% to 30% for the annual CWSRF capitalization grant. Congress has previously required that states use 10% of the annual CWSRF capitalization grant for additional subsidy.

CW SRF Amendments from Bipartisan Infrastructure Law (BIL)

With regard to the Clean Water SRF Base Program, some of the key provisions of BIL include the following amendments:

American Iron and Steel – The American Iron and Steel procurement requirement is permanent for *all* CWSRF construction projects going forward.

Build America, Buy America Act (BABAA) – BIL also expands domestic sourcing requirements with the inclusion of the Build America, Buy America Act (BABAA). Starting on May 14, 2022, all steel, iron, manufactured products, non-ferrous metals, plastic and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables), glass (including optic glass), lumber, and drywall used in infrastructure projects for federal financial assistance programs must be produced in the United States. Implementation guidance is being developed by the Made in America Office at the Office of Management and Budget (OMB).