

FY 2024 INTENDED USE PLAN
INVESTING IN IOWA'S WATER



DRINKING WATER STATE REVOLVING FUND

Approved by the Environmental Protection Commission on June 20, 2023

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Introduction

Under the authority of Section 1452 of the Safe Drinking Water Act, the Drinking Water State Revolving Fund (DWSRF) Program finances water treatment plants or improvements to existing facilities, water line extensions to existing unserved properties, water storage facilities, wells, and source water protection efforts.

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

A. Highlights and Changes

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

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

B. SRF Program Overview

SRF PROGRAM ADMINISTRATION

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

- DNR- Administers the environmental, permitting, and regulatory compliance aspects of the program as well as project approval and eligibility
- IFA-Administers the financial aspects of the program including fund management, bonding, loan approval, disbursements, and servicing

INTENDED USE PLANS

The State of Iowa IUP for the DWSRF is prepared annually in accordance with the provisions of section 1452 of the Safe Drinking Water Act, 40 CFR Part 35 and Iowa Code Sections 455B.291-455B.299 and 567 Iowa Administrative Code (IAC) Chapter 44.

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

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

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

METHOD OF AMENDMENT OF THE INTENDED USE PLAN

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

PUBLIC REVIEW AND COMMENTS

(See Appendix H - Public Review and Comments Received)

The SRF Program accepts new IUP applications quarterly by the first business day in March, June, September, and December². The IUP and PPL are updated and available to the public for review about 60 days after the quarterly IUP application deadline. The IUP is posted on the DWSRF Program webpage of the SRF Program's website (www.iowasrf.com) and public comments are accepted for up to 30 days following the posting.

Public Hearings are scheduled on the second Thursday of the months of May, August, November and February to highlight changes from the previous quarter and to collect public comments. A final draft version of the IUP, including all comments incorporated during the comment period, will be posted as part of the EPC Meeting and Agenda on the EPC webpage on the DNR's website³.

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

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

PROJECT PRIORITY LIST (PPL)

(See Attachment 1 - DWSRF Project Priority List)

The DWSRF Program management includes a PPL for loan assistance, developed according to DNR rules 567 IAC Chapter 44 (455B). Attachment 1 - DWSRF Project Priority List, constitutes the DWSRF PPL and is included as a separate, sortable Excel file. This PPL will be amended quarterly during SFY 2024 and includes projects funded by both DWSRF Base and BIL Funds.

The PPL is a list of projects currently requesting funding from the SRF. This list provides the DWSRF Program with a projection of loan funding assistance needed for applications. Priority order is determined by point source rating criteria defined in 567 IAC Chapter 44 (455B). More information on priority ranking is available in Appendix C - Project Ranking Criteria. Projects are listed on the PPL in ranking order by the IUP year and quarter the application was received. Planning and Design loan applications are not ranked.

Pursuant to Section 1452 of the Safe Drinking Water Act and 40 CFR Part 35, the PPL also includes the following required items: name of the public water system, project description, the population of the system's service area, the priority assigned to the project, projected amount of eligible assistance, and type of assistance. The PPL may also include the SRF project number and project status.

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

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

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

Attachment 1 - DWSRF Project Priority List includes the following project categories for funding during SFY 2024:

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

Fundable projects are further identified as "R - ready for loan" (indicating that the construction permit and environmental review have been completed), "P - in planning" and "L - loan signed." PFAS and Lead Service Line projects will be identified as "C - contingency status" until all funding criteria have been met (see SFY 2024 Program Activities to be Supported).

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

Project Scope. The scope of the project must be outlined in the IUP application and in the preliminary engineering report (PER).

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

TYPES OF FINANCING

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

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

Direct Loans - DWSRF funds are used to purchase municipal bond debt, secured by utility system revenues or a general obligation pledge.

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

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

CO-FUNDING

While SRF offers low loan rates and additional subsidization to eligible applicants, many of Iowa's communities need additional help from other funding sources. SRF funding can be combined with several other funding sources to make costly infrastructure projects possible. Joint funding that combines SRF loan dollars and funds from other agencies is crucial to making some drinking water infrastructure upgrade projects more affordable for many communities. The Iowa

SRF Program is committed to coordinating with other funding agencies to simplify the process of co-funding and to find an affordable solution to drinking water needs.

EMERGENCY FUNDING

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

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

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

APPLICATION PROCESS

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

Planning & Design Projects: Applications are available on the SRF website⁴ and are submitted to IFAs SRF Program Staff at waterquality@iowafinance.com.

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

Infrastructure Construction Projects: IUP applications can be found on the SRF website⁵ and the DNR's Drinking Water SRF website⁶, and are submitted to srf-iup@dnr.iowa.gov.

Project applications eligible for SRF funding under the BIL General Supplemental, BIL Lead Service Line, and BIL PFAS/EC Fund will use the DWSRF IUP application and follow the same quarterly IUP application cycle as the DWSRF Base Program. Additional application information may be required for projects applying for BIL Funds. The SRF Program will provide additional application materials for BIL Funds directly to applicants, as applicable, and application materials will be available on the SRF website⁷.

C. SFY 2024 DWSRF Program Goals

SHORT TERM GOALS

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

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

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

⁴ Planning & Design Loan Program page of <https://www.iowasrf.com/>

⁵ Drinking Water Loan Program page of <https://www.iowasrf.com/>

⁶ <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Water-Supply-Engineering/State-Revolving-Loan-Fund>

⁷ Bipartisan Infrastructure Law page of <https://www.iowasrf.com/>

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

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

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

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

LONG TERM GOALS

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

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

Goal: Maintain mechanisms for funding the on-going administration of the program that will assist public water systems in achieving compliance with public health objectives of the Safe Drinking Water Act (SDWA).

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

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

D. SFY 2024 Program Activities to be Supported

The principal objective of the DWSRF is to facilitate compliance with national primary drinking water regulations or otherwise significantly advance the public health protection objectives of the SDWA. State SRF Programs are required to give priority for the use of DWSRF project funds to:

- Address the most serious risks to human health
- Ensure compliance with the requirements of the SDWA
- Assist systems most in need on a per household basis according to state affordability criteria

States also have the option to take up to 31% of their capitalization grant for set-asides. Set-asides can fund state programs, technical assistance and training for water utilities, and other activities that support achieving the public health protection objectives of the SDWA.⁸ 2024 Set-Aside Uses provides further details on Iowa’s intended use of set-aside funds during SFY 2024.

DWSRF BASE PROGRAM

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

FFY	Funding Source	Allocation Amount*
2023	DWSRF Base Cap Grant	\$7,424,000

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

WATER INFRASTRUCTURE PROJECTS

Eligible Borrowers: publicly and privately-owned community water systems and nonprofit non-community water systems are eligible for funding under the DWSRF program.

⁸ <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>

Eligible Activities: Eligible projects include the installation, upgrade, or replacement of treatment facilities, finished water storage facilities, transmission and distribution systems, and water system consolidation/regionalization.⁹ Eligibility guidelines are available in the DWSRF Eligibility Handbook.¹⁰

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

DWSRF BIPARTISAN INFRASTRUCTURE LAW (BIL) PROGRAMS

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

Due to BIL funding requirements, projects being financed with BIL PFAS/EC and General Supplemental funding must enter into a loan assistance agreement within one year of becoming eligible for the funds. BIL Lead Service Line Replacement projects must enter into a loan assistance agreement within 2 years of becoming eligible for the funds. . The DWSRF staff may bypass projects that have not signed a loan obligation within these time limits. If an eligible project is bypassed, the applicant may be reconsidered when the project is ready to move ahead, as funding is available, or may be financed through DWSRF Base Funds.

DWSRF BIL GENERAL SUPPLEMENTAL (GS) FUNDS

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

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

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

FFY	Funding Source	Allocation Amount*
2023	DWSRF BIL General Supplemental Grant	\$31,656,000

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

DWSRF PFAS/EMERGING CONTAMINANTS (EC) FUND

Eligible Borrowers. Both publicly and privately-owned community water systems and nonprofit non-community water systems are eligible for funding under the DWSRF program. At least 25% of the funds will be awarded to disadvantaged communities or public water systems serving fewer than 25,000 people.

Eligibility Activities. For a project or activity to be eligible under this funding source, it must be otherwise DWSRF eligible, and the primary purpose must be to address emerging contaminants in drinking water. Any contaminant on EPA's Contaminant Candidate Lists 1-5 are eligible, however, priority for funding will be given to projects addressing perfluoroalkyl and polyfluoroalkyl substances and health advisories.

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

⁹ <https://www.epa.gov/dwsrf/dwsrf-program-overview-epa-816-f-18-001>

¹⁰ <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>

FFY	Funding Source	Allocation Amount*
2022	DWSRF BIL PFAS/Emerging Contaminants	\$11,969,000
2023	DWSRF BIL PFAS/Emerging Contaminants	\$11,487,000

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

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

DWSRF BIL LEAD SERVICE LINE (LSL) REPLACEMENT FUND

Eligible Borrowers. Both publicly and privately-owned community water supply systems and nonprofit non-community water systems are eligible for funding under the DWSRF program. Lead service lines can be system-owned or customer-owned.

BIL LSL funding will be offered to borrowers as a combination of additional subsidization (loan forgiveness) and loans. Special loan interest rates and terms may be offered for LSL projects (see Appendix D - Interest Rates, Fees and Loan Terms). Loan forgiveness eligibility for LSL projects will evaluate the disadvantaged status of individual addresses. The Service Area Based Socioeconomic Assessment Tool will be used to determine disadvantaged census tracts. Addresses must be located within a census tract that scores between 11-20 to be considered disadvantaged and to be eligible for loan forgiveness. See Appendix A - Disadvantaged Communities (DAC) and Appendix B - Additional Subsidization for more information.

Eligible Activities. For a project or activity to be eligible under this funding source, it must be otherwise DWSRF eligible, and the primary purpose must be a LSL replacement project or associated activity directly connected to the identification, planning, design, and replacement of LSLs. LSL Replacement includes:

- Either LSL or galvanized service lines that are or were ever located downstream of LSL
- The entire LSL, including private portion (but not interior plumbing)
- Standalone or connected lead goosenecks, pigtails and connectors

Application Process. In order to be listed on the Project Priority List, Intended Use Plans applications must include, at minimum:

- An overall project description, including a proposed timeline for the replacement work can reasonably be replaced in 2-3 years
- The location of LSL to be replaced, listed by specific addresses
- Budget estimate

Projects will be given a “**C-contingency**” status on the PPL until they have met all funding criteria described below.

Funding Criteria

An approved **LSL Replacement Project Plan** is required to receive BIL LSL funding. Although a Preliminary Engineering Report (PER) is acceptable, the Project Plan for LSL Replacement does not need to be covered by an engineer’s completed Iowa certification block with stamp, signature, and date. If a PER is submitted, it will need to include the same information needed in an **LSL Replacement Project Plan**.

Requirements for Project Plans for LSL Replacement can be found on the BIL Program Information page of the SRF website¹¹ or the DNR’s DWSRF webpage.¹²

After a DNR Water Supply Engineering project manager has reviewed and ensured the plan is complete, an approval letter will be issued. Funding commitments **for the BIL LSL Fund** and **loan forgiveness obligations** will be issued to applicants only after the LSL Project Plan is approved. Funds will be disbursed on a first ready, first served basis.

¹¹ <https://www.iowasrf.com>

¹² <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Water-Supply-Engineering/State-Revolving-Loan-Fund>

Environmental Review (ER). **Construction activities cannot begin at any address until that address has received an ER clearance.** Each address on the LSL replacement project list will be cleared through the ER process. LSL projects listed on the PPL will begin working with an SRF Environmental Review Specialist to complete the ER Checklist and submit additional information and maps, as needed, per project. ER clearances may “group” like-addresses together based on historical or architectural significance and multiple ER clearances may be issued for each project application.

Special Conditions. Projects being funded with BIL LSL are all considered equivalency projects and will comply with the federal requirements described in E. Financial Administration of this IUP and BIL Signage requirements described in Appendix G - Federal Assurances, Certifications and Proposals.

Projects may be required to include specific contractual language in their bid packages regarding monitoring and construction guidelines when conducting LSL replacements on an identified historic place.

FFY	Funding Source	Allocation Amount*
2022	DWSRF BIL Lead Service Line Replacement	\$44,913,000
2023	DWSRF BIL Lead Service Line Replacement	\$29,319,000

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

E. Financial Administration

RATES, FEES AND LOAN TERMS & CONDITIONS

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

PROJECT READINESS FOR LOAN APPLICATION

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

1. Construction Permit(s) issued by DNR Project Manager for all project phases to be funded by the SRF loan
2. Environmental Clearance issued by SRF Environmental Review Staff
3. Project Bid and Bid Documents (including signed SRF Front-End Documents) submitted to DNR
4. Opinion of legal counsel certifying compliance with Iowa public bidding laws
5. SRF Eligibility Letter issued by SRF Project Compliance Specialist
6. Pro Forma Financial Analysis completed by a registered municipal advisor identifying all outstanding parity obligations and demonstrating system revenues can meet loan requirements

Prior to executing a construction loan, applicants must demonstrate that appropriate action has been taken to implement the recommendations of their Municipal Advisor set forth in the pro-forma cash flow analysis.

DISADVANTAGED COMMUNITIES

(See Appendix A - Disadvantaged Communities (DAC))

The Safe Drinking Water Act defines disadvantaged communities as the entire service area of a public water system that meets affordability criteria established by the State after public review and comment. In SFY 2023, a Socioeconomic Assessment (SA) Tool was developed to include a more comprehensive range of metrics by which communities are evaluated for disadvantaged community (DAC) status.

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

ADDITIONAL SUBSIDIZATION

(See Appendix B - Additional Subsidization)

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

EQUIVALENCY

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

Compliance with the following requirements apply to equivalency projects:

- Disadvantaged Business Enterprise¹³
- Single Audit Act
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- EPA signage requirements
- Buy America Build America Act (FFY 2022 and all future capitalization grants)¹⁴
- Federal environmental and socioeconomic cross-cutters¹⁵

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

Project Selection for Equivalency. The Iowa SRF Program intends to select projects for equivalency that will impose the least amount of administrative or financial burden on a borrower. During SFY 2024, Iowa SRF will identify borrowers to serve as the subawardee(s) that already meet the several requirements of FFATA and equivalency reporting. Because it is unknown which projects listed on the PPL will execute loan agreements, no specific borrowers have been determined as of the publication of this IUP. The final equivalency loans selected will be listed in the annual report.

CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The cash draw procedure used is the direct loan method. The Iowa DWSRF Program uses its Equity Fund to originate loans. When enough loans have been made, the DWSRF Program issues bonds and uses the bond proceeds to replenish the Equity Fund. Iowa's bonds are cross-collateralized across both the Clean Water and Drinking Water SRF accounts, in a manner consistent with state and federal laws. State match bonds are issued along with leveraged bond issues for greater cost effectiveness. State match proceeds are fully disbursed prior to drawing Cap Grant funds. The Cap Grant funds will be drawn at a 100% proportionality ratio. Iowa expects to fully disburse the loan portion of the FFY2023 DWSRF Base Capitalization Grant, FFY2023 BIL General Supplemental Fund, the FFY2022 BIL LSL Fund and FFY 2022 BIL PFAS/EC during the program year.

Allocation of Funds Among Projects. All projects listed in the DWSRF PPL (see Attachment 1 - DWSRF Project Priority List) may be funded from the DWSRF subject to available funds and eligibility.

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

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

¹³ <https://www.epa.gov/grants/disadvantaged-business-enterprise-program-under-epa-assistance-agreements-dbe-program>

¹⁴ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

¹⁵ <https://www.epa.gov/grants/epa-subaward-cross-cutter-requirements>

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

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

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

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

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

FUNDING SOURCES AND USES

(See Appendix E - Sources and Uses)

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

FFY	Funding Source	Allocation Amount*
2022	DWSRF BIL PFAS/Emerging Contaminants	\$11,969,000
2022	DWSRF BIL Lead Service Line Replacement	\$44,913,000
2023	DWSRF Base Cap Grant	\$7,424,000
2023	DWSRF BIL General Supplemental Grant	\$31,656,000
2023	DWSRF BIL PFAS/Emerging Contaminants	\$11,487,000
2023	DWSRF BIL Lead Service Line Replacement	\$29,319,000

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

Current and Projected Financial Capacity of the DWSRF. The leveraging capacity of the DWSRF is robust due to the maturity of the fund and the current loan portfolio. SRF staff has analyzed the future financial capacity of the DWSRF considering the discussion over water quality standards and other future drinking water needs. Assuming that Iowa SRF continues receiving Cap Grants, and providing at least 26% of the Cap Grant as LF, it is estimated that the DWSRF could loan an average of approximately \$100 million per year over the next 10 years, or a total of \$1.0 billion. These figures would increase with an increase in interest rates.

STATE MATCH

(See Appendix F - State Match)

The Iowa SRF Program issues bonds for state match.

BONDS

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

SWIFIA

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

TRANSFERS BETWEEN FUNDS

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

PLAN FOR EFFICIENT AND TIMELY USE OF DWSRF FUNDS

The Iowa DWSRF has a robust and sustained demand for loans and it uses federal cap grant funds as expeditiously as possible. After SRF bonds are issued, state match funds are spent first. When Cap Grants are awarded, the state match funds are drawn down at 100% and disbursed before program funds based on guidance from the EPA. Loan disbursements requests are processed on a weekly basis. In SFY 2023, the program has disbursed an average of approximately \$5.7million per month (10 months, through April 2023). With a return of \$3.09 for every dollar of federal investment (compared to the national average of \$2.19), Iowa's DWSRF is an efficient and effective delivery mechanism for water infrastructure funding.

OTHER PROGRAM USES

PLAN FOR USE OF ADMINISTRATIVE ACCOUNTS

There are three distinct funding sources for DWSRF administrative expenses:

DWSRF Cap Grant Administrative Set-Aside. A total of 4% of the cumulative amount of federal Cap Grants received may be used for program administration. Planned expenses are discussed in F. 2024 Set-Aside Uses

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

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

Loan servicing fees. An annual servicing fee of 0.25% is charged on the outstanding principal of DWSRF construction loans. The fees are deposited outside of the fund. Under EPA rules, only servicing fees received from loans made above and beyond the amount of the Cap Grant and after the Cap Grant under which the loan was made has been closed, are considered Non-Program Income. Non-Program Income can be used to administer the program or for other purposes. Iowa uses servicing fees collected while the Cap Grant is open for administration of the DWSRF Program. Servicing fee receipts collected after the Cap Grant is closed are used for other purposes under SDWA Section 1452.

PROGRAM & NON-PROGRAM INCOME USES

Program Income. A portion of these funds will be used in SFY 2024 for program administration, and the remainder will be reserved for future administrative expenses. Income is replenished throughout the fiscal year by funds received from loan initiation fees as described above.

Non-Program Income. A portion of these funds may be used in SFY 2024 to fund some of the activities completed under the State Program Management set-aside. A portion of these funds may be used in SFY 2024 toward Drinking Water Laboratory Certification and Capacity initiatives. Income is replenished throughout the fiscal year by funds received from loan servicing fees as described above.

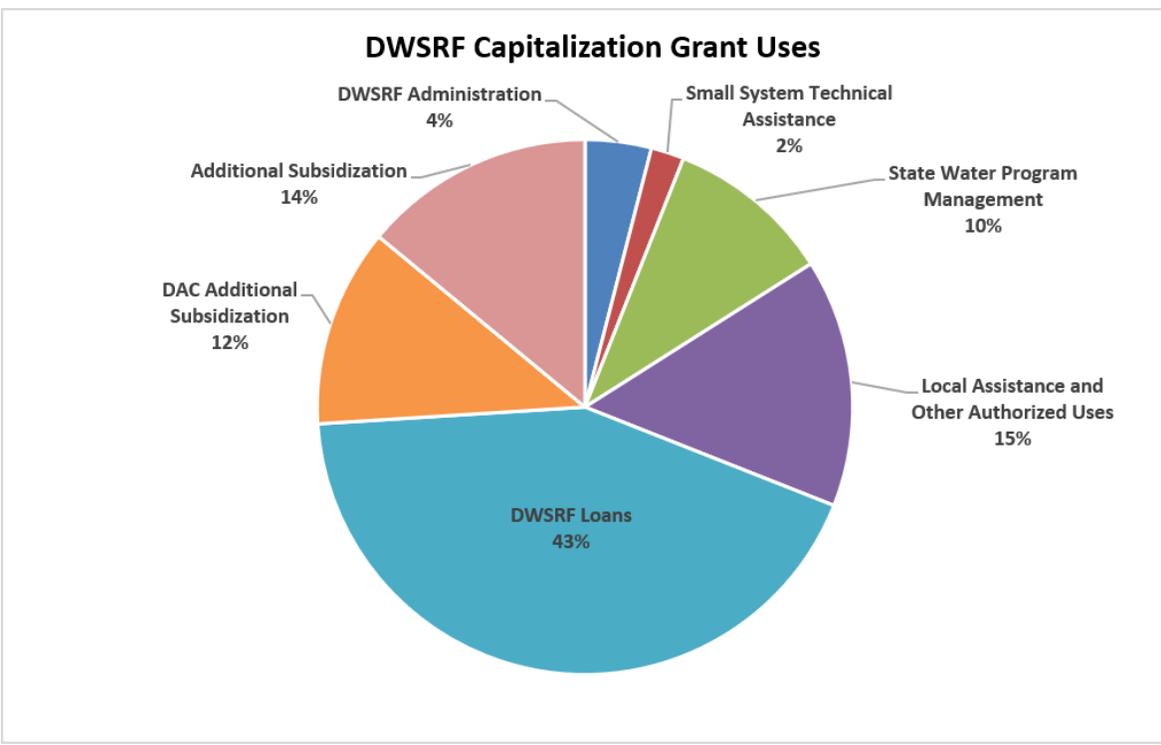
SENIOR ENVIRONMENTAL EMPLOYEE (SEE) SALARY FUNDS DEDUCTED FROM CAPITALIZATION GRANT

The DWSRF Program will not withhold any funding from FFY 2023 DWSRF Base Cap Grant application for the SEE Program but may seek to fill positions under this program during SFY 2024. These positions are filled by EPA Region 7 and assigned to the DNR’s Drinking Water Engineering section to provide technical and administrative assistance to the DWSRF projects and program. The SEE enrollees help provide staffing at DNR to maintain the DWSRF program and keep up with the increasing DWSRF project technical and administrative work-load. Authorized under the Environmental Programs Assistance Act of 1984 (PL 98- 313), the SEE program is intended “to utilize the talents of older Americans in programs authorized by other provisions of law administered by the Administrator in providing technical assistance to Federal, State, and local environmental agencies for projects of pollution prevention, abatement, and control.”

F. 2024 Set-Aside Uses

States are allowed to take or reserve set-aside amounts from each federal Cap Grant for a number of activities that enhance the technical, financial, and managerial capacity of public water systems and protect sources of drinking water. The use of the set-asides as well as the loan program is intended to carry out Iowa’s goal of ensuring that the drinking water received by 92% of the population served by community water systems meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.

The amounts are subject to approval by EPA of program workplans. The DNR is following the SFY 2023 workplan and will switch to the SFY 2024 workplan during the fiscal year. Iowa plans to take or reserve set-side funds from the allowed amounts shown in the chart.



DNR has two options for addressing the amounts available each year in set-asides. Set-aside funds may be reserved for future use (except for the Local Assistance and Other Authorized Uses set-aside), in which case they would be deducted from a future Cap Grant when they are ready to be taken. Funds that are taken from an available Cap Grant must be applied to planned work efforts approved by EPA.

DNR has been using the set-asides and drawing upon reserved funds as needed to meet the needs for programs and efforts required by EPA that are critical for ensuring public health. Once the reserved amounts are expended, the amounts available for each set-aside will be limited to the percentage allowed out of each Cap Grant.

PLANNED EXPENSES

Iowa intends to take the total amount authorized for each set-aside from the BIL General Supplemental Cap Grant and reserve authorized amounts from each of the DWSRF Base Program, BIL PFAS/EC Funds and BIL LSL Replacement Funds. Unused commitments are reserved for use in future years as necessary.

DWSRF Program Administration Set-Aside (4%). Iowa intends to use this set-aside including loan administrative fees to pay the costs of administering the DWSRF Base and BIL GS and PFAS/EC Funds including:

- Portfolio management, debt issuance, and financial, management, and legal consulting fees
- Loan underwriting
- Project review and prioritization
- Project management
- Environmental review services
- Technical assistance to borrowers
- AIS/BABA site inspections
- Database development and implementation
- Program marketing and coordination
- Drinking Water Infrastructure Needs Survey

Small System Technical Assistance Set-Aside (2%). Iowa intends to use this set-aside to provide technical assistance to public water supplies (PWSs) serving populations of less than 10,000.

Funds from this set-aside will be used this year to provide support for the operator certification program. This will include the administration and proctoring of examinations in all six regions of the state, provide training for new Grade A water system operators, and provide continuing education for existing Grade A water system operators. Grade A is the certification grade for the smallest PWS, with only disinfection treatment. Funds are also used by the Field Office water supply staff to provide technical assistance and compliance follow-up to small system operators.

Additional tasks may be added to the SFY 2024 Set-Aside Workplan to support initiatives specific to Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) and/or LSL replacements.

State Program Support Set-Aside (10%). The primary uses of this set-aside are to assist with the administration of the Public Water Supply Supervision (PWSS) program, to review engineering documents for non-DWSRF construction projects, and to evaluate disinfection contact time determinations, approve corrosion control strategies, and make influenced groundwater determinations.

Other uses include:

- Updating the SDWIS database including support systems and provide compliance determinations and information technology database support
- Adopting rules and revisions to the Iowa Administrative Code
- Field Office water supply staff conducting sanitary survey inspections at PWSs, as required by the Safe Drinking Water Act.

Additional tasks may be added to the SFY 2024 Set-Aside Workplan to support initiatives specific to PFAS/EC and/or LSL replacements.

Other Authorized Activities Set-Aside (15%). The two primary uses of this set-aside are capacity development and source water protection (SWP).

Funds are budgeted for efforts related to developing technical, managerial, and financial capacity for Iowa's PWSs, including:

- Completion of sanitary surveys with the eight elements and providing direct capacity development technical assistance
- Training of inspectors in comprehensive performance evaluation protocols
- Provision of technical assistance related to capacity development through the area wide optimization program (AWOP)
- Contracts with five counties to complete sanitary surveys and conduct annual visits at transient noncommunity PWSs
- System-specific capacity development assistance by contractor, including promotion of asset management planning

Additional tasks may be added to the SFY 2024 Set-Aside Workplan to support initiatives specific to PFAS/EC and/or LSL replacements.

Funds are also budgeted for SWP activities including the following:

- Coordination and administration of the SWP program
- Development of SWP plans and review and assist with implementation of Best Management Practices
- Development of data for Phase 1 SWP assessments for all new systems and new wells at existing PWSs
- Technical assistance for well siting
- Maintenance of the Source Water Mapper and Tracker online database

Appendix A - Disadvantaged Communities (DAC)

The affordability criteria established in this IUP after public review and comment will be the criteria used to determine DAC status.¹⁶

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

REVISED AFFORDABILITY CRITERIA USED TO DETERMINE DAC STATUS

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

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

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

SA TOOL

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

There are two versions of the SA Tool:

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

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

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

To use the SA Tool, a borrower will select each community that makes up the utility’s service area, along with the corresponding percent of population served. For each of the metrics evaluated, applicants will be given a score indicating the relative disadvantage to the other communities in the state (see Figure 1 and Figure 2)¹⁷. A weighted average for each metrics will be calculated and assigned points. Scores for each metric are totaled to produce an overall assessment of the applicant’s underlying social, economic, and demographic profile.

¹⁶ 40 CFR 35.3505 Definitions and IAC 265 Chapter 26.7 - Disadvantaged Community Status

¹⁷ The only exception is Population Trend. No points for positive or 0% growth, 1 point for negative growth up to -2%, 2 points for more than -2% population growth.

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

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

Figure 1

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

Figure 2

USING THE SA SCORE TO DETERMINE DAC STATUS

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

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

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

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

Appendix B - Additional Subsidization

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

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

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

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

Taxable portions of SRF projects are not eligible for LF.

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

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

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

LOAN FORGIVENESS CRITERIA

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

FFY 2022 DWSRF BASE CAPITALIZATION GRANT AND BIL GENERAL SUPPLEMENTAL FUND

At the conclusion of SFY 2023, there was an estimated unobligated balance of LF over \$15 million using these criteria.

For the remainder of the unobligated FFY 2022 Base and BIL GS LF funds, the DWSRF Program, upon approval of this IUP, will conduct a “look-back” at all loans executed between July 1, 2022 and June 30, 2023. If a borrower meets the current DAC status requirements for SFY 2024, regardless of project type, the loan will be eligible for LF consideration. All qualifying project loans executed during this time period will be ranked highest to lowest by SA score and will be awarded LF in order of the date the loan was executed, until all funding is obligated. In the event of a tie, the project with the highest priority points (based on Appendix C - Project Ranking Criteria) will receive LF.

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

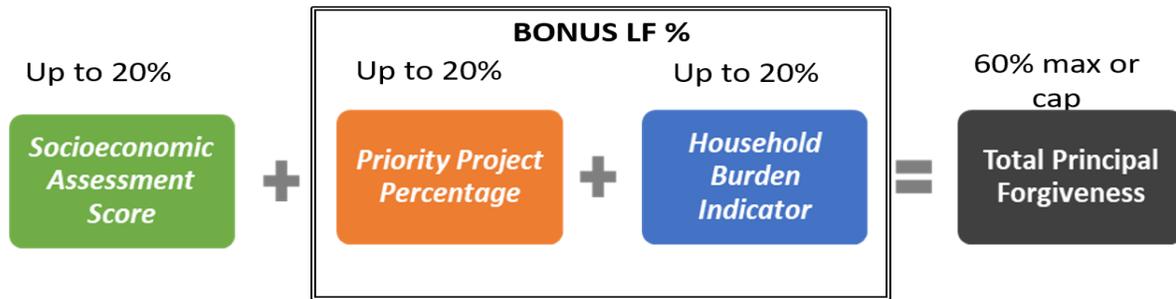
FFY 2022	LF Required	LF Obligated	LF Available to Award
DWSRF Base Cap Grant	\$2,886,260	\$1,514,400*	\$1,371,860
DWSRF BIL General Supplemental Fund	\$13,966,960	\$0	\$13,966,960

*This amount is estimated as of the publication of this DRAFT IUP.

If LF funding still remains unobligated using these modified criteria, the balance of LF will be added to the FFY 2023 LF amounts and will become available to projects that execute a loan after July 1, 2023.

FFY 2023 DWSRF BASE CAPITALIZATION GRANT AND BIL GENERAL SUPPLEMENTAL FUND

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



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

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

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

Priority Projects for FFY 2023 DWSRF Base and BIL General Supplemental Funds	% Loan Forgiveness
Non-Compliance Issues (SDWA, Maximum Contaminant Levels (MCL) Violations, Identified Significant Deficiencies)	20%
Consolidation/Regionalization	15%
Resiliency Projects (flood/drought, redundancy and cyber security)	10%
New Public Water System (PWS) for communities served by private wells	10%

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

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

LF eligibility will be evaluated at the time of SRF loan application (see E. Financial Administration) and will be based on the current SA tool in effect at the time the loan application is approved by the IFA.

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

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

FFY 2023	LF Required	LF Obligated	LF Available to Award
DWSRF Base Cap Grant	\$1,930,240	\$0	\$1,930,240*
DWSRF BIL General Supplemental Fund	\$15,511,440	\$0	\$15,511,440*

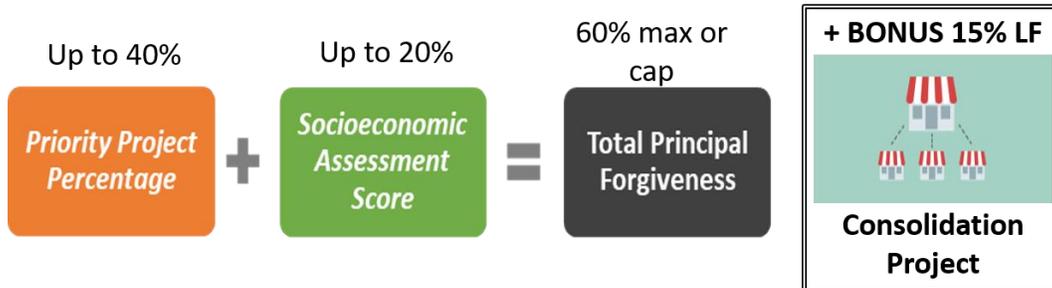
*This is based on an award amount that is anticipated to be received by SFY 2024 but has not been received as of the publication of this DRAFT IUP.

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

FFY 2022 AND FFY 2023 BIL PFAS/EMERGING CONTAMINANTS (EC) FUND

LF may be issued to any applicant addressing PFAS or an emerging contaminant meeting the criteria described in the IUP D. SFY 2024 Program Activities to be Supported.

LF of up to 40% may be offered for eligible construction costs to projects that meet the contaminant and detection level priorities. An additional 20% may be offered to eligible projects that meet the Iowa SRF's disadvantaged community definition, for a **total of 60%** of construction costs. Consolidation projects will be offered an additional 15% LF, for a **total of 75%** of construction costs.



1. Up to 40% LF awarded for constructing a priority project;

Emerging Contaminant	Detection Level (ppt) ¹	Loan Forgiveness %	
		Finish Water	Raw Water
PFAS	PFOA ≥ 4.0	40%	30%
	PFOS ≥ 4.0		
	Gen X ≥ 10		
	PFBS ≥ 2,000		
Health Advisories (HA) on EPA's Contaminant Candidate Lists 1-5 (Non-PFAS)	≥ HA level	40%	30%
	≥ 50% of HA level	20%	N/A

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

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

3. An additional 15% LF will be awarded if the project is a consolidation/regionalization project.

This priority is intended for SRF-eligible applicants who are fully or partially consolidating or regionalizing with another system. The primary purpose of the consolidation or regionalization project must be for system A to obtain drinking water that more reliably meets SDWA requirements or to address technical, managerial, and/or financial issues within system A through consolidation or regionalization with system B. Consolidation or regionalization projects are eligible for this loan forgiveness even if there is no violation or compliance issue for system A. **The socioeconomic assessment score for system A shall be used to determine the disadvantaged status and the corresponding level of loan forgiveness eligibility.** The project cannot be primarily focused on expansion of system B's service area and must provide a public health benefit to those served by system A. When a consolidation project also includes expansion of system B, the costs related to connecting system A to system B are the only components eligible to receive loan forgiveness.

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

BIL Fund	LF Required	LF Obligated	LF Available to Award
2022 DWSRF PFAS/EC	\$11,969,000	\$0	\$11,969,000*
2023 DWSRF PFAS/EC	\$11,487,000	\$0	\$11,487,000*

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

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

FFY 2022 AND FFY 2023 BIL LEAD SERVICE LINE REPLACEMENT FUND

LF of **49%** may be offered **to any applicant** for eligible construction costs necessary to replace the privately owned portions of lead service lines in qualifying DAC census tracts within their service area. Qualifying census tracts are determined by the Census Tract-Based SA Tool (see Appendix A - Disadvantaged Communities (DAC)). Eligible project costs and project readiness are described in the IUP in section D. SFY 2024 Program Activities to be Supported.

Costs related to replacement of system-owned lead service lines, and lead service line replacements completed in census tract areas that do not meet the DAC criteria are not eligible for LF. Special interest rates or other incentives may be offered for costs not eligible for LF (see Appendix D - Interest Rates, Fees and Loan Terms).

LF will not be **obligated** to projects until the “contingency status” is removed (see B. SRF Program Overview) and DNR engineering staff have approved the applicant’s Lead Service Line Replacement Project Plan (project readiness is described in the IUP in section D. SFY 2024 Program Activities to be Supported).

FFY Fund	LF Required	LF Obligated	LF Available to Award
2022 DWSRF BIL LSL	\$22,007,370	\$0	\$22,007,370*
2023 DWSRF BIL LSL	\$14,366,310	\$0	\$14,366,310*

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

DETERMINING HOUSEHOLD FINANCIAL BURDEN INDICATOR

The Household Financial Burden Indicator is an assessment of a household’s ability to afford the proposed project. The Assessment is made up of two components¹⁸:

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

¹⁸ Credit to R Raucher, E Rothstein, and J Mastracchio’s [Developing a New Framework for Household Affordability and Financial Capability Assessment in the Water Sector](#), 2019

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

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

		Poverty Prevalence*		
		Low ≤ 32.0%	Mid 32.0 - 41.0%	High > 41.0%
New Monthly Water Bill at 4,000 gal/month	High > \$42	Moderate-High	Moderate-High	High
	Mid \$30 - \$42	Moderate-Low	Moderate	Moderate-High
	Low ≤ \$30	Low	Moderate-Low	Moderate-High

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

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

Appendix C - Project Ranking Criteria

Projects are added to the PPL to be funded based on the rules for the DWSRF Program in 567 IAC Chapter 44. Projects will be funded as they become ready to proceed to construction. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are available to systems serving fewer than 10,000 persons as specified in Section 1452(a) (2) of the Safe Drinking Water Act. Methods for determining the population served are described in 567 IAC Chapter 44.

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

PROJECT PRIORITY LIST RANKING CRITERIA

Planning and Design projects are not ranked. Construction projects are ranked based on the DNR's scoring system, described in 567 IAC Chapter 44. All projects shall be listed in descending order on the published PPL according to the number of total priority points assigned each project.

When two or more projects have the same priority point total:

1. The project sponsored by a system in the process of consolidation shall receive the higher priority;
2. A private system in the process of forming and becoming a PWS shall have the next highest priority (if the system is determined by U.S. EPA regulations or guidance to be eligible for DWSRF funding);
3. The entity with the smallest served population shall receive the next highest priority.

Lead Service Line Replacement projects on the PPL will be given a **contingency** status until all fundable criteria described in section D. SFY 2024 Program Activities to be Supported of this IUP have been met.

PROJECT PRIORITY LIST SCORING CRITERIA

Eligible public drinking water supply projects will be scored in accordance with the scoring system contained in Chapter 44 of the IAC.

The DWSRF Project Scoring System assigns points to projects in each of the following scoring criteria:

- A. Human Health Risk-related Criteria (maximum of 60 points)
- B. Infrastructure and Engineering-related Improvement Criteria (maximum of 35 points)
- C. Affordability Criteria (maximum of 10 points)
- D. Special Category Improvements (maximum of 15 points)
- E. DNR Adjustment Factor for Population

Projects involving a multiyear, phased effort may carry over their original priority point total from the previous year's application, provided that the project owner reapplies at each stage.

Appendix D - Interest Rates, Fees and Loan Terms

TYPES AND TERMS OF FINANCING

PLANNING AND DESIGN LOANS

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

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

SRF CONSTRUCTION LOANS

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

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

INTEREST RATES (EFFECTIVE THROUGH SEPTEMBER 30, 2023)

Below are the interest rates for loans that close between July 1 and September 30, 2023. In addition, a servicing fee of 0.25% will be assessed on the outstanding loan balance, paid semiannually with scheduled interest payments.

Loan Type	Applicant Type	Interest Rate	Servicing Fee	Total
Planning and Design Loan (<= 3 years)	All	0.00%	0.00%	0.00%
Standard Term Construction Loans (<= 20 years)				
Tax-Exempt	All	1.75%	0.25%	2.00%
Taxable	All	3.53%	0.25%	3.78%
Extended Term (21-30 years ¹⁹)				
Tax-Exempt	All	2.75%	0.25%	3.00%
Taxable	All	4.53%	0.25%	4.78%
Special Purpose Fund Loans				
Lead Service Line Projects	LSL	0.00%	0.25%	0.25%

FEES

LOAN INITIATION FEES

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

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

LOAN SERVICING FEES

An annual loan servicing fee equal to 0.25% of the outstanding loan balance is charged on SRF Construction Loans. Payment of the loan servicing fee is made semiannually along with scheduled interest payments. Loan servicing fees are

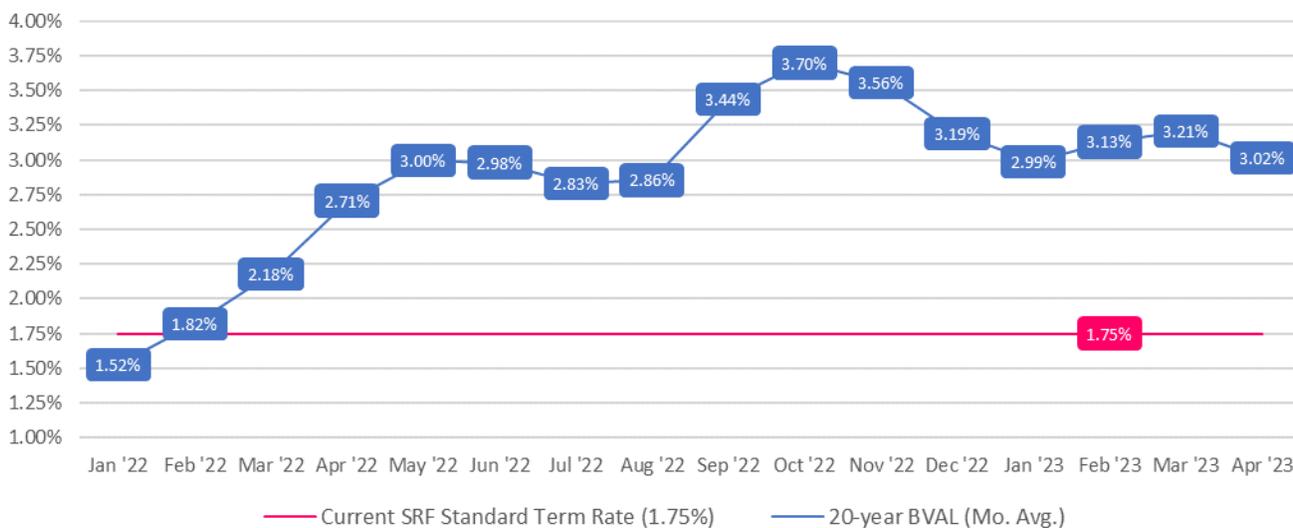
¹⁹ Maximum loan term will be based on the project's useful life.

calculated based on the outstanding principal balance. Under U.S. EPA rules, only servicing fees received from loans made above and beyond the amount of the Capitalization Grant and after the Capitalization Grant under which the loan was made has been closed are considered Non-Program Income. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Non-Program Income are discussed in [Other Program Uses](#) in this IUP.

METHODOLOGY FOR DETERMINING PROGRAM INTEREST RATES

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

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



IMPORTANT CHANGE TO LOAN INTEREST RATE METHODOLOGY

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

Beginning October 1, 2023, Iowa’s SRF Loan Programs will utilize Base Interest Rates for Tax-Exempt and Taxable Standard Term SRF Loans (up to a 20-year term) that will be re-calculated and published on the first business day each January, April, July, and October (the “Effective Date”).

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

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

Upon submission of a complete Construction Loan Application, applicants will receive a financing offer from IFA including an interest rate lock for up to 90 days and a final LF offer, if applicable. Should the Program's interest rates fall prior to signing a loan agreement, the applicant will automatically receive the more favorable rate at loan closing, given they are still within the 90-day rate lock period.

About BVAL

BVAL use real-time trades and contributed sources to signal movement in the municipal market as it is happening. Iowa SRF has chosen BVAL's AAA Municipal Curves as the benchmark indices because they are widely used, objective, transparent, and publicly available through the [Municipal Securities Rulemaking Board²⁰](#) to anyone who wishes to track the market independently.

²⁰ <https://emma.msrb.org/ToolsAndResources/BloombergYieldCurve?daily=True>

Appendix E - Sources and Uses²¹

Drinking Water SRF - State Fiscal Year 2024

SOURCES OF FUNDS

FFY 2022 Federal Capitalization Grants	
BIL Supplemental ²²	\$8,693,000
BIL Emerging Contaminants	\$11,945,000
BIL Lead Service Line Replacement	\$44,794,000
FFY 2023 Federal Capitalization Grants	
Base Program	\$7,424,000
BIL Supplemental	\$31,656,000
BIL Emerging Contaminants	\$11,487,000
BIL Lead Service Line Replacement	\$29,319,000
Estimated Loan Repayments (P&I)	\$42,250,000
Estimated Fee Income	\$1,638,000
Funds Available in Equity and Program Accounts	\$185,297,000
Estimated Investment Earnings on Funds	\$3,986,000
Estimated Bond Proceeds:	
Leveraged/Reimbursement	\$15,000,000
State Match	\$0
TOTAL SOURCES	\$393,489,000

ANTICIPATED USES OF FUNDS

Set-Asides from Prior Capitalization Grant(s)	\$3,188,000
Set-Asides from FFY 2023 Capitalization Grants	\$6,791,000
Project Funding	
Disbursements to Existing Loan Commitments ²³	\$56,241,000
Disbursements to Future Loan Commitments:	
Planning & Design Loan Requests from IUP ²⁴	\$8,429,000
Additional DWSRF Project Requests ²⁵	\$75,000,000
Debt Service:	
Principal Payments on Outstanding Revenue Bonds	\$25,105,000
Interest Payments on Outstanding Revenue Bonds	\$15,194,000
Retained Equity	\$203,541,000
TOTAL USES	\$393,489,000

NET SOURCES (USES)

\$0

²¹ All amounts are as of May 2, 2023, and are rounded to the nearest \$1,000.

²² Undrawn amount.

²³ Undisbursed DWSRF loan commitments: \$74,987,526 at 75% disbursement rate.

²⁴ Planning & Design requests per DW IUP: \$16,857,607 at 50% disbursement rate.

²⁵ Additional 50% of total budgeted new loan commitments for SFY 2024.

Appendix F - State Match

Drinking Water SRF

FFY 2021

<u>Sources of State Match</u>		
Surplus State Match from Prior Year(s)		\$192,900
State Match Bonds Issued in Feb 2020		\$8,000,000
Total DW State Match Available		\$8,192,900
<u>Application of State Match</u>		
FFY21 Base Cap Grant*	\$17,587,000	
State Match Required (%)	x 20%	
State Match Required (\$)		\$3,517,400
Total DW State Match Required		\$3,517,400
State Match Surplus (Deficit)		\$4,675,500

FFY 2022

<u>Sources of State Match</u>		
Surplus State Match from Prior Year(s)		\$4,675,500
State Match Bonds Issued in May 2022		\$5,700,000
Total DW State Match Available		\$10,375,500
<u>Application of State Match</u>		
FFY22 Base Cap Grant	\$11,101,000	
State Match Required (%)	x 20%	
State Match Required (\$)		\$2,220,200
FFY22 Supplemental Cap Grant	\$28,504,000	
State Match Required (%)	x 10%	
State Match Required (\$)		\$2,850,400
Total DW State Match Required		\$5,070,600
State Match Surplus (Deficit)		\$5,304,900

FFY 2023

<u>Sources of State Match</u>		
Surplus State Match from Prior Year(s)		\$5,304,900
Total DW State Match Available		\$5,304,900
<u>Application of State Match</u>		
FFY23 Base Cap Grant	\$7,424,000	
State Match Required (%)	x 20%	
State Match Required (\$)		\$1,484,800
FFY23 Supplemental Cap Grant	\$31,656,000	
State Match Required (%)	x 10%	
State Match Required (\$)		\$3,165,600
Total DW State Match Required		\$4,650,400
State Match Surplus (Deficit)		\$654,500

Appendix G - Federal Assurances, Certifications and Proposals

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

SPECIFIC PROPOSALS AND CERTIFICATIONS

PROGRAM BENEFITS REPORTING

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

SIGNAGE

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

Projects receiving additional subsidization, or are funded as equivalency projects from Infrastructure Investment and Jobs Act (IIJA) or Bipartisan Infrastructure Law (BIL) funds will follow the OMB²⁶ and EPA Signage Guidance²⁷ for those funds, as summarized below:

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

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

VIABILITY ASSESSMENT

The SDWA requires states to ensure public water supply systems can provide safe drinking water to their public at a reasonable cost for the foreseeable future. Iowa has chosen to use a Self-Assessment Manual as a tool for water supplies to appraise their technical, managerial, and financial capability. SRF applicants will be required to submit a viability self-assessment for approval.

GREEN PROJECT RESERVE

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

	Iowa Allocation	GPR Required (10%)
FFY 2022 Base Capitalization Grant	\$11,101,000	\$1,110,100
FFY 2022 BIL General Supp Grant	\$28,504,000	\$2,850,400
FFY 2022 BIL PFAS/EC	\$11,969,000	\$1,196,900
FFY 2022 BIL Lead Service Line	\$44,913,000	\$4,491,300
FFY 2023 Base Capitalization Grant	\$7,424,000	\$742,400

²⁶ Guidelines and design specifications for using the official Building A Better America emblem and corresponding logomark available at <https://www.whitehouse.gov/wp-content/uploads/2022/08/Building-A-Better-America-BrandGuide.pdf>

²⁷ Compliance guidelines for sign specifications provided by the EPA Office of Public Affairs (OPA) are available at <https://www.epa.gov/grants/epa-logo-seal-specifications-signage-producedepa-assistance-agreement-recipients>

	Iowa Allocation	GPR Required (10%)
FFY 2023 BIL General Supp Grant	\$31,656,000	\$3,165,600
FFY 2023 BIL PFAS/EC	\$11,487,000	\$1,148,700
FFY 2022 BIL Lead Service Line	\$29,319,000	\$2,931,900

ADDITIONAL SUBSIDIZATION

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

AMERICAN IRON AND STEEL

DWSRF assistance recipients are required to use iron and steel products produced in the United States for projects for constructing, altering, maintaining, or repairing public water systems²⁸. Iowa DWSRF Program proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance. All recipients will be required to sign a self-certification of compliance at completion of the project.

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

BUILD AMERICAN, BUY AMERICA (BABA) ACT

On November 15, 2021, President Joseph R. Biden Jr. signed into law the Infrastructure Investment and Jobs Act ("IIJA"), Pub. L. No. 117-58, which includes the Build America, Buy America Act ("the Act") that strengthens the Made in America Laws.²⁹ Infrastructure projects funded by federal financial assistance must ensure that the *iron, steel, manufactured products, and construction materials* used in the project are produced in the United States.³⁰

Since not all funds available through the Iowa DWSRF Program are considered federal financial assistance, SRF will provide information to those applicants required to comply with necessary documentation and inspection procedures. Iowa proposes oversight of this requirement to be conducted by verification of bid documents, selective review of product certification documentation, and on-site inspections and/or desk reviews. SRF staff will provide technical assistance to help applicants determine eligibility for the exemptions and waivers provided for in the Act and EPA guidance³¹. All recipients will be required to sign a self-certification of compliance at completion of the project.

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

ENVIRONMENTAL REVIEW

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

DAVIS-BACON

The Davis Bacon Act requires that all contractors and subcontractors performing construction, alteration and repair (including painting and decorating) work under federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location.³² Iowa proposes oversight of this

²⁸ <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

²⁹ Build America, Buy America Act, P.L. 117-58, Secs 70911 - 70917

³⁰ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

³¹ <https://www.epa.gov/system/files/documents/2022-11/OW-BABA-Implementation-Procedures-Final-November-2022.pdf>

³² <https://www.epa.gov/grants/interim-davis-bacon-act-guidance>

requirement to be conducted by verification of bid documents and wage determinations, and will require applicants to submit a self-certification form at completion of the project indicating compliance with this requirement.

FEDERAL ASSURANCES

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

Binding Commitments. The State will enter into binding commitments with recipients to provide assistance in accordance with the requirements of the Safe Drinking Water Act (SDWA), in an amount equal to 120 percent of the amount of each grant payment, within one year after receipt of such grant payment. DWSRF binding commitments include set-aside funds.

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

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

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

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

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

Environmental Review. The State will assure compliance through the procedures described in State Rules and 40 CFR 35.3580, in effect at the time of execution of this agreement, and any future amendments which are reviewed and approved by EPA. A NEPA-like review will be conducted for any DWSRF project receiving assistance.

Types of Financial Assistance. The State certifies that only the types of assistance authorized under Section 1452 of the SDWA, as amended, and the State's enabling legislation, will be awarded.

PROCESS (APPLICATION/PAYMENT/DISBURSEMENT)

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

Grant Payments. After the award of a capitalization grant, the state will begin receiving quarterly grant payments according to the schedule in the grant award. The quarterly payments, up to the full amount of the grant, must be made in no more than 8 quarters following grant award or 12 quarters after funds are allotted.

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

Annual Report, Review and Audit. State will follow requirements in 40 CFR 35.3570.

Corrective Action. State will follow requirements addressed in 40 CFR 35.3585.

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

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

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

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

Appendix H - Public Review and Comments Received

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

Attachment 1 - DWSRF Project Priority List

This is a separate, sortable Excel File