Intended Use Plan

Clean Water State Revolving Fund
State Fiscal Year 2022

PUBLIC COMMENT DRAFT

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Department of Environmental Quality
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1 Introduction

The State of Idaho, Department of Environmental Quality (DEQ) has adopted the following Intended Use Plan (IUP) for state fiscal year (SFY) 2021 (July 1, 2021 through June 30, 2022) as required under the Clean Water Act, Section 606c.

The primary purpose of the IUP is to identify the intended use of the funds available in Idaho's Clean Water State Revolving Fund. Projects on the IUP Priority List go through a review by the public in accordance with Idaho's Administrative Procedures Act (Idaho Code 67-52).

The IUP includes the following:

- Lists of assistance projects. Note: projects are technically funded via the purchase of debt but are referred to, for ease of reading, as "loan" "assistance" or "assistance agreement";
- Long-term and short-term goals;
- Assurances and specific proposals;
- Criteria and methods for distribution of funds; and
- Attachments relevant to the above.

Available funding for projects during the upcoming annual cycle is documented on the following page. The state will comply with the requirements of Title VI of the Clean Water Act. In carrying out the requirements of the Clean Water Act, Section 606(b)(8), the state will use accounting, audit, and fiscal procedures conforming to generally accepted governmental accounting and auditing standards.

One assistance agreement is currently delinquent or in default (Outlet Bay Water & Sewer District 1898-06). At this time, DEQ is collecting past due payments. The District is complying with DEQ requirements to bring the loan current.

1.1 Resources

Cash and Investment Holdings)	$111,421,818
EPA Capitalization Grant FFY 2021 (actual)	7,779,000
State Match	1,555,800
EPA Capitalization Grant FFY 2022 (est.)	7,779,000
State Match	1,555,800
Assistance Agreements Receivable (est.):	
SFY 2021 March–June	5,390,677
SFY 2022	17,357,197
SFY 2023	16,683,115
SFY 2024-2026	40,000,000

Income on Cash and Investments (est.):		
SFY 2021 March–June	590,000	
SFY 2022	1,845,300	
SFY 2023	1,740,000	
Total Resources:		$213,697,707
Current Remaining Assistance Agreement Obligations: (Assistance agreements in design/construction less disbursements and deobligations that have already occurred)	($188,958,726)	
Reserve for multi-phase projects	($26,500,000)	
Add back: 5% project shrinkage (Some projects will de-obligate, or self-finance and reduce disbursement requests from the CWSRF)	9,447,936	
Net Remaining Assistance Agreements Obligations:		($206,010,790)
Net Resources Available to Provide Assistance		$7,686,917

Key Assumptions:

Projects take on average 30 months to construct and close from date of assistance agreement signing. DEQ will use the **Total Resources** amount for the next 27 months to facilitate a conservative cash flow analysis. New assistance agreement obligations cannot exceed **Net Resources Available to Provide Assistance.** Projections are made quarterly. The next projection is scheduled to be made on July 1, 2021. The July 1, 2021, projection may be preempted if a future assistance agreement materially alters the amount available for assistance. The Green Project Reserve (GPR) goal will be $777,900.

1.2 Green Project Reserve Assistance Agreement Activity During State Fiscal Year 2022

For SFY 2022, DEQ will draw upon previous experience in identifying and documenting goal setting for the GPR. A DEQ environmental engineer has been tasked to facilitate gathering and evaluating GPR information from assistance recipients and their consulting engineers. Business cases or categorical documentation will be required to justify GPR eligibility and costs. Once this documentation is reviewed by DEQ, it will be posted at: *https://www2.deq.idaho.gov/admin/LEIA/index.html?view=folder&id=2633*.

For SFY 2021, DEQ exceeded its 10% GPR goal and expects to use the same approach to meet its GPR goal in 2022.

1.3 Assistance Agreement Fees

To support administrative costs associated with operating the Clean Water State Revolving Fund (CWSRF) program or to otherwise facilitate the operation of the CWSRF effort, a fee program has been instituted. The fee will be 1% of the unpaid balance of the assistance agreement (unless the grand total of the interest rate and fee is less than 1%, in which case the fee will be reduced), payable when the regular repayments are made. Herein the term *effective interest* will be the sum of the fee and the true interest. The interest rate will be reduced by the corresponding percentage of the fee, so there is no net effect on borrowers.

For SFY 2021, the fee revenues were $ 1,610,923, and for SFY 2021, the expected fee revenue should be approximately $1,650,439. The fee cash account balance, at the end of SFY 2020, was $3,388,110. In SFY 2021, $680,000 of fee revenues were used to fund CWSRF administrative and technical support costs incurred beyond the federal capitalization grant support level, wastewater planning grant support, and operator training classes.

For SFY 2021, DEQ expects to expend approximately $690,000 of fee revenues. Costs of approximately $250,000 will be charged to support CWSRF administration and match expense. Costs of approximately $90,000 will be charged to support of operator training and leveraging front-end costs. Approximately $350,000 will be charged to support municipal wastewater planning grant efforts.

Support for wastewater planning grants will include direct support to municipalities for their plan development and the DEQ staff time to administer the grant support. The DEQ personnel costs will be drawn from each regional office and the state office in Boise. In each regional office, the personnel charging against the fee account will be engineering staff to support wastewater planning grants. In the state office, the personnel time will consist of financial and environmental review staff. Support for CWSRF administration will include capitalization grant match, software development, and contractual costs to enable community capacity development.

Surplus fee revenues will be transferred into the assistance agreement repayment account, to increase *available resources* for assistance agreements. Surplus fees will earn the same interest as regular repayment idle monies and will be periodically transferred to the fund corpus. Should a cash flow deficiency arise in the fund corpus, surplus fees would be transferred ad hoc.

2 List of Projects

Attachments I and II are the SFY 2022 CWSRF Fundable List and Priority List. Upon completion of the public comment period, a final project listing will be considered and approved by the Board of Environmental Quality on May 19, 2021.

3 Long and Short-Term Goals

DEQ's long-term, basic SRF goals are as follows:

1. Protect public health and the waters of the state by offering financial assistance for the construction of wastewater treatment facilities. Financial assistance consists of below-market-rate interest on assistance agreements (e.g., 20-year repayments) and may include principal forgiveness for disadvantaged communities.
2. Assist local communities as they strive to achieve and maintain statewide compliance with federal and state water quality standards.
3. Monitor the disparity and evaluate the impact of transferring money between the CWSRF and DWSRF, and use transfers between the two funds to balance funding with relative need. Section V.K. and Attachment VII more fully discuss transfers.
4. Administer Idaho's CWSRF account to ensure its financial integrity, viability, and revolving nature in perpetuity. DEQ will continue to strive to ensure the viability of the fund by: (1) generally applying a minimum interest rate above 0%; (2) applying a 0.25% higher interest rate for assistance agreements that are repaid in 30 years; and, conscientiously underwriting all loans.
5. Comply with all EPA grant conditions (e.g. Davis Bacon, Green Project Reserve, American Iron and Steel).

DEQ's short-term, basic SRF goals are as follows:

1. Ensure that FFY 2020 and 2021 capitalization funding is disbursed to projects in a timely manner. With the exception of assistance agreement disbursement requests for projects that require the use of repayment funds (e.g., *recycled* assistance dollars will be used to match Federal funds), whenever practicable, initial capitalization dollars will be used prior to repayment funds being used. This practice will ensure that initial capitalization funds are used in a timely manner.
2. Ensure transparent tracking of fee revenues and expenditures while developing clear rules, policies, and procedures related to a maturing fee structure.

   Financial statement disclosure has continued to change to meet State Legislative Service Office and EPA concerns over disclosure adequacy. In the absence of generally accepted accounting principles for nonprimary government units, DEQ has chosen a limited, core financial statement disclosure approach.
3. Use of a *cradle-to-grave* assistance agreement checklist, implemented through a comprehensive SRF software program. The software is expected to achieve reporting efficiencies, better serve DEQ project managers in their day-to-day administration of assistance agreement projects, allow State Office staff to better manage the CWSRF fund with long-term forecasting, and reduce duplicate data entry. The software is being purchased with a mix of DWSRF and CWSRF assistance fees.
4. Continue to develop consistent, regular marketing of Green Project Reserve metrics through social media.

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5. Continue efforts to allow the CWSRF to leverage through the Idaho State Bond Bank.

4 Information on the Activities to be Supported

4.1 Allocation of Funds/Assistance Terms

The primary type of assistance to be provided by the CWSRF is expected to be low-interest assistance agreements for up to 100% of project costs. The rates are established to help offset the effects of inflation and to encourage communities to complete their projects in a timely manner. The effective rate of interest will vary from a ceiling of 2.25% and a floor of 1.25%, for 20-year assistance agreements awarded directly by DEQ . If an assistance recipient prefers to repay their obligation over a 30-year period, the effective interest rate would be adjusted to a ceiling of 2.50% and a floor of 1.50%. All assistance agreements will need to be paid back over a period not to exceed 30 years. The current policy is stated in a DEQ Policy Memorandum. The average design life of the project must equal or exceed the repayment period. Principal and interest repayments must begin no later than one year after the initiation of operation.

To qualify for the interest rate floor, the system needs to be considered disadvantaged. CWSRF-specific disadvantaged assistance agreements will be directed to those communities that are ready to proceed and meet disadvantaged community criteria established in IDAPA 58.01.12.021. To automatically be considered for principal forgiveness, the system's annual user rates will need to exceed 2.00% of the community's median household income. To be considered for principal forgiveness, if user rates fall between 1.50% and 2.00% of median household income, DEQ will verify that:

- the most recent census reports a decline in population for the community during the recent five year reporting period: *https://www.census.gov/data.html*
- unemployment exceeds the statewide average as posted on the Idaho Department of Labor's website, as of February 18, 2021: *http://labor.idaho.gov/dnn*

In some instances, which will be determined on a case-by-case basis, interest rates can be lowered below the floor. For example, if user rates exceed 2.00% of the median household income, then loan terms - including interest rate reduction, repayment term extension to 30 years, and principal forgiveness - can be amended to bring the user rates to 1.50% of the median household income. Additionally, the interest rate floor can be lowered for both twenty-year assistance and thirty-year assistance agreements, if the loan applicants sponsor a nonpoint source project.

Some 30-year disadvantaged assistance agreements could be available with effective interest rate lower than 1.50%. This determination will be made on a case-by-case basis. CWSRF-specific disadvantaged assistance agreements will be directed to those communities that are ready to proceed and that meet disadvantaged community criteria established in the Rules for Administration of Wastewater and Drinking Water Loan Funds, IDAPA 58.01.12.021.

Principal and interest repayments must begin no later than 1 year after the initiation of operation date.

To the extent that entities on the Fundable List qualify for principal forgiveness, they will share equally based upon user rates (see below), on an estimated final loan amount pro-rata basis, in the monies that are available for principal forgiveness. DEQ will continue to target its subsidy resources to disadvantaged communities. The FFY 2022 CWSRF capitalization grant is expected to require that DEQ shall provide additional subsidy between the maximum amount of $3,111,600 and a minimum amount of $0 (i.e. principal forgiveness is allowed up to 40% of the capitalization grant amount but is not required). DEQ will provide principal forgiveness equal to 14.5% of the capitalization grant or $1,127,955. Principal forgiveness is capped at the amount necessary to keep user rates at 1.50% of the community's median household income. To the extent that growth is funded with subsidized loans or for extended term financing, it will only be for reasonable, average growth. DEQ's CWSRF can continue to fund projects that are primarily aimed at growth but without principal forgiveness or extended terms.

Should entities that are slated for principal forgiveness on the Fundable List opt-out of the SRF loan or extended term financing process, or if the final costs are less than the initial estimates, their remaining subsidies shall be set aside in a pool. When the federal capitalization grant is ready to be closed out (that is associated with the principal forgiveness allocated for SFY 2022), the pool balance will be allocated to those disadvantaged communities that meet both of the following requirements:

- Entered into loans with DEQ during the course of the year
- Will pay user rates that exceed either 1.50% of the community's median household income (as discussed above), after taking into account the initial allocation of principal forgiveness.

4.1.1 Principal Forgiveness

The proposed funding terms, on Attachment I, will reflect a principal forgiveness provision of 14.5% of the FFY 2021 capitalization grant. The capitalization grant equaled $7,779,000 (for the entire state) and 14.5% of that figure is $1,127,955. With $200,000 being set aside for emergencies and $150,000 for septic tank "replacement" funding, there will be $777,955 of principal forgiveness for regular loan projects to share. Principal forgiveness is primarily aimed at assisting economically disadvantaged communities afford their infrastructure improvements; in addition, principal forgiveness may be used to rebuild a wastewater system after a declared disaster.

A. User Rates that Exceed $100 per Month

To the extent those entities on the Fundable List meet the following conditions, they will qualify for up to one-half of the principal forgiveness for the year, or $388,977.50, or until their user rates are driven down to $100 per month. The entities must be:

- comprised of primary residences (i.e. not communities of vacation or second homes)

- comprised of houses whose median housing tax assessed value is no greater than 50% above the county median (per Census Bureau available on City-Data.com); and,
  - projected to have wastewater system user rates in excess of $100 per month. User Rates that do not Exceed $100 per Month

After the allocation or exhaustion of 50% of the initial principal forgiveness allocation for those communities that are faced with rates above $100 per month, all disadvantaged systems (with the exception of houses whose median housing tax assessed value is greater than 50% above the county median using Census Bureau data available on City-Data.com) will share equally, on a user rate pro-rata basis, in the remaining $777,955 that is available for principal forgiveness. If no communities are facing rates in excess of $100 per month, then $388,977.50 will be available, in principal forgiveness, for those communities that are disadvantaged and are facing rates of less than $100 per month.

The proposed funding terms first adjust the length of the loan interest and second adjust the loan term to reduce the monthly user rate to 1.50% of median household income. After these steps are taken, the remaining projects in disadvantaged communities will be provided principal forgiveness based on a percentage of the overall remaining project costs. Principal forgiveness is capped (on an individual loan basis) at the amount necessary to get to 1.50% of median household income.

B. Emergencies

DEQ's SRF program will provide funding for emergency situations up to $200,000. Wastewater systems seeking emergency funding shall call the Grant and Loan Bureau Chief in the DEQ State Office at (208) 373-0502 to discuss their needs and application process.

Should there be any principal forgiveness monies that were not utilized by economically disadvantaged communities they will be considered for use on a case-by-case basis for emergency funding.

Criteria for emergency funding:

- The situation must be a serious and unexpected situation that requires immediate action;
- An emergency must be declared by a local, state, or national governmental entity;
- Public health must be at imminent risk;
- Will not be used for addressing deferred maintenance issues;
- Intended for like-kind replacement, unless the damaged infrastructure would not meet current standards. Infrastructure repairs or replacements will only be made to fix the proximate cause of the emergency;
- Replacement work should all be done in existing footprint of damaged infrastructure, unless such an approach would not allow the facility to meet current standards;
- Costs incurred for replacement prior to a loan being signed will be considered for inclusion in the loan; and,

- Legal debt authority must be obtained if DEQ is unable to entirely meet replacement needs with principal forgiveness.
- Receipts will have to be submitted to justify all costs. "All" costs include any cash advances or costs incurred prior to the funding assistance agreement having been signed.
- Any over-payments by DEQ (most likely happening in the context of an advance) will require timely reimbursement by the funding recipient.
- Rules for SRF loans will be followed to determine cost/expense eligibility.
- Volunteers will not be compensated for their time.
- All personnel time, in order to be eligible, must be supported by the existence of W-2's or contracts.

4.2 Administrative Costs of the Clean Water State Revolving Fund

DEQ plans to reserve $803,159 of the regular capitalization grant for administrative expenses plus the amount of any fees collected for such purpose.

4.3 Assistance Agreement Eligible Activities

CWSRF assistance agreements will provide for planning, design, and construction of secondary and advanced secondary wastewater treatment units, interceptors and appurtenances for infiltration/inflow correction, collector sewers and appurtenances, new interceptor sewers and appurtenances, combined sewer overflow correction, stormwater management programs, water conservation, nonpoint source best management practices, and recycled water distribution. CWSRF assistance will be provided to local communities, counties, sewer districts, and nonprofit sewer associations for the construction of publicly owned wastewater treatment facilities. Non point source (NPS) projects must be consistent with the State Water Quality Management Plan. Additionally, funding will be provided for green project reserve (GPR) activities to meet the Federal requirement for SFY 2022 of 10%.

4.4 Sponsorship Agreements

Some of the traditional CWSRF assistance agreements may be leveraged to provide NPS project funding. At the time the IUP was written there were no NPS projects actively seeking CWSRF project sponsorship. It is possible that sponsorship projects will be entered into, and these projects will be detailed in the SFY 2021 Annual Report. The effective interest rate charged on wastewater treatment/collection facility assistance agreements may be adjusted to accommodate NPS projects that have a nexus with the CWSRF assistance recipient community; however, even with a nexus, the NPS projects cannot be required by the sponsor's National Pollutant Discharge Elimination System (NPDES) permit or Idaho Pollutant Discharge Elimination System (IPDES) permit. The NPS projects will be administered jointly by the Clean Water Act, Section 319 grant staff within DEQ, and the CWSRF staff. The NPS project will have the same administrative conditions as any Section 319 grant; however, CWSRF cost eligibility

criteria will apply. Additionally, sponsorship projects will be strongly encouraged to complete their projects within the same timeframe as their point source counterparts. Since NPS sponsorship projects are not using point source solutions (i.e., Clean Water Act, Section 212), they will not need environmental reviews. See DEQ's website for details *https://www.deq.idaho.gov/water-quality/grants-and-loans/other-funding-opportunities/*

When a sponsorship agreement is signed, the signatories will be the point source assistance agreement recipient, the DEQ Director, and the NPS project manager. The amount of the point source assistance agreement will increase, but the interest rate will be reduced so that the point source assistance agreement recipient's rates will not be impacted by the NPS project.

Should any NPS project help to meet a municipality's NPDES or IPDES permit requirements, the NPS project will be treated as if it were an integral part of the point source project, with the reporting requirements that go along with a point source project.

Unless the NPS project uses point source solutions (i.e. Clean Water Act, Section 212) it will not need environmental reviews. DEQ will also not apply Federal cross-cutters to the NPS sponsorship projects. NPS projects, in order to be selected, will have a completed, technically correct 319 grant application (and are therefore in compliance with 40 CFR 35.3115 et seq.), be located in the same (6 digit HUC) basin as their sponsor, and have their sponsor's support in the NPS effort.

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5 Assurances and Specific Proposals

5.1 Environmental Reviews—Clean Water Act, Section 602(a) and Cross-Cutter Compliance, 40 CFR 35.3145

DEQ certifies that it will conduct environmental reviews of each Clean Water Act Section 212 project receiving assistance from the CWSRF. DEQ will follow its EPA-approved State Environmental Review Process (SERP) for conducting environmental reviews.

These procedures are outlined in the "Rules for Administration of the Wastewater and Drinking Water Loan Funds" (IDAPA 58.01.12.042). More detailed procedures are included in the Clean Water State Revolving Fund Loan Handbook (Chapter 5, Forms B through E). The Chapter 5 checklists may be found at
https://www2.deq.idaho.gov/admin/LEIA/index.html?view=folder&id=2630

DEQ agrees to comply with and require recipients of assistance agreements from the CWSRF to comply with applicable federal cross-cutting requirements. DEQ will notify EPA when consultation or coordination by EPA is necessary to resolve issues regarding these requirements**.**

5.2 State Matching Funds—Clean Water Act, Section 602(b)(2)

DEQ agrees to deposit into the CWSRF from state monies an amount equal to 20% of the capitalization grant on or before the date on which the state receives each grant payment from EPA. These funds will be transferred from Idaho's Water Pollution Control Account and/or the fee account. DEQ draws administrative funding from 100% federal funds.

5.3 Binding Commitments—Clean Water Act, Section 602(b)(3)

DEQ will enter into binding commitments for 120% of each quarterly payment within 1 year of receipt of that payment. Binding commitment dates are listed in Attachment I of this IUP.

5.4 Expeditious and Timely Expenditures—Clean Water Act, Section 602(b)(4)

DEQ will expend all funds in the CWSRF in a timely and expeditious manner.

5.5 First-Use Enforceable Requirements—Clean Water Act, Section 602(b)(5)

DEQ certifies that all major and minor wastewater treatment facilities that the state has previously identified as part of the National Municipal Policy (NMP) meet one of the following:

- Are in compliance

- Are on an enforceable schedule
- Have an enforcement action filed
- Have a funding commitment during or prior to the first year covered by an IUP.

5.6 State Laws and Procedures—Clean Water Act, Section 602(b)(7)

DEQ agrees to expend all grant payments in accordance with state laws and procedures.

5.7 Consistency with Planning

DEQ agrees that it will not provide assistance to any wastewater treatment project unless that project is consistent with plans developed under the Clean Water Act, Section 205(j), 208, 303(e), 319, or 320.

5.8 Reporting

DEQ agrees to provide data or information to EPA as may be required for national reports, public inquiries, or Congressional inquiries. Capitalization grant-funded recipients will be monitored for Single Audit Act compliance, and annual reports will be sent to assistance agreement recipients telling them the amount of federal monies they received during the past year.

DEQ will comply with reporting requirements of the EPA Order on Environmental Benefits, National Information Management System and the Federal Funding Accountability and Transparency Act. Project information will be updated at least quarterly in the Clean Water Benefits Reporting System. An environmental benefits summary report for all funded projects will also be completed. A hard copy of the summary report will be provided to the EPA with the Annual Report.

5.9 Qualifications Based Standards for Selection of Professional Service Providers

DEQ is in compliance with the Clean Water Act's (Section 602(b)(14)) Federal procurement standard by its adherence to Idaho Code 68-2320.

5.10 Transfers Between State Revolving Funds

Should transfers become needed, DEQ reserves the right to transfer surplus funds originating back to FFY 1997 capitalization grant awards. See Attachment IV for listings of capitalization grants and related narrative. Per 40 CFR 35.3550, a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers. Through SFY 2021, $40 million in transfers will have been made from the DWSRF to the CWSRF.

6 Criteria and Method for Distribution of Funds

The following principles and procedures will be the basis for the administration, funding, allocation, and distribution of the CWSRF monies. The principles and procedures are designed to provide maximum flexibility for assistance and ensure long-term viability of the revolving program.

6.1 Program Administration

The $773,160 allowed in the capitalization grants provided by EPA will be set aside to be used for program administration. Program administration costs will be met by capitalization grant allocations and by fee revenues (to the extent that the annual capitalization grant is insufficient to meet our needs).

6.2 CWSRF Priority List

Letters of interest were sent to all cities, counties, and water and sewer districts in the state. Completed letters of interest and priority list rating forms were sent to project engineers in DEQ regional offices to complete a rating of projects in each region. The result of the rating and ranking was the preliminary Priority List that is presented during the public review and comment period. Separate letters of interest were sent to potential NPS applicants. Projects are rated using the following criteria:

Table 1. CWSRF Priority List Criteria

Criteria	Available Points
Public health emergency certified by DEQ Board or a Health District Board	Up to 150 Points
Regulatory Compliance Status	Up to 100 Points
Watershed Restoration	Up to 100 points
Watershed Protection	Up to 100 points
Preventing Impacts to Uses	Up to 100 points
Sustainability	Up to 100 points
Affordability	Up to 10 points

6.3 Fundable Projects

The highest rated projects on the adopted Priority List that are ready to proceed are selected for funding and listed in Attachment I. DEQ staff starts at the top of the Priority List and continues to select projects ready to proceed until all of the available funds are used. In cases where a lower ranked project is selected, it is because higher ranked projects have not indicated a readiness to proceed, do not meet the eligibility requirements for available funds, or additional funding has become available. A project that is ready to proceed will have shown

evidence of legal authority to enter into debt, have a completed facility plan, be able to meet applicable capitalization grant requirements, and have expressed a willingness to proceed with the CWSRF process.

In some cases, the project amount on the Fundable List may be less than the project amount on the Priority List. The Priority List amount is the estimate of the total project cost, while the costs on the Fundable List are the amount that project applicants expect to borrow from the CWSRF. In each case, the difference will be provided from some other source, such as cash on hand or a grant from the Community Development Block Grant program administered by the Idaho Department of Commerce.

6.4 Disbursements

The estimated timing and amount of disbursements for the projects on the new IUP are added to the latest cash disbursement request projections for prior year funded and projected projects. The projections are normally provided to EPA in September each year. The projections are based upon estimated disbursement schedules submitted by assistance agreement recipients and projected timing of assistance agreements, adjusted for corrections by regional project engineers and state office staff. These disbursements are tracked on an ongoing basis to project needed cash from all capitalization grants and state match. All funds will be expended in an expeditious and timely manner.

6.5 Federal Payments

The Idaho CWSRF has cumulative binding commitments in excess of the amount required for the current capitalization grant. This allows for the entire Federal payment to be made in a timely manner. Attachment III provides more detail.

6.6 State Match

Idaho's match for all capitalization grants is provided from funds that are drawn from the state Water Pollution Control Account, and from the fee account. The Water Pollution Control Account derives its funding from a set amount of $4.8 million from the state sales tax and is perpetually appropriated to DEQ under Idaho Code Title 63 Chapter 36.

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7 Additional Information Requirements

The following principles and procedures will be the basis for the administration, funding, allocation, and distribution of the CWSRF monies. The principles and procedures are designed to provide maximum flexibility for assistance and ensure long-term viability of the revolving program.

7.1 Public Review and Comment

See Attachment IV

7.2 Bypass Procedures

A project may be bypassed if any of the following occur:

- The project does not support meeting GPR goals (if so designated on the Fundable List);
- The owner of the project is not ready to proceed;
- The owner of the project voluntarily opts out of the SRF process;
- The project does not meet eligibility requirements; or,
- The project schedule does not allow for timely use of funds.

In place of the bypassed project, the next highest-ranking project(s) that is ready to proceed will be used (IDAPA 58.01.12.020.05.b.). DEQ will use Priority List ranking as much as possible when preparing the IUP. However, the lack of adequate funding; changes in project scope; failure to pass a bond election; or other unforeseen circumstances may require that a highly ranked project on the IUP be bypassed. If a project is bypassed, DEQ will offer assistance funds to owners of the next highest ranked, ready-to-proceed project from the most current approved Priority List. Should any projects be bypassed by June 30, 2022 (end of SFY 2022), those projects and reasons for being bypassed will be included in the SFY 2022 Annual Report. Projects are normally bypassed because the project plans have changed, the owners will delay their project, or, the owners are receiving funding from another source.

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Attachment I. Fundable List

State of Idaho Clean Water State Revolving Fund
for the Period of July 1, 2020 through June 30, 2021

List of Fundable Clean Water Projects

Rank	Project	Rating Points	Regional Office	Ancillary Requirements	Estimated Cost of Green Infrastructure	Needs Category (for EPA use)	NPDES or Land App. Permit #	Estimated Assistance Commitment Date and Est. Funding Terms	Estimated Project Cost	Project Description
2	Kidd Island Bay Lots	273	Coeur d'Alene	Davis Bacon Wage Provisions, Cross-cutting Requirements, American Iron and Steel, FFATA Reporting, Single Audit Act and Disadvantaged Business Enterprise Compliance Reporting	$550,000	I, III.B	M-086-04	July 2021 30 years at 1.50% with $777,955 of principal forgiveness	$6,880,000	Upgrades to the treatment system
22	Rural Community Assistance Corp.	TBD	TBD	Davis Bacon Wage Provisions and American Iron and Steel	None	XII	None	Date TBD $150,000 of principal forgiveness	$150,000	Replacement of failing septic systems
23	Emergencies	TBD	TBD	Davis Bacon Wage Provisions and American Iron & Steel	TBD	TBD	TBD	Date TBD $200,000 of principal forgiveness	$200,000	Emergency situations: repair of proximate cause of emergency and investigation costs to determine proximate cause
Totals ➔					$550,000			$1,127,955	$7,230,000	

+ Note: As of the date of the writing of this IUP, the City of Kendrick has located alternative funding options, and the next priority ranked system was chosen to utilize the limited loan resources.
++Note: DEQ plans to increase Nampa WW1903 by $24,000,000 in FY2022
+++Note: DEQ plans to increase Hagerman WW1603 by $2,500,00 in FY2022

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Attachment II. Priority List

State of Idaho Clean Water State Revolving Fund
for the Period of July 1, 2020 through June 30, 2021

Comprehensive Listing of Clean Water Projects

Rank	Project	Rating Points	Regional Office	Est. Project Cost	Needs Category (for EPA use)	NPDES, Reuse or Land Application Permit #	Est. Cost of Green Infrastructure	Project Description
1	Kendrick	285	Lewiston	$3,400,000	I	ID-0024554	3,400,000	Upgrade treatment system, add new pump station, and establish infrastructure for land application
2	Kidd Island Bay Lots Sewer District	273	Coeur d'Alene	6,880,000	I, III-B	M-086-04	$550,000	Upgrade treatment, add flow meter, rehabilitate septic tanks, lift station, and sewer main.
3	Wilder	260	Boise	$5,649,000	I	ID-0020265	$4,288,000	Upgrade treatment system, add new pump station and storage pond, purchase land and implement land application
4	Nez Perce	255	Lewiston	$7,750,000	I	ID-0020397	$0	Upgrade treatment system and establish infrastructure for land application
5	Homedale	252	Boise	$10,344,000	I, III-B	ID-0020427	$1,777,000	Upgrade treatment system, and repair collection system
6	Elk River	240	Lewiston	$4,183,000	I	ID-0020362	$840,000	Upgrade to the treatment system
7	Troy	240	Lewiston	$5,127,000	I	ID-0023604	$1,000,000	Upgrade to the treatment system
8	Gooding	236	Twin Falls	$19,750,000	I,II, III-B	ID-002002-8	$100,000	Upgrade treatment system and repair collection system
9	Sandpiper Shores Master Utility	233	Coeur d'Alene	$1,650,000	I, III-B	M-072-03	$16,000	Upgrade treatment system and repair collection system
10	Winchester	208	Lewiston	$3,000,000	I, III-B	ID-0020184	$0	Upgrade treatment system and repair collection system
11	Boise	205	Boise	$258,730,000	I, II	ID-0023981 ID-0020443	$184,000,000	Upgrade to Lander Street and West Boise treatment systems
12	Grand View	195	Boise	$1,379,000	I	unknown	$10,000	Upgrade to the treatment system

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Rank	Project	Rating Points	Regional Office	Est. Project Cost	Needs Category (for EPA use)	NPDES, Reuse or Land Application Permit #	Est. Cost of Green Infrastructure	Project Description
13	Kingston-Cataldo Sewer Dist.	195	Coeur d'Alene	$3,950,000	I, III-B	unknown	$2,500,000	Construct new treatment system and lift station
14	Garfield Bay Water & Sewer Dist.	148	Coeur d'Alene	$1,250,000	I, III-B	M-003-04	$215,000	Upgrade treatment system, repair and/or replace lift stations
15	Rigby	124	Idaho Falls	$4,600,000	I, II	ID-0020010	$0	Upgrade to the treatment system
16	Grace	119	Pocatello	$5,000,000	I, III-B	ID-0023825	$0	Upgrade treatment system and repair collection system
17	Roberts	82	Idaho Falls	$2,059,000	III-B	ID-0026913	$62,000	Upgrade and repair collection system and lift stations
18	Idaho Water Trust, Inc.	53	Boise	$28,500,000	VI-C	ID-0030031	$28,500,000	Levee repair and tributary, irrigation system, and construction of wetland
19	Grangeville	42	Lewiston	$4,500,000	III-B	ID-0020036	$0	Upgrade and repair collection system
20	Hidden Springs Sewer Company	35	Boise	$1,200,000	I	M-174-05	$240,000	Upgrade to the treatment system
21	Fremont County – Last Chance & Mack's Inn	10	Idaho Falls	$15,500,000	I	M-057-04 M-058-04	$4,500,000	Upgrade to the treatment system
22	Rural Community Assistance Corp.	TBD	TBD	$150,000	XII	None	$150,000	Replacement of failing septic systems
23	Emergencies	TBD	TBD	$200,000	TBD	TBD	$200,000	Emergency situations: repair of proximate cause of emergency and investigation costs to determine proximate cause
	Totals =====>			**$394,751,000**			**$232,348,000**	

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Attachment III. EPA Payment Schedule

SFY 2022

Quarter Ending	Payments	Total	Source
09/30/2021	$6,975,841	$6,975,841	FFY21 Cap Grant
12/31/2021	$803,159	$803,159	FFY21 Cap Grant

Payments are defined as increases to the amount of funds available from the Automated Clearinghouse (ACH). The EPA payment schedule assumes that the FFY 2022 award will occur after July 1, 2022. Capitalization grant money will be exclusively disbursed to projects at a ratio of 83.33% Federal to 16.67% State Match until the full amount of state match required by the capitalization grant has been disbursed. The remaining grant draws will be at 100% Federal.

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Attachment IV. Description of Disadvantaged Assistance

To qualify for disadvantaged assistance, an applicant must have an annual cost of wastewater service for residential customers that exceeds 1.50% of the local median household income (as reported by American FactFinder). The annual cost includes all operating, maintenance, replacement, and debt service costs, both for the existing system and upgrades being financed with debt. If the applicant's service area is not within the boundaries of a municipality, the applicant may use the American FactFinder data for the county in which it is located, or may use a DEQ-approved income survey (which details the community's median household income).

First, the assistance agreement interest rate will be reduced from the rate established by the Director for standard assistance agreements to a rate that results in an annual charge equal to 1.50% of median household income. The interest rate reduction may result in an assistance agreement interest rate of as low as 1.50% (in some instances the rate may be set at 0.00%).

Second, if a 1.50% interest rate and 20-year repayment assistance agreement terms and conditions result in the annual user charge exceeding 1.50% of median household income, then the length of the assistance agreement repayment will be extended in increments of 1 year up to a maximum of 30 years until the annual user charges equals 1.50% of median household income. Thirty-year assistance agreements will be charged a 0.25% higher interest rate than otherwise comparable 20-year assistance agreements.

Third, if at 1.50% interest and a 30-year repayment, the annual user charge still exceeds 1.50% of median household income, the principal may be reduced. The amount of principal reduction for all projects will be capped at $777,955. The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) receiving a proportionate share in the amount available for principal reduction. Principal forgiveness is for disadvantaged communities and may not be provided to lower a community status to below 1.50% of the median household income.

- At the end of the state fiscal year any unallocated principal forgiveness (identified in the Fundable List – Attachment I), will be allocated to those disadvantaged entities that signed loans with DEQ during the state fiscal year and still qualify as disadvantaged. If a project's budget increases after the Fundable List is established, any year-end reallocation of unused principal forgiveness will take into account the project's new cost.
- If a disadvantaged community accepts principal forgiveness and their project is completed under budget, their remaining principal forgiveness will be allocated to those disadvantaged entities that signed loans with DEQ during the state fiscal year and still qualify as disadvantaged.
- If a project that has a claim to disadvantaged assistance (on the Fundable List) opts out of the loan process and the funding thereby goes to a lower rated project, that lower rated project (if the community is disadvantaged) can lay claim to the disadvantaged assistance (however, the ratio of principal forgiveness to dollars loaned will remain consistent).

If a disadvantaged community's user rates exceed 2.00% of median household income there will be no more qualification requirements for that community in order to receive principal forgiveness. If the user rates fall in between 1.50% - 2.00% of median household income, see requirements in Section 4.1 (page 8).

Attachment VI. Decision-Making Strategy for Fundable Versus Non-fundable Portions of the Priority List

State Fiscal Year 2022
Clean Water and Drinking Water Priority Lists

To develop the Fundable List, several factors were taken into account. These included, but were not limited to:

- the project's timeliness in completing the facility plan/engineering report,
- completing the Environmental Information Document,
- having the legal authority to incur debt; and,
- overall readiness to proceed.

The draft terms to be offered are given on the Fundable List; however, at the time of the offer these may be adjusted. The Idaho Department of Environmental Quality's Policy Memorandum gives the Department's Director the ability to set effective interest rates for the CWSRF program. .

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Attachment VII. Listing of Capitalization Grants—Reference for Potential Transfers Between Funds

Drinking Water SRF

Federal Fiscal Year	Capitalization Grant Amount
1997	$14,157,800
1998	7,121,300
1999	7,463,800
2000	7,757,000
2001	7,789,100
2002	8,052,500
2003	8,004,100
2004	8,303,100
2005	8,285,500
2006	8,229,300
2007	8,229,000
2008	8,146,000
ARRA	19,500,000
2009	8,146,000
2010	13,573,000
2011	9,418,000
2012	9,080,824
2013	8,421,000
2014	8,845,000
2015	8,787,000
2016	8,312,000
2017	8,241,000
2018	11,107,000
2019	11,004,000
2020	11,011,000
Total	$236,984,324

Note: The Drinking Water SRF fund is used to measure how much in transfers may be made, between the two funds, because the Drinking Water fund has received the lesser of capitalization grants and is therefore the limiting factor.

Only one transfer may be made each year. Per 40 CFR 35.3550 a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers.

The recent past has highlighted an imbalance in demand between the two funds, with the CWSRF having a much higher demand than the DWSRF:

- Demand in SFY 2012 for DWSRF $68m vs. CWSRF $117m
- Demand in SFY 2013 for DWSRF $27m vs. CWSRF $149m
- Demand in SFY 2014 for DWSRF $37m vs. CWSRF $162m

- Demand in SFY 2015 for DWSRF $45m vs. CWSRF $69m
- Demand in SFY 2016 for DWSRF $48m vs. CWSRF $69m
- Demand in SFY 2017 for DWSRF $24m vs. CWSRF $92m
- Demand in SFY 2018 for DWSRF $35m vs. CWSRF $264m
- Demand in SFY 2019 for DWSRF $39m vs. CWSRF $137m
- Demand in SFY 2020 for DWSRF $75m vs. CWSRF $78m
- Demand in SFY 2021 for DWSRF $19m vs. CWSRF $80m
- Demand in SFY 2022 for DWSRF $47m vs. CWSRF $394m

The two types of projects (DW vs. CW) have the same funding sources to apply to, and so there is no offsetting relief for the CW entities to seek additional funds. Typically, CW projects are more expensive than DW projects. The current expectation is that the transferred funds into the CWSRF will reside there for some period of years; however, the transfer may be reversed in the future if the relative needs change.

The total amount of authority being reserved is 33% of $236,984,324 or $78,204,826. With the actual transfers of $10,000,000 in SFYs 2015, 2016, 2017, and 2019 there will remain $38,204,826 of reserve that could be transferred from the Drinking Water SRF to the Clean Water SRF, until the reserve is increased by new Federal grants. For SFY 2022, there are no plans to make transfers. Any transfer will be taken from repayments and will not affect set-asides. The potential for long-term diminution of DWSRF fund resources will be known as future, relative needs become known. DEQ will continue to monitor and conduct financial assessment/modeling to determine potential long-term impacts to the DWSRF fund.

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References

DEQ (Idaho Department of Environmental Quality). 2017. *Clean Water State Revolving Loan Handbook*Boise, ID: DEQ.

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