

# State of Connecticut Department of Energy and Environmental Protection



## Clean Water State Revolving Fund Intended Use Plan

### Federal Fiscal Year 2024 Title VI Capitalization Grant

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## **Section 1: Introduction**

The State of Connecticut's Intended Use Plan (IUP) is part of the process to request the Federal Fiscal Year 2024 Capitalization and Bipartisan Infrastructure Law (BIL) Grants for the Clean Water State Revolving Fund (CWSRF) program. This IUP includes a list of projects from CT's Clean Water Fund Priority List, short- and long-term goals of the program, how the funds will be distributed, information on activities to be supported, and how the program will meet certain specific requirements pertaining to the management and use of the funds for FY2024. This IUP describes DEEP's intended uses for all funds available in the CWSRF program for federal FY 2024, including the projects that DEEP expects to provide financial assistance to in state FY 2025, and an overview of how the state will comply with federally mandated requirements.

## **Section 2: Background**

DEEP's Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) is prepared in accordance with the provisions of [Title VI of the Clean Water State Revolving Fund Act of 1987 \(CWA\)](#), the 2014 Water Resources Reform and Development Act (WRRDA), America's Water Infrastructure Act (AWIA) of 2018 amended section 221 of the Clean Water Act, the 2021 Bipartisan Infrastructure Law (BIL) and the 2022 Consolidated Appropriations Act, as authorized by Public Law 117-103, and signed into law on March 15, 2022. This act carries over the requirements and conditions provided under the prior Appropriations Acts. State funds are governed under Connecticut General Statutes Sections 22a-446, 22a-4785 through 22a-483, and by regulations adopted on February 19, 1992, pursuant to CGS 22a-482. The State's Clean Water Fund program issues loan and grants at percentages dependent upon project type per the priority ranking system and eligible set-asides and reserves.

The CWSRF partners with local governments in building and financing projects that improve water quality and protect public health while sustaining the State's significant natural resources. The CWSRF is managed pursuant to Sections 22a-475 to 499 of the Connecticut General Statutes and provides low interest loans consistent with the federal Clean Water Act and grants for qualified Clean Water projects. The DEEP Priority List details 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. The State's Clean Water Fund program issues loan and grants at percentages dependent upon project type per the priority ranking system and eligible set-asides and reserves.

Primary sources of funding for the Clean Water Fund (CWF) program are state general obligation and revenue bonds, as managed by the Office of the State Treasurer, and federal capitalization grants through the Clean Water Act with annual appropriations through the U.S. Environmental Protection Agency (EPA), and Non-Clean Water fund grant for Sewer Overflow & Stormwater Reuse Municipal (OSG) Grant. Since the program's authorization in 1987, DEEP has awarded \$4.5 billion in assistance to 120 communities including 18 municipalities that participate in regional districts or authorities. From the FY 2024-2025 Priority List DEEP expects to fund \$539,000,000 in project commitments in

FY2024 including current year state bonding, carryover funds from previous years and the annual federal appropriation requested through the Capitalization grant.

Every year since the inception of the CWSRF program, the federal government has appropriated funds for the CWSRF. These capitalization grants are distributed to states using a formula outlined in the Clean Water Act Amendments of 1988. Since 1987, DEEP has been awarded over \$664 million in federal capitalization grants. In addition, the State of Connecticut has provided matching funds equal to 20% of the capitalization grants as required by the Title IV legislation. From 1987 to 1990, project loan costs were funded directly with the federal grant and the required state match. Since 1991, loans to municipalities have been primarily funded from the proceeds of state revenue bonds. The federal capitalization grants and state matching funds are used to provide leveraged financing for eligible projects in the state. The State uses a revenue bonding program and the federal capitalization grants are held by the Trustee in the form of either cash or permitted investments. State contributions are held by the Trustee in the form of cash, permitted investments, or State general obligation bonds. The State also created a state-funded grant component that has provided over \$127.1 million for project grants within the CWF since direct grants cannot be financed through the CWSRF.

a. Connecticut State Agency Partnerships

There is significant coordination of efforts among the agencies of the State with CWSRF responsibilities. DEEP, the agency that carries out the environmental policies of the State, manages the CWSRF programs. The Bureau of Water Protection and Land Reuse Water Planning and Management Division's Municipal Wastewater (WPLR) section administers the program with the support of the Bureau of Central Services (BCS). As the primary agency and the recipient of the federal capitalization grants for the CWSRF on behalf of the State, the DEEP BCS executes annual grant agreements with the federal EPA and provides the business and accounting services for the Clean Water Fund, providing management and oversight of financial and project accounting responsibilities within DEEP including contract management and expense monitoring. The DEEP WPLR provides technical assistance to municipalities for the upgrading of municipal wastewater infrastructure and related infrastructure needs, through planning, design and construction oversight as well as the approval of permits for municipal discharges and enforcing the State's operator certification requirements.

Through a Memorandum of Understanding with DEEP, the Office of the State Treasurer (OTT) manages the bond-financing program and the financial management and administration of the loan program. The OTT receives all the money belonging to the State, makes disbursements as directed by statute, and manages, borrows, and invests all CWSRF funds. As authorized by the State Bond Commission, the OTT oversees and administers the State's bond and debt financing program including issuance of state bonds, issuance of bonds which are limited or contingent liabilities of the state, monitoring the bond markets, financing structures

and economic trends that affect interest rates in order to realize favorable bond issuances. The OTT also ensures the timely payment of principal and interest and provides information and data to private credit rating agencies.

b. Water Resources Reform and Development Act (WRRDA)

[The Water Resources Reform and Development Act](#) passed on June 10, 2014 (Public Law 113-121) made significant changes to the CWSRF effective October 1, 2014, including fiscal sustainability and cost effectiveness provisions, maximizing projects' potential for energy conservation, efficient water use, and water reuse and recapture.

WRRDA also contains the Water Infrastructure Finance and Innovation Act (WIFIA), an innovative finance program that will offer direct loans and guarantees for large water infrastructure projects along with subsidy reserves.

The purpose of these requirements is to ensure that recipients of CWSRF financial assistance are managing their physical assets in ways that promote long service life, avoid expensive catastrophic failures, and maximize the long-term financial self-sufficiency of the wastewater system.

c. Bipartisan Infrastructure Law (BIL)

The [Bipartisan Infrastructure Law \(BIL\)](#) was signed into law on November 15, 2021, by President Biden, resulting in increased support of wastewater infrastructure needs in alignment with State Revolving Fund (SRF) programs such as the Clean Water State Revolving Fund (CWSRF). The BIL provided three additional federal grants to the State of Connecticut: BIL CWSRF General Supplemental Grant and BIL Emerging Contaminants Grant, and Non-Clean Water fund grant for Sewer Overflow & Stormwater Reuse Municipal (OSG) Grant. BIL legislation PL. 117-58 mandates that 49% of base BIL supplemental funding be used for additional subsidy to municipalities which meet state affordability criteria, as well as 20% state matching component. The BIL Emerging Contaminants Grant requires a 0-20% sliding scale cost share for projects funding rural or financially distressed communities. The BIL OSG grant requires that 25% of each state grant fund projects in financially distressed and/or rural communities.

CT expects to meet these goals. In March 2022, the EPA released the [BIL State Revolving Funds Implementation Memorandum](#) with information and guidelines for states to administer SRF Capitalization Grants. The BIL grants will continue to be provided annually through October 2026, with implementation in accordance with applicable implementation guidelines, as published and amended by US EPA and/or the Office of Management and Budget (OMB).

d. Davis-Bacon Wage Act

Required grant conditions per Section 33 USC 1382(b)(6) and the SRF BIL Implementation Memorandum issued March 8, 2022 also include that CWSRF projects funded in FY2024, regardless of funding source, must pay their workers the federal Davis-Bacon wage rates for their job classification. CT's CWSRF requires all projects to comply with Davis-Bacon wage requirements.

EPA's FY2012 Appropriations bill required the application of Davis-Bacon prevailing wage rates to all treatment works projects funded in whole or in part by the CWSRF. This requirement continues through 2024. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors (regardless of the subcontract amount). The Davis-Bacon requirements do not apply to decentralized wastewater treatment projects. To ensure compliance with these requirements, DEEP confirms that the correct wage determinations are being included in the bid specifications and/or construction contracts. DEEP also provides guidance to recipients for the specific EPA Davis-Bacon contract language that is to be included in bid specification and/or contracts. In addition, DEEP collects Certifications of Davis-Bacon compliance from the principal or prime contractor with disbursement requests, Davis-Bacon and Related Acts.

e. American Iron and Steel Provisions

Some projects will also have to ensure that certain aspects of the project are made with American Iron and Steel products. These are defined by EPA guidance "Implementation of American Iron and Steel Provisions of P. L. 113-76, Consolidated Appropriations Act, 2014" dated March 20, 2014, and dependent upon when the plans and specifications for the project were submitted and approved by DEEP.

To ensure these requirements are met as defined by the "[Implementation of American Iron and Steel Provisions of P. L. 113-76, Consolidated Appropriations Act, 2014](#)" dated March 20, 2014, DEEP Provides guidance, including a copy of the memo, Beginning in 2014, CT added language to Clean Water Fund contract documents and loan agreements addressing certification requirements and waiver requests. DEEP also reviews all waiver requests submits them to EPA Headquarters to ensure compliance.

f. Build America, Buy America Act (BABA)

The BIL expands domestic sourcing requirements of American Iron and Steel passed in 2014 with the inclusion of construction materials and manufactured goods through the BABA. Starting on May 14, 2022, all steel, iron, manufactured products, non-ferrous metals, plastic and polymer-based products, glass, lumber, and drywall used in infrastructure projects for federal financial assistance programs must be produced in the United States. CT DEEP will require BABA compliance for construction projects funded through this Priority List with federal monies pursuant to EPA requirements, as amended.

The EPA released the "[Build America, Buy America Act Implementation Procedures for EPA Office of Water Federal Financial Assistance Programs.](#)" in November

2022. The memorandum provides important information to support EPA’s grantees, contractors, and manufacturers in complying with BABA. CT DEEP is committed to compliance with all procedures outlined in the memo for all SRF funded programs. Pursuant to Section 70914(c) of the Act, the head of a Federal agency may waive the application of a Buy America preference under an infrastructure program. CT intends to award BIL funds from FY22, 23, 24, and future years to Norwich 743-C and Meriden 710-DC (FY22), both of which were substantially designed prior to May 14, 2022 and eligible for BABA waivers.

g. Fund Management Directives

On January 31, 2024, the EPA released the a memo entitled “Maximizing Water Quality and Public Health Benefits by Ensuring Expeditious and Timely Use of All State Revolving Fund Resources”, expanding upon policy memos for Fund Management and [Cash Flow Modeling](#). The memos detail initiatives to ensure program implementation, fund commitments, disbursements, cash flow modeling, and oversight measures maximize the use of all available funds to meet the goals of CWF programs and ensure efficient fund management. CT has identified methods of improving implementation of objectives outlined in the guidance, including:

- Contracting with a new vendor to implement a new, more dynamic cashflow model;
- Conducting outreach to community stakeholders via newsletters, in person and virtual meetings, and providing training;
- Collaborating with the EPA and our contracted partners to ensure accurate and timely reporting of CT CWF projects;
- Revamping internal procedures, documenting and training staff;
- Implementing quarterly reviews and reconciliations of data reporting.

h. Community Grants Program

The [Consolidated Appropriations Act of 2024 \(P.L. 117-42\)](#) identified funding for specifically named community infrastructure projects, administered directly by the EPA with no required state responsibility. Eight CT projects totaling \$10,720,760 were designated as community projects for FY2024. Implementation guidance was released by the EPA on April 29, 2024. CT staff attended EPA training on Programmatic and Administrative Requirements to ensure familiarity with community grants awards and will continue to collaborate with EPA and municipalities on co-funded SRF projects.

**Section 3: Allocation of Funds**

CT anticipates FY 2024 federal capitalization grant allotments for Connecticut as administered by Department of Energy and Environmental Protection (DEEP) as detailed in Table 1 below.

Table 1

<b>FY2024 Available CWSRF Funding</b>	<b>CT Allotment</b>	<b>State Match %</b>	<b>State Match \$</b>	<b>Total Funds Available</b>
<b>Base Capitalization Grant</b>	\$ 10,001,000.00	20%	\$ 2,000,200.00	\$ 12,001,200.00
<b>BIL Supplemental Grant</b>	\$ 27,860,000.00	20%	\$ 5,572,000.00	\$ 33,432,000.00
<b>Emerging Contaminants Grant</b>	\$ 2,605,000.00	0%	\$ -	\$ 2,605,000.00
<b>Emerging Contaminants FY22 Reallotted Funds</b>	\$ 24,000.00	0%	\$ -	\$ 24,000.00
<b>Overflow and Stormwater Reuse (OSG)**</b>	\$ 869,000.00	0%	\$ -	\$ 869,000.00
<b>Totals</b>	\$ 41,359,000.00		\$ 7,572,200.00	\$ 48,931,200.00
** OSG is 100% non-CWF grant with 20% reserved for green projects.				

DEEP will maintain data on the use of the capitalization grant funds in the CWSRF Office of Water State Revolving Funds reporting database (OWSRF) on a quarterly/annual basis and provide information in its Annual Report to the Governor relating to key project characteristics, progress of the projects and environmental protection benefits, as well as compliance with Project Reserve requirements. A copy of the Annual Report will be provided to the EPA administrator.

a. Criteria and Method for Distribution of Funds

The official FY2024/2025 Priority List (found on [DEEP's website](#)) contains information about the availability of funds, a description of the types of projects to be funded, the priority list system including priority rating criteria and project ranking mechanism, order of priority funding, public hearing and revision guidelines. Also included is the distribution of funds and the comprehensive list of all anticipated eligible wastewater improvement projects as requested by municipalities or identified by DEEP and the subset future project list. Projects are rated on several criteria which emphasize the impact of each upon public health, the improvement of water quality and water resource utilization including impact on potable water supply, attainment of State water quality goals, enhancement of specific water resource values – fishery, shellfish, swimming and eutrophication, population served and health related issues. CT DEEP periodically reviews CWSRF affordability criteria and priority point systems and has determined that improvements are not necessary at this time.

CT also continues to fund several set-asides and reserves as 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 and subject to the availability of funds. Details of projects to be funded in FY2024 can be found in Section 4, Table 4.



b. Bypass Procedures

As outlined in the Priority List, the DEEP can reallocate funds into any reserve or construction project during the last six months of each fiscal year in accordance with the requirements of Sec. 22a-482-1(c)(5) of the Regulations of Connecticut State Agencies. Revisions may be made at any time in accordance with public participation requirements and all other established procedures.

c. Administrative Charges

Section 35.2020(a) of Title 40 of the Code of Federal Regulations (40 CFR) provides that the State may set aside from the federal capitalization grant of Federal Fiscal Year (FFY) 2023 and FFY2024 a reserve not to exceed 4 percent of Title VI appropriations for the purpose of administration. Water Resources Reform and Development Act (WRRDA) amendment changes to the CWSRF program allow 1/5 of 1% of the CWSRF's Net Fund Position to be used for Federal program administration. A total of \$1,654,360 (4%) of the total federal allotments will be allocated for the FY2024 administrative amount.

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 practice.

d. Technical Assistance

The State's Clean Water Fund staff already dedicates a significant amount of resources toward technical assistance. DEEP staff have always attended outreach events several times per year, and technical and fiscal staff work closely with any municipality requesting assistance when applying for the CWF. The CWF regulations require review and approval of planning reports and design documents by DEEP, and technical staff follow each project closely by requiring DEEP participation in regular status meetings throughout planning, design, and construction. Therefore, DEEP has elected not to use this additional money for technical assistance, preferring to allocate the money toward funding more project costs.

e. Types of Projects to be Funded and Financing Rates

Projects that qualify for the funding from the CWSRF under Clean Water Act will have an interest rate of 2.0 percent as defined by Connecticut General Statutes. The repayment period of a loan cannot exceed 20 years. At this time there are no provisions for applying other interest rates or terms. Loan eligibilities include all the normal cost of planning, design and construction. Distribution within project type is determined by state statute.

f. Additional Subsidy

Section 603(i) of the Clean Water Appropriations Act describes additional subsidy eligibility. The 2022 Consolidated Appropriations Act (Public Law 117-103) required that a minimum of 10 percent to 30 percent of the national CWSRF base appropriation be provided as additional subsidy.

Additionally, as required by BIL legislation PL. 117-58, DEEP will provide 49% of the BIL Supplemental Grant as subsidy. All EPA grants must comply with certain Federal laws, Executive Orders, and OMB Circulars. They include regulations at 40 CFR Part 35.31 that apply to grants and cooperative agreements awarded to State and local (including tribal) governments.

DEEP anticipates funding in FY2024 the amounts in Table 2 as additional subsidy.

Table 2

FY2024 Available CWSRF Funding	CT Allotment	Grant Subsidy %	Grant Subsidy \$	Less 4% for Admin	Remaining for Project Grant
<b>Base Capitalization Grant</b>	\$ 10,001,000.00	40%	\$ 4,000,400.00	\$ 400,040.00	\$ 3,600,360.00
<b>BIL Supplemental Grant</b>	\$ 27,860,000.00	49%	\$ 13,651,400.00	\$ 1,114,400.00	\$ 12,537,000.00
<b>Emerging Contaminants Grant</b>	\$ 2,605,000.00	100%	\$ 2,347,100.00	\$ 104,200.00	\$ 2,216,900.00
<b>Emerging Contaminants FY22 Reallotted Funds</b>	\$ 24,000.00	100%	\$ 21,600.00	\$ 960.00	\$ 20,640.00
<b>Overflow and Stormwater Reuse (OSG)**</b>	\$ 869,000.00	100%	\$ 869,000.00	\$ 34,760.00	\$ 834,240.00
<b>Totals</b>	\$ 41,359,000.00		\$ 20,889,500.00	\$ 1,654,360.00	\$ 19,209,140.00

\*\* OSG is 100% non-CWF grant with 20% reserved for green projects.

g. Distressed (Disadvantaged) Communities

Municipalities anticipated to receive subsidy from the FY2024 capitalization grant and additional 49% subsidy per BIL include distressed and environmental justice communities as defined by the State of Connecticut Department of Economic and Community Development, equivalent to the federal designation of “Disadvantaged” communities as defined by the BIL and implementation memo. BIL prioritizes funding for distressed communities, which CT anticipates meeting via selection of fundable construction project from the FY2024/2025 priority list which meet the criteria for disadvantaged communities. Municipalities anticipated to receive subsidy from the FY2024 capitalization grant include distressed and environmental justice communities as defined by the [State of Connecticut Department of Economic and Community Development](#).

The DEEP Priority List point system, which is prescribed by state regulations, does not provide additional priority points or funding for distressed or disadvantaged communities. However, the majority of funding does go to disadvantaged communities by virtue of water quality impacts. Table 4 in Section 4 provides details of eligible projects funded in distressed communities which are receiving additional subsidy.

h. Small Community Projects

State regulations require that each CWF Priority List include a dedicated funding reserve for at least one small community project. Small communities are defined as communities with populations of less than 5,000. The FY24-25 Project Priority List includes a reserve of \$76,000,000 for small community projects that will mitigate existing documented community pollution problems.

i. BIL Emerging Contaminants

In addition, DEEP will roll forward the FY2022, reallocated State of Mississippi FY22, and FY2023 Emerging Contaminants grants into FY2024 as we finalize a workplan, criteria, and perform a cost effectiveness analysis for pilot projects that will be consistent with Section 603 (c) of the Clean Water Act (CWA). Our intent is to enter into an agreement with the New England Interstate Water Pollution Control Commission (NEIWPC) as the funding recipient for work to plan, design, and implement pilot treatment options for per- and polyfluoroalkyl substances (PFAS) removal; and recommend permanent treatment systems for installation.

DEEP intends to focus specifically on piloting PFAS removal technologies at a state-operated landfill. Landfill leachate is one of the most significant sources of PFAS pollution to domestic publicly owned treatment works (POTWs). Also, in the interest of expediting the pilot projects (and the expenditure of these grant funds), selecting a landfill that controlled by the State to pilot PFAS removal technologies will facilitate implementation. DEEP has selected the Hartford Landfill as the project sit, which is located in an environmental justice community.

The conclusions of the pilot projects will promote the permanent installation of PFAS treatment technologies at the Hartford Landfill. The pilot project results will help guide municipalities and private landfill operators (both from a landfill management perspective as well as a source control measure) to reduce PFAS levels conveyed to a POTW or discharged to a surface water body.

j. Sewer Overflow & Stormwater Reuse Municipal (OSG) Grant

Independent of the CWSRF 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. The OSG grant provides funding for critical stormwater infrastructure projects to eligible entities with projects that address infrastructure needs related to mitigation and/or removal of untreated sewage overflows and to improve stormwater management. Eligible projects can be located on private or public property and 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. Priority will be given to funding projects in communities in distressed areas that have a long-term combined sewer overflow (CSO) or sanitary sewer overflow (SSO) control plan and are listed on this Priority List as construction-ready or eligible under a reserve category.

For State FY2024 and FY2025, the State will use the OSG grants to fund work on private properties in North Hartford, as part of a new pilot project that started in June 2023. North Hartford is an economically distressed area with a combined sewer system which often causes frequent and recurrent sewer backups into homes. Traditionally, work on private property has been excluded from the CWSRF. However, considering the ongoing public health and environmental equity crisis,

DEEP has determined that the OSG program is well-suited to provide additional funding for North Hartford projects funded under the FY2024/FY2025 Priority List. The OSG grants will target to remove private inflow connections and install new storm sewer connections at residential properties in North Hartford. Designated North Hartford projects to be funded in FY2024 can be found in Section 4, Table 4.

k. Green Project Reserve

Under Public Law 117-103, Congress mandated that at least 10 percent of federal CWSRF grant amounts, be put towards projects that qualify under the Green Project Reserve (GPR). These projects address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities as specified by the [EPA Green Project Reserve Crosswalk Table](#). These projects adopt practices to reduce the environmental footprint of water and wastewater treatment, collection, and distribution, help utilities adapt to climate change, enhance water and energy conservation, adopt more sustainable solutions to wet weather flows, and promote innovative approaches to water management problems. Qualifying projects include those defined as section 212, 319, or 320 by the EPA. DEEP anticipates meeting or exceeding this requirement. DEEP continues to provide a green project funding reserve.

Table 3

FY2024 Available CWSRF Funding	CT Allotment	Loan %	Loan \$	Green Projects Set Aside	Remaining for Non-Green Loan
Base Capitalization Grant	\$ 10,001,000.00	60%	\$ 6,000,600.00	\$ 1,000,100.00	\$ 5,000,500.00
BIL Supplemental Grant	\$ 27,860,000.00	51%	\$ 14,208,600.00	\$ 2,786,000.00	\$ 11,422,600.00
Emerging Contaminants Grant	\$ 2,605,000.00	10%		\$ 257,900.00	\$ -
Emerging Contaminants FY22 Reallotted Funds	\$ 24,000.00	10%		\$ 2,400.00	\$ -
Overflow and Stormwater Reuse (OSG)**	\$ 869,000.00	20%		\$ 173,800.00	\$ -
<b>Totals</b>	<b>\$ 41,359,000.00</b>			<b>\$ 4,220,200.00</b>	<b>\$ 16,423,100.00</b>

\*\* OSG is 100% non-CWF grant with 20% reserved for green projects.

l. Sustainability and Resiliency:

The CWSRF program supports planning processes that consider public health, water quality, climate change, resiliency, pump station rehabilitation, collection system improvement, conservation of natural resources, alternative approaches such as decentralized solutions in areas with community pollution problems from overdevelopment, and the full life-cycle cost evaluations of infrastructure investments. CT’s CWSRF supports infrastructure projects that make water systems more resilient to all threats – whether it is natural disasters, climate change, or threats such as bioterrorism and cyber-attacks. The FY2024/FY2025 Project Priority List includes a reserve of \$20,000,000 for the construction of resiliency projects.

#### **Section 4: Fiscal Year 2024 Project Funding**

DEEP is currently operating under the fiscal year 2024 and 2025 Priority List. Based on the fiscal year 2024/2025 priority list DEEP expects to finance approximately \$539M+ in FY2024 of the following types of planning, design, and construction projects:

- Combined sewer overflow reduction and removal projects;
- Infiltration and inflow (I/I) rehabilitation work to reduce and remove sanitary sewer overflows (SSOs);
- Pump station rehabilitation projects;
- Nitrogen and phosphorus removal projects;
- Green and resiliency improvement projects; and
- Projects targeted specifically in reserve for small communities.

The FY2024/FY2025 priority list was signed by the DEEP Commissioner on July, 8, 2024. The CWSRF program identifies projects to draw down the FY2024/2025 capitalization grant funding in Table 4.

Table 4

Pts	CFW #	Municipality	NPDES Permit #	Project Description	Total Project Cost (\$M)	Priority List Designation	Notes	Funding Source
<b>Carry Forward Projects</b>								
	728-C	MDC		Contract #3 & 4 SHCST	\$ 138.5	Fundable Construction	F D	Base 22, 23
	746-C	MDC		MDC Large Diameter Rehab	\$ 14.2	Reserve for Green and Reserve for Cost Increase	G D	Base 23; BIL 23
	710-DC	Meriden		WPCF UPGRADE WITH PHOSPHORUS	\$ 50.8		0 A D	
	752-DC	Plainfield		WPCF UPGRADE (Collection System, North WWTP)	\$ 7.0	Design and resiliency reserves	D	
	664-DC	New Haven		CSO Project (Orchard St., Yale/Trumbull St.)	\$ 32.4	Fundable Construction	D	
	TBD	New Haven		CSO Project (East St. Pump Station)	\$ 42.0		D	
	TBD	MDC		Hartford WPCF incinerator upgrade	\$ 8.0		D	
	TBD	MDC		Hartford WPCF site wrap up	\$ 5.0		D	
	TBD	MDC		Poquonock WPCF upgrade	\$ 20.0			
	TBD	Litchfield		WPCF upgrade (Secondary Treatment System)	\$ 7.0			
	TBD	West Haven		WPCF Outfall Line Replacement	\$ 38.0		D	
				<b>Carry Forward Total</b>	<b>\$ 362.9</b>			
<b>Reserve for Small Community Projects</b>								
	TBD	New Hartford		Pine Meadow Sewer Extension	\$ 5.0	Reserve for Small Community		
	TBD	Marlborough		Town Center/Lake Terramuggus Phase IV	\$ 8.0	Reserve for Small Community		
	660-D	Old Lyme		Sound View Town Area	\$ 10.0	Reserve for Small Community		
	720-D	Old Lyme		Miami, Old Colony and Old Lyme Shores Beach Association Sewers	\$ 54.0	Reserve for Small Community		
					<b>\$ 77.0</b>			
<b>Fundable Projects: Category I</b>								
	698-C	MDC	CT0100170	East Hartford WPCF Upgrade (2 Phases)*	\$ 24.0	Category I	D	
	702-C1	Ridgefield	CT0101451	Route 7 Pump Station, Force Main, WPCF Decommission*	\$ 10.0	Category I		
	743-C	Norwich	CT0100412	WPCF Upgrade*	\$ 191.0	Category I	F D A	BIL 22, 23, 24
	727-C	New Haven	CT0100366	East Shore WPAF: Air Compressor Improvements*	\$ 19.5	Category I	D	
	TBD	New Haven	CT0100366	East Street Pump Station	\$ 50.0	Category I	D	
	TBD	MDC	CT0100480	Rocky Hill WPCF Upgrade (2 phases)*	\$ 16.0	Category I		
				<b>Category I Total</b>	<b>\$ 310.5</b>			
<b>Fundable FY24 Projects: Construction</b>								
30	TBD	Plymouth	CT0100463	WPCF Phosphorus Reduction Improvements	\$ 14.0	FY24 Construction	D	
27	758-CSL	Norwich	CT0100412	South Thames Street Force Main	\$ 2.5	FY24 Construction	D	
26	4000-TBD	MDC	CT0100251	<i>Expedited CSO Sewer Separation: Westland Street, Durham Street, Woodstock Street, Windsor Avenue, Branford Street</i>	\$ 28.0	FY24 Construction	P D	OSG 22, 23, 24
				<b>FY24 Construction Total</b>	<b>\$ 44.5</b>			
				<b>Total Ongoing/Anticipated Projects</b>	<b>\$ 794.9</b>			
(1) TBD - Clean Water Fund number to be determined at time of agreement execution.								
(3) WPCF = Water Pollution Control Facility; WPAF = Water Pollution Abatement Facility								
P= projects are part of the North Hartford Pilot Project.								
F = FFATA Equivalency project								
G = Green Project								
A = Additional Subsidy								
D= Distressed Municipality or Environmental Justice Community per CT DECD								

## **Section 5: Statement of Short Term and Long-Term Goals**

Consistent with Section 606(c)(2) of the Federal Clean Water Act (CWA), DEEP submits the long- and short-term objectives of its water pollution control revolving fund, including its coordination with other financial assistance programs and how the CWSRF assists communities to attain and maintain compliance with the CWA and other provisions in the State Clean Water Strategy.

### **CWSRF 2024 Program Activities and Initiatives**

The program activities and initiatives for the CWF and the CWSRF for fiscal year 2024 include:

- Providing financial, administrative, technical oversight for the construction of wastewater treatment plant upgrades designed to update and improve the overall treatment quality and resiliency of plants.
  - Current wastewater plant upgrades such as the Norwich plant upgrade include nitrogen removal to meet the Total Maximum Daily Load (TMDL) for Long Island Sound.
  - An upcoming wastewater treatment plant upgrade in Plymouth will reduce phosphorus discharged to the Pequabuck River in the Farmington River watershed.
- Providing financial, administrative, and technical oversight for wastewater collection system improvements that will decrease CSO and sanitary sewer overflow (SSO) discharges as required under Long Term Control Plans and/or Integrated Municipal Stormwater and Wastewater Plans to comply with state and federal enforcement actions.
  - The MDC is working on several sewer separation and rehabilitation contracts in North Hartford as part of a multi-year pilot project that was initiated in June 2023 to reduce overflows to the Park River and alleviate street flooding and residential basement backups.
  - The Greater New Haven WPCA is beginning the rehabilitation of the East Street Pump Station to reduce CSOs to the East River.
- Continuing to provide rigorous technical oversight ensures that all projects lead to achievement of water quality standards; part of the technical oversight requires that each project design addresses climate change effects of flooding and sea level rise.
- Continuing to provide strict administrative oversight ensures that Minority Businesses/Women Businesses Enterprise (MBE/WBE) requirements and the EPA negotiated fair share goals are met and maintained.
- Identifying projects to comply with FFATA requirements in an amount equivalent to federal cap grant funds awarded on an ongoing basis.
- Increasing the green infrastructure funding to \$20 M incentivize green infrastructure, water and energy efficiency and environmentally innovative projects

in an amount that is at least 10 percent of the capitalization grant; and providing timely reporting of GPR information in OWSRF (CBR) on an ongoing basis (PER Action Items # 6, 7, & 8).

- Providing financial and administrative management and technical oversight for the EPA's State and Tribal Assistance Grants (STAG) program.

### **CWSRF Program Short-term 2024 Program Activities and Initiatives**

- Provide financial and administrative management of new applications for project financing. The DEEP initiated new Connecticut Clean Water Fund projects during FY2024 with a value of approximately \$451,376,120 of work accomplished under the FY 2022/2023 Priority List
- Continue to expedite project development and construction by providing planning and design funding. Design funds are made available for those projects that expect to be ready to proceed to construction within three years.
- Meet the EPA negotiated fair share minority/women-owned enterprises goal for each project.
- OTT will continue to leverage bonds by issuing tax-exempt municipal bonds secured by the CWSRF to enable funding for a greater number of projects than would otherwise be possible through a direct grant/loan program.
- Continue to participate in outreach through trade association meetings, municipal market forums and conferences to provide information on CWSRF funding opportunities as well as CWSRF revenue bonding program.
- Manage legislative capital budgeting process for Connecticut Clean Water Fund general obligation and revenue bond authorizations in order to optimize financing for Clean Water Fund projects.
- Continue LGTS (Loan and Grant Tracking System) upgrade through Northbridge Environmental Consulting to automate quarterly reporting in federal OWSRF (CBR) system.
- Submit Financial Status Reports to complete close-out of previous capitalization grants.
- In conjunction with the Department of Administrative Services and the Office of Policy and Management, evaluate the need for additional staff to maintain the high technical and fiscal standards of the program. Add staff as necessary within the constraints of funding. Program staff will engage in an appropriate level of participation at national and regional meetings, including the annual CIFA national finance meeting and the Region I annual SRF program management and implementation meeting.
- Implement procedural guidance to ensure GPR, additional subsidy commitments, project disbursements, and FFATA requirements are accurately identified and reported in CBR and annual reports on an ongoing basis (PER Action Items #1, 4 - 13).

### **Long-Term Goals/Projections**

- Build a robust pipeline of projects and ensure funds are disbursed in a timely and expeditious manner.



- Support resilience and One Water innovation to foster resilience, support climate adaptation, and energy efficient and climate smart water systems.
- Increase internal and external outreach and communications about CWSRF programs and funding.
- Maximize the ability of the CWSRF to assist local government in constructing needed water quality control facilities.
- Provide sufficient and affordable project funding which supports EPA's Sustainability Policy by evaluating the economic and environmental needs of the community as well as the use and perpetuity of the CWSRF.
- Achieve statewide compliance with water quality objectives and maximize the environmental benefits resulting from CWSRF funded projects.
- Bring Publicly-Owned Treatment Works (POTW) into compliance with federal requirements.
- Determine how to manage emerging issues such as:
  - Tighter effluent limits for metals
  - Control of pharmaceuticals and personal care products
  - Continued adaptation to address climate change effects of flooding and sea level rise.
- Partner with EPA to obtain approval to develop capacity for state facilities to test for PFAS and other emerging contaminants.
- As the programs of the Clean Water Fund meet their goals, DEEP will update and revise cost estimations for critical water quality work. DEEP estimates the overall need for water quality improvement at \$2.2 billion through 2028, with treatment plant construction costs and combined sewer overflow correction program needs of over \$1.1 billion.
- The State also will continue to develop additional financing alternatives. The long-term goals and objectives for the CWSRF are to:
  - Maintain the fiscal integrity of the CWSRF in perpetuity through cash flow analysis, monitoring, and optimization of cash management strategies including leveraging and debt service reduction or present value savings or through the refunding or cash defeasance of bonds.
  - Continuously improve efficiency and effectiveness of the program administration.
  - Analyze and manage long term viability of the CWSRF to enhance the ability of the fund to provide low-cost financing for critical projects in perpetuity.

## **Section 6: Financial Management**

### **a. Funding Summary:**

The CWSRF provides assistance in the form of loans and state funded grants. The State has begun to contemplate the development of programs to provide guarantees and insurance. The CWSRF policies on setting terms for the various types of loan assistance provided by the fund e.g., interest rate, guarantee fees, repayment schedules are implemented in conjunction with the Office of the State Treasurer. The recipient agrees to accept grant funds that will be released by EPA

utilizing the ASAP payment method. Access to grant funds will be in accordance with the following schedule:

<b>Payment Quarter</b>	<b>Payment Amount</b>	<b>Federal Grant Award</b>
FFY2024/Quarter 1	\$ 37,180,800.00	Base & BIL & OSG
FFY2024/Quarter 2	\$ 1,549,200.00	Base & BIL & OSG
FFY2025/Quarter 1	\$ 2,629,000.00	EC FY24 & 22
FFY2025/Quarter 2	\$ 105,160.00	EC FY24 & 22

Since inception, the following funding has been provided:

- Federal Title VI capitalization grants awarded through FY2024 cumulative total of \$686,105,743.
- State General Obligation bond authorizations total \$2,105,125,976.
- State Revenue bond authorizations total \$4,761,080,000 including bonds allocated to the drinking water program<sup>1</sup>.

**Funding available for FY2024 is as follows:**

Unallocated state revenue bond authorizations: \$739,000,000<sup>(1)</sup>  
 Unallocated state general obligation bond authorizations: \$272,400,000

(1) Unallocated CWF balance as of 06/30/2023

**Table 5**

<b><u>Funding Source</u></b>	<b><u>FFY2023 Funds Authorized</u></b>	<b><u>FFY2024 Funds Authorized</u></b>
State General Obligation Bonds	\$100,000,000 <sup>(2)</sup>	\$40,000,000
Federal Cap Grant	\$32,138,000	\$ 40,446,000 <sup>(3)</sup>
State Revenue Bonds <sup>(1)</sup>	\$237,000,000	\$0
<b><u>Total</u></b>	\$269,138,000	\$80,446,000

<sup>(1)</sup> \$493 M of the revenue bonding authorized for the Clean Water Program has been allocated to the Drinking Water program.

<sup>(2)</sup> General Obligation bonds (GO) and Revenue Bonds were authorized effective (REV) 7/1/2022 by [State of CT - House Bill 6690 Public Act No 21-111](#). FY2024 GO bonds were authorized by [Public Act 23-205](#).

<sup>(3)</sup> CWF Allotment for Base, BIL, and EC grants authorized by EPA. FFY2024 estimated award.

b. State Match:

The State of Connecticut has provided its required match by funding loans for eligible project costs and issuing State bonds since 1991. The State will continue to provide state bond authorizations for match and designate projects to demonstrate the expenditure of the match in a section of the fund specially identified for this purpose. The bonds are deposited into the state revolving fund (SRF) and the proceeds used to support revenue bonds as part of the State’s leveraging strategy. The principal and interest for these bonds are to be paid by the State outside of the SRF.

The [CT Bond Commission](#) approves funds for CWF bonding, CT DEEP submits a B107 allotment request, and funds are then , and funds are then posted by the Office of the State Comptroller for DEEP to expend. In FY24, the Bond Commission met on December 15, 2023 and approved agenda item #39 for DEEP’s full allotment of \$75,000,000 in CWF General Obligation bonds, of which \$5,000,00 was state matching funds. DEEP’s funds were made available on 1/26/2024. Cumulative state match provided with state funded bonds totals \$131 million. The chart below summarizes the source of the state match that has been provided:

Table 6

<b>Federal FY State Match</b>	<b>Grant Per Year</b>	<b>State Match Required</b>	<b>Source</b>
FY 1987-2019	563,628,148.00	112,725,630.00	Gen. Obligation bonds associated with projects and privately placed bonds
FY 2020	19,467,000.00	3,893,400.00	Project 692-C state match was provided by the 3/24/2016 state bond commission
FY 2021	19,465,000.00	3,893,000.00	Project 692-C state match was provided by the 3/24/2016 state bond commission
FY 2022 BIL	21,804,000.00	2,180,400.00	Project 743-C Norwich state match was provided by the 1/26/2024 state bond commission
FY 2022 Base	14,175,000.00	2,835,000.00	Project 728-C state match was provided by the 12/18/2019 state bond commission
FY 2023 BIL	25,535,000.00	2,553,500.00	Project 743-C Norwich state match was provided by the 1/26/2024 state bond commission
FY 2023 Base	9,189,000.00	1,837,800.00	Project 728-C state match was provided by the 12/18/2019 state bond commission
	<b>673,263,148.00</b>	<b>129,918,730.00</b>	<b>Total through FFY2023</b>
FY 2024 BIL	27,860,000.00	5,572,000.00	Anticipated Project 743-C Norwich state match
FY 2024 Base	10,001,000.00	2,000,200.00	Anticipated Project 728-C state match
	<b>711,124,148.00</b>	<b>137,490,930.00</b>	<b>Estimated Total Through FFY24</b>

<b>State Overmatch:</b>		
<b>SFY</b>	<b>Additional State Match Available</b>	<b>State Match Provided</b>
1987-2019	Match provided by State (1987-2015)	\$ 109,105,330
2020	8/12/2019	\$ 7,000,000
2021	7/16/2021	\$ 5,000,000
2023	10/12/2022	\$ 4,672,800
2024	Additional State Match for BIL Supplemental (01/26/2024)	\$ 4,733,900
	<b>Total State Match Available</b>	<b>\$ 130,512,030</b>
	<b>Total Overmatch Through SFY24</b>	<b>\$ 593,300</b>
2025	Estimated SFY2025 Match	\$ 7,000,000
	<b>Estimated Total SFY2025 Available State Match Funds</b>	<b>\$ 137,512,030</b>
	<b>Total Estimated State Overmatch</b>	<b>\$ 21,100</b>

The \$131 million of state match was provided by State of Connecticut general obligation bonds and will be repaid by the State. The state match bonds are not repaid by the CWSRF. The terms of the bonds match the terms of the CWSRF bonds.

In accordance with 40 CFR, Section 35.3135(b)(4) the excess match may be banked toward subsequent match requirements. The State of Connecticut has expended match in excess of the minimum 20% requirement through SFY 2024. As indicated in the chart above, the state will have an overmatch of \$21,100 after the Federal FY 2024 capitalization grant is awarded.

c. Proportionality:

The State of Connecticut expended match in excess of the minimum 20% requirement according to the projects identified in Table 5, allowing 100% federal disbursements. Overmatch is available per Table 6 and the state intends to continue demonstrating expenditure of the required amount of state match prior to

drawing federal funds. State FY 2022, 2023 and 2024 state match was disbursed to the Metropolitan District Commission's (MDC) Project 728-C, consisting of the construction of the South Hartford Conveyance and Storage Tunnel and is being completed as part of the MDC CSO Long-Term Control Plan.

FY24 BIL Supplemental state match will be provided to Project 743-C Norwich Public Utilities for expanding and upgrading their existing Water Pollution Control Facility (WPCF). This Publicly Owned Treatment Works (POTW) was constructed circa 1955 and is overdue for facility wide improvements. Improvements will increase the facility peak capacity to 20 MGD which will be a critical component in their CSO Long Term Control Plan. The upgraded facility will also be more resilient and able to pump out against a flooded river condition. The overall project will improve capacity, reliability and operational flexibility while adding Nitrogen removal and treating more water to higher treatment standards.

d. Fee Income:

Currently, there are no other charges to the municipalities for the services provided as part of the program.

e. Program Administration:

DEEP is currently using 4 percent of the Federal Capitalization Grant for administrative purposes. Federal administrative grant funding for FY2024 grants is \$1,654,360.00 as shown in Table 2, pursuant to the Clean Water Act. DEEP has \$1,331,592 in undrawn administrative funds as of June 30, 2023. State funded administrative charges are not specified as they are paid outside of the CWSRF.

f. Travel:

EPA approves the use of Federal funds for travel budgeted in capitalization grants for implementing the CWSRF program. The State agrees to use Federal funds to participate in training and professional development activities integral to the effective implementation and management of the CWSRF program.

g. Office of Water State Revolving Funds Information Management System (OWSRF)

The State agrees to input data, as required by EPA to OWSRF, which replaced the previous data reporting system Clean Water National Information Management System (CWNIMS). EPA agrees to provide technical assistance to the State in its use of the OWSRF as a management information system.

h. Loan Repayment Funds:

Monthly repayments may be in the form of level debt or level principal at the discretion of the municipality. Repayment of outstanding loans are deposited into the Revolving Fund Account and used for eligible program purposes consistent with the Clean Water Fund's leveraged funding strategy including bond debt service, and any reserve funds necessary to maintain the credit ratings.

i. Anticipated Cash Draw Ratio:

Currently Connecticut draws federal reimbursement at 100% because state match from prior years has been expended in excess of the 20% match requirement. The

State anticipates that the state match will continue to be drawn and expended in advance of the federal reimbursement.

j. Transfer of Funds from the Drinking Water State Revolving Fund:

DEEP reserves the authority to transfer additional funds as appropriate, at some time in the future, between the CWSRF and DWSRF program. To date there have been no transfers of federal funds between the programs and DEEP does not currently plan on transferring funds to or from the DWSRF in FY2024.

k. Estimated Sources and Uses:

The Sources and Uses table below identifies the sources and the uses of available funds in the CWSRF in FY2024. Sources of funds include federal capitalization grants and state matching funds, as well as leveraged bond proceeds, investment earnings and repayments. The majority of available funds are used to pay for water quality projects. Funds are also used to pay for administration. The State also provides funds for administration and for debt service on leveraged and state match bonds. Public Act 20-1 provided the state general obligation and revenue bond authority necessary to proceed with the Priority List process. The fundable projects list is determined from this authorization amount. The State Bond Commission then approves the allocation of bonds that allows DEEP to enter into project agreements with the Municipalities. The list of projects in Table 4 of wastewater treatment projects funded by the Connecticut Clean Water SRF shows historical project commitments by municipality and the amounts of state and federal funding assigned as of June 30, 2024.

Table 7

<b>Sources and Uses Table FY2024</b>				
<b>SOURCES OF FUNDS</b>		<b>AMOUNT</b>	<b>USES OF FUNDS</b>	<b>AMOUNT</b>
<b>Carry Forward Funds</b>			<b>FY 2024 Projects Estimates*</b>	
Beginning Cash Balance State SRF Funds	448,798,085		FY2024 PPL Estimated CWSRF Reserves	\$43,056,798
One Time State Loan Forgiveness	33,100,000		Existing Loan Commitments	\$241,271,699
Carry Forward Capitalization Grant Funds	38,015,918		Pending Loan Commitments (includes FY2024 PPL Fundable Projects)	\$64,513,705
Carry Forward State Match Funds	5,801,272		Additional Subsidy (Principal Forgiveness, State & Federal Grants)	203,998,933
<b>Total Carry Forward Funds</b>	<b>525,715,275</b>		State Match Applied to Projects	10,207,972
			<b>Total Project Disbursements Estimate</b>	<b>563,049,107</b>
<b>FY2024 Proposed EPA Grant Funds</b>			* Project Estimates include all set asides, reserves, and technical assistance activities for FY24 only. FY25 PPL projects estimated additional \$136.1M in fundable + \$?? reserves	
FFY 2024 Base Capitalization Grant	10,001,000		<b>Administrative Uses Estimates</b>	
FFY 2024 Base State Match (20%)	2,000,200		CWSRF Administration (4%)	1,654,360
<b>Total Base Capitalization Grant Funds Available</b>	<b>12,001,200</b>		FY 24 Bond Debt Service	72,402,319
FFY 2024 BIL Supplemental Capitalization Grant	27,860,000		<b>Total Administrative Estimates</b>	<b>74,056,679</b>
FFY 2024 BIL State Match (20%)	5,572,000			
<b>Total BIL Grant Funds Available</b>	<b>33,432,000</b>		<b>Total Estimated Uses of Available Funds</b>	<b>\$637,105,786</b>
FFY 2024 Overflow and Stormwater Reuse (OSG) Grant	869,000			
FFY 2024 OSG State Match (20%)	173,800			
<b>Total Overflow and Stormwater Reuse Grant Funds Available</b>	<b>1,042,800</b>			
FFY 2024 Emerging Contaminants (EC) Capitalization Grant Funds	2,605,000			
FFY 2024 EC State Match (0%)	-			
FFY 2022 State of Mississippi Reallotment EC Grant	24,000			
<b>Total Emerging Contaminants Grant Funds Available</b>	<b>2,629,000</b>			
<b>Total Federal Capitalization Grant FY2024 Funds</b>	<b>49,105,000</b>			
<b>Other Estimated Funds</b>				
Loan Repayment Funds (Principal & Interest State Revolving Fund)	93,891,009			
Investment Earnings	30,272,660			
<b>Estimated Other Funds</b>	<b>124,163,670</b>			
<b>Total Estimated Sources of Funds</b>	<b>698,983,945</b>			
<b>Balance of Available Funds</b>				<b>\$61,878,159</b>

**l. Financial Management Strategies:**

The Revenue Bond program has been in place since 1991. Since the Program's inception interest subsidy support provided by the State has been as high \$19.0 million in 1991 and as low as \$3.6 million in 2001. No state-funded subsidy has been necessary

since the 2001 revenue bond issue. This means that more state bond authorizations are now freed up for project purposes. Program capacity was increased in FY2021/2022 through receipt of \$289.5 million of loan prepayments. Given this inflow of funds to be recycled, new projects will be funded through program equity for the coming fiscal year, and future bond issuance will be delayed beyond 2024. The last bond sale was in July 2019.

The program capacity projections continue to show that the program can sustain funding levels of \$150 million per year without further State-funded interest subsidy through 2039. Depending on the needs of the program, the State may provide additional support for higher levels of revenue bond issuance in the future. Through effective management of the CWSRF, prudent leveraged bond financing and continued legislative support through authorizations, the State's program will be available to ensure compliance with the Water Quality Act of 1987. The State continually strives to ensure that the fund is a self-sustaining program now and into the future.

To assist communities with financial sustainability, DEEP has published the document entitled "*Methods of Capital Cost Recovery on Water Pollution Control Projects*" and has published and continues to update the document entitled "*The Cost of Clean Water, A Sewer User Charge Rate Survey and Guidance Manual*". The planning process must demonstrate appropriate rate structures to ensure that capital cost debt service and ongoing operation and maintenance costs can be met.

## **Section 7: Program Management**

### **a. Assurances and Specific Proposals**

The authority for this agreement is under the Clean Water Act, Title VI, Sections 601-607 and 40 CFR 35.3130(b) and 40 CFR 35.3150(b). In accordance with 40 CFR 35.3130(b), at the option of the State, the organizational and administrative framework and those procedures of the CWSRF program that are not expected to change annually may be described in the Operating Agreement. EPA will incorporate this agreement by reference in the annual capitalization grant agreement between EPA and the State of Connecticut (DEEP and OTT), and DEEP will incorporate this agreement by reference in the State's IUP. DEEP has provided the necessary assurances and certifications as part of the Operating Agreement between DEEP and EPA. The Operating Agreement (OA) describes the mutual obligations between EPA and DEEP, and through a Memorandum of Understanding, with OTT. The purpose of the OA is to provide a framework of procedures to be followed in the management and administration of the CWSRF. The OA was last updated in 2020/2021 timeframe.

The OA addresses our commitment to key CWSRF requirements, including:

- 1) 602(a): Environmental Reviews - The CWSRF will conduct environmental reviews according to the State Environmental Review Process developed for the SRF.



2) 602(b)(3): Binding Commitments - The State of Connecticut certifies that it will enter into binding commitments equal to at least 120% of each quarterly grant payment within one year from receipt.

3) 602(b)(4): Timely expenditure - The State of Connecticut certifies that it will expend all funds in the SRF in a timely manner.

b. Federal Requirements

Connecticut will strive to meet or exceed compliance in an amount equivalent to the amount of the capitalization grant for the following requirements:

- Single Audit Act (OMB A-133)
- Disadvantaged Business Enterprise compliance (DBE)
- Federal environmental crosscutters
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- Telecommunications Prohibition
- Federal signage requirements

All CTWSRF funded contracts contain standard language requiring funding recipients to comply with the above federal requirements. Assistance recipients identified will:

- Submit Single Audit reports in all years when disbursements of federal funds (both CWSRF and non-CWSRF federal funds) meet or exceed federal limits. Federal single audit requirements are included as standard language in CTSRF agreements.
- Follow the EPA guidelines for encouraging disadvantaged businesses to participate during the bidding process.
- Demonstrate compliance with the federal environmental crosscutting authorities during the environmental review and project planning stage.
- Report on executive compensation as outlined in the Federal Funding Accountability and Transparency Act.

d. Audits and Reporting

DEEP is committed to transparency and accountability. Program information, the Priority List and other Clean Water Fund related materials are posted on the DEEP website. The Annual Report published by the Office of State Treasurer is posted at: [Office of State Treasurer](#) An independent audit is conducted by an outside CPA firm annually.

e. Geospatial Data Standards

All geospatial data created will be consistent with Federal Geographic Data Committee endorsed standards as required by EPA.

f. PER Action Items Report

The EPA provides CT with a report of action items (PER) at the conclusion of the annual review. Status of all items requested by the EPA's 2023 PER is below.

1. Update the CT CW NIMS data during the 2023 open period to reflect the number of agreements, dollar amount, subsidy dollar amount, and GPR dollar amounts or

provide an explanation for the figures in SFY2022. Notify the project officer that the changes were made no later than September 1st, 2023.

Status: Completed 11/22/2023

2. The state should examine the cause(s) of why there has been an increase to the Ratio of Undisbursed Project Funds to Disbursements and report to EPA steps it will take to keep this indicator closer to the national average.
- and
3. The state should examine the issues causing the higher-than-average ratio and take the necessary steps to decrease it to 2 or less for the upcoming SFY.

Status: Ongoing

DEEP sought assistance from the EPA's Michael Silano on November 14, 2023, to gain clarification on how the indicator was derived, including data sources and associated guidance for the testing. We subsequently reached out to the CT Office of the Treasurer (OTT) in November 2023. OTT indicated that there was a slowdown in spending due to Covid. In addition, there were a large number of prepayments received on loans outstanding due to the low interest rate environment that existed in FY21 and FY22. Also, a rise in inflation in FY2023 may have deferred projects in hopes that inflation declines, and affordability becomes more attractive.

Additionally, CT DEEP and CT OTT met with Michael Silano and other EPA staff to discuss the disbursement ratio on January 25, 2024. Disbursements are still slow due to post pandemic supply chain and labor shortages. CT anticipates many projects in the pipeline, using up available balances as construction begins and monthly payments are processed. In addition, EPA's final rulings on the new grants, as well as earmarking requirements slowed committing those funds. Many amendments with cost increases take time to process and realize the disbursements. The state is also required to maintain a minimum of \$300,000,000 solvency in the revolving fund. When this amount is removed from the ratio calculation, CT's disbursement ratio decreases to be much more in line with the national average. The State has placed a multi-year pause on leveraging the program which should help decrease the ratio as we chew up the existing equity on hand before issuing revenue bonds again, keeping in mind perpetuity and debt service requirements.

Conversations between the EPA and CT are ongoing to determine steps to correct reporting and ensure CT's ratio aligns with the national average. CT DEEP met with EPA staff during the 2024 Annual Review April 23-25, 2024 We can assure the EPA that the State expects that this ratio will continue improving over time with new projects to fund along with projects already in the queue for execution becoming Interim Funding Applications, with FY24 new IFO/PLO commitments expected to exceed \$200M in growth from FY23.

4. Add and Correct the FFATA reports in FSRs.gov for 2015, 2016, 2020, and 2021 by September 1st, 2023.

Status: Completed 11/22/2023

5. The 2023 Annual Report must contain an explanation of the reasons for the delay and inaccuracies in the 2015, 2016, 2020, and 2021 FFATA Reports and provide a plan that identifies the project(s) that used SRF funds, along with milestones for each project showing the path to an executed agreement.

Status: Complete.

The 2024 Annual Report will contain details of FFATA reporting delays. Standard operating procedures have been implemented to ensure future reports are timely and accurate.

6. Update OWSRF with the GPR information for 2017, 2020, and 2021 by September 1<sup>st</sup>, 2023.

Status: Completed 11/22/2023

7. The 2023 Annual Report must contain an explanation of the reasons for the delay in the 2017, 2020, and 2021 GPR commitments and provide a plan that identifies the project(s) that will use the GPR funds, along with milestones for each project showing the path to an executed agreement. If the GPR commitment is met prior to 9/30/23, please notify EPA Region 1 at that time. The IUP for the 2023 capitalization grant should indicate any GPR funds from previous years that still must be committed to projects.  
and
8. In the 2023 CWSRF annual report GPR information must be included. Update the 2023 and future annual reports to include GPR information for each project. Update the 2023 annual report by the end of the federal fiscal year September 30th, 2023.

Status: Complete.

The 2024 Annual Report will contain details of GPR reporting delays. The Annual report published on September 28, 2023, identified the Greater New Haven Sewer Separation projects (664-DC) as a Green infrastructure project. See page 13 'Active Projects' section of the Annual Report. GPR eligible projects are identified in Section 4, Table 4 of this IUP and Appendix IV of the Annual Report.

9. Update OWSRF with the additional subsidy commitment information for 2019, 2020, and 2021, by September 1st, 2023.

Status: Completed 11/22/2023

10. In the 2023 CWSRF annual report the disbursement information must be included.

Status: Completed

11. Update the 2023 and future annual reports to include disbursement information for each project. Update the 2023 annual report by the end of the federal fiscal year September 30th, 2023.

Status: Completed

Disbursement information is included in the “Project Financing” section of each year’s annual report. The FY24 Annual Report will add a new Appendix with additional details of project disbursements.

12. The 2023 Annual Report must contain an explanation of the reasons for the delay in the 2019, 2020, and 2021 additional subsidy commitments into loan executions and provide a plan that identifies the project(s) that will use the remaining subsidy funds, along with milestones for each project showing the path to an executed agreement. If the subsidy commitment is met prior to 9/30/23, please notify EPA Region 1 at that time. The IUP for the 2023 capitalization grant should indicate any additional subsidy from previous years that still must be committed to projects.

Status: Complete.

The 2024 Annual Report will contain details of additional subsidy commitments and reasons for reporting delays. Additional Subsidy commitments are identified in the project list in Section 4, Table 4 of this IUP.

13. Update the CT CW NIMS data during the 2023 open period to reflect the number of agreements, dollar amount, subsidy dollar amount, GPR dollar amounts, funding, and additional subsidy given to hardship communities or provide an explanation for the figures in SFY2022. Notify the project officer that the changes were made no later than September 1st, 2023.

Status: Completed 11/22/2023

## **Section 8: Public Review and Comment**

This IUP along with The State’s Priority List provides the basis for negotiation of the capitalization grant agreement and the schedule of grant payments (see Section 6a) as required by Section 601(b) of Title VI. As a result, public notice of the contents of this IUP and the State’s Priority List have been provided for comment and review as required per Section 605(c)(1) of Title VI.

In conformance with federal regulations governing the capitalization grant that the DEEP receives from the federal Environmental Protection Agency and the CWF Regulations, the DEEP issued a notice of public hearing for the FY2024/2025 Priority List on December 21, 2023. Public notice appeared in major CT regional newspapers on December 21, 2023 which provided notification on the time, date and location of the public hearing; location of the draft priority list and date written comments were due February 23, 2024 to the Department. On December 21, 2023 the Department notified subscribers of the Municipal

Wastewater Listserv of the availability of the Draft FY2024/2025 Priority List, and associated Table 1 and the public notice. In addition, the Department placed the Hearing Examiner's report for the FY2024/2025 Priority List on the Department's Municipal Wastewater webpage.

The Public Hearing was held by video conference on February 7, 2024 at 1:00 PM. The public comment period was open until February 23, 2024. The hearing report was completed July 8, 2024 the formal FY2024/2025 Priority List was adopted July 8, 2024. For a copy of the above public notice and Priority List, please see [DEEP's Public CWF Website- Financial Assistance](#).