

FY 2026 INTENDED USE PLAN

DRINKING WATER STATE REVOLVING FUND



State Revolving Fund

INVESTING IN IOWA'S WATER

Approved by the Environmental Protection Commission (EPC) on June 17, 2025. Second Quarter update approved on September 16, 2025. Third Quarter update approved on December 9, 2025. **Fourth Quarter update approval anticipated on March 17, 2026.**

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Introduction

Under the authority of Section 1452 of the Safe Drinking Water Act (SDWA), 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.

Iowa's DWSRF Program has provided more than **\$1 billion** in financial assistance for water infrastructure projects since 1998. With the State Fiscal Year (SFY) 2026 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

Since 2022, many exciting opportunities have developed to increase 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. Plans for implementing funding for the General Supplemental (GS), Lead Service Line (LSL), and PFAS/Emerging Contaminants (EC) funding awarded from the **Infrastructure Investment and Jobs Act (IIJA)**, *formerly referred to as Bipartisan Infrastructure Law (BIL)*, are included in this annual release of the IUP.

Highlighted below are some of the changes Iowa SRF is incorporating into SFY 2026 IUPs.

Loan Terms

- Loan initiation fees will not be assessed on loans to any DAC borrowers.

Disadvantaged Communities

- The **Socioeconomic Assessment (SA) Tool** used to define a **Disadvantaged Community (DAC)** has been updated with current American Community Survey and will be referred to as the SFY 2026 SA Tool.
- **DAC eligibility will be evaluated at the time of IUP application.** All projects added to the Project Priority List (PPL) during SFY 2026 will receive a DAC score based on the SFY 2026 SA Tool and this score will not change with future SA Tool updates. All projects listed on the approved PPL *prior to SFY 2026* will continue to use the DAC score in accordance with the SFY 2024 and SFY2025 SA Tools.

Loan Forgiveness (LF)

- Priority funding for Base Cap Grants and IIJA GS LF will be awarded compliance projects.
- LF for LSLR projects for DAC borrowers and DAC census tracts will now be based on the entire project amount, not just construction costs.
- PFAS/EC projects will now be based on the entire project amount, not just construction costs.
- LF maximum award amounts for IIJA PFAS/EC funds increased.

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 level approval, eligibility and compliance.
- IFA - Administers the financial aspects of the program including fund management, bond issuance for state match and leveraging, loan approval, disbursement, and servicing.

TYPES OF FINANCIAL ASSISTANCE

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

The Iowa DWSRF Program offers **Planning & Design (P&D) Loans** and **Construction Loans**. Low-interest financing is provided through direct loans.

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

Direct Loans for **P&D** are available to eligible public water supply systems to cover engineering and project development costs such as testing and scoping, preparing preliminary engineering report (PERs), and project specifications that are directly related to the development of an eligible SRF drinking water project.

Current interest rates and fees are established in the IUP in Appendix D- Interest Rates, Fees and Loans and are published on the Loan Interest Rates¹ page of the SRF website.

LF criteria is established in the IUP in Appendix B - Additional Subsidization. Recipients of LF are publicly announced through listservs, news releases and published in the annual report.

CO-FUNDING

The SRF strives to assist communities with the most affordable financing for their water quality projects. SRF funding can be combined with several other funding sources to make costly infrastructure projects possible. Joint funding with other funding agencies is crucial to making drinking water infrastructure projects affordable for some communities.

Other state and federal funding sources may have funding requirements in addition to those required under the SRF Program. When projects are co-funded, borrowers are made aware that projects may be subject to compliance with other federal funding requirements that are not necessarily required by or are different from the SRF Program. Examples include, but may not be limited to, the Single Audit Act or Build America, Buy America (BABA) Act.

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

A Memorandum of Understanding (MOU) between EPA and the Federal Emergency Management Agency (FEMA) provides a framework for 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 repair or replacement costs for public water and wastewater systems damaged by natural disasters or projects to prevent or mitigate future disasters. The SRF can be used to finance the amount not covered by FEMA after program requirements are met.

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

Planning & Design Projects:

- New applications for **P&D** will be accepted on a quarterly basis the first working day of the months of April, July, October and January.
- Applications are available on the SRF website² and are submitted to IFA's SRF Program Staff at waterquality@iowafinance.com.

¹ <https://opportunityiowa.gov/community/water-quality/srf-resources/loan-interest-rates>

² Planning & Design Loan Program page of <https://www.iowasrf.com/planning-and-design-loans/>

Construction Projects:

- New applications for **construction projects** will be accepted on a quarterly basis the first working day of the months of March, June, September and December.
- IUP applications are available on the SRF website³ and are submitted to srf-iup@dnr.iowa.gov.

Additional documents required for a construction project application include:

- Preliminary Engineering Report (or for IIJA LSLR projects, a Lead Service Line Replacement Plan)
- Environmental Review Checklist
- Viability Assessment
- Socioeconomic Assessment Tool Worksheet

Project applications eligible for SRF funding under the IIJA General Supplemental, IIJA PFAS/Emerging Contaminants (EC) Fund, and the IIJA Lead Service Line Replacement 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 IIJA Funds. The SRF Program will provide additional application materials and guidance for IIJA Funds directly to borrowers, as applicable, and application materials will be available on the SRF website⁴.

C. Intended Use Plans

The State of Iowa IUP for the DWSRF is prepared annually in accordance with the provisions of section 1452 of the SDWA, 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 2026, July 1, 2025 through June 30, 2026.

The IUP identifies the intended uses of funds available to the SRF including: the program's goals, information on the types of activities to be supported, program requirements, 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), sources and uses of funds, criteria and method for distribution of funds, the loan rates, terms, and fees for the fiscal year, and includes a ranked listing of projects to be funded.

The IUP and 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). The EPC is a panel of nine citizens who provide policy oversight over Iowa's environmental protection efforts. EPC members are appointed by the Governor and confirmed by vote of the Senate for four-year terms. 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 2026. Any revisions of the goals, policies and method of distribution of funds shall 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. Public notice of amendments will be made if borrowers are added to or removed from the PPL.

PROJECT PRIORITY LIST (PPL)

(See Attachment 1 – DWSRF PPL)

Administration of the DWSRF Program includes developing a priority list of projects to receive loan assistance, in accordance with DNR rules 567 IAC Chapter 44 (455B). Attachment 1 constitutes the DWSRF PPL and is included as a

³ Drinking Water Loan Program page <https://www.iowasrf.com/drinking-water-loan-program/>

⁴ IIJA page of <https://opportunityiowa.gov/community/water-quality/srf-resources/infrastructure-investment-and-jobs-act>

separate, sortable Excel file. This PPL will be amended quarterly during SFY 2026 and includes projects funded by both DWSRF Base and IJJA 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. P&D loan applications are not ranked but appear at the beginning of the list for each new quarter.

Pursuant to Section 1452 of the SDWA and 40 CFR Part 35, the PPL includes the following required items: name of the public water supply (PWS) 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, project status, DAC score or other information the program wishes to convey to the public.

The PPL (Attachment 1) includes the following project categories for funding during SFY 2026:

- **P&D 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 (PER) or a Lead Service Line Replacement (LSLR) Project Plan.
- **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.
- **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.
- **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 2026 if they are ready for a binding loan commitment.
- **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 “P - in planning,” “R - ready for loan” (indicating that the construction permit and environmental review have been completed), and “L - loan signed.” IJJA PFAS/EC and LSL projects may be identified as “C - contingency status” (indicating that the project has not yet met all eligibility criteria to receive a specific funding source-see Section E. - SFY 2026 Program Activities to be Supported).

PROJECT SCOPE

The scope of the project must be outlined in the IUP application and in the Preliminary Engineering Report.

Scope Changes. Changes to the scope are allowed prior to executing an SRF loan. Significant changes in scope prior to a loan execution may cause project delays if additional work is required by the project manager and/or ER specialist. 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 review or ER.

DROPPED PROJECTS/PROJECT WITHDRAWAL

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, borrowers with projects on the PPL for longer than 3 years will be required to evaluate their original IUP application to determine if the scope and cost of the project are still accurate and if they intend to proceed with the project. Borrowers will be asked to provide an updated project schedule, scope and cost, as necessary. A notification may be sent to the SRF borrower 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 borrower may reapply when the project is ready to move ahead.

PUBLIC REVIEW AND COMMENTS

(See Appendix I - Public Review and Comments Received)

The SRF Program accepts new IUP applications quarterly by the first business day in March, June, September, and December⁵. The DRAFT 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 Intended Use Plan webpage of the SRF Program's website⁶ and public comments are accepted for approximately 30 days following the posting at srf-pc@dnr.iowa.gov.

Public Hearings are typically scheduled on the final Thursday of the months of May, August, November and February to highlight changes from the previous quarter, when applicable, and to collect public comments. Information on how to participate in the public hearing is provided through listservs and on the SRF website⁷. A final draft version of the IUP, including all comments and SRF responses to the comments received, will be posted as part of the EPC Meeting and Agenda on the EPC webpage on the DNR's website⁸.

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 each quarterly update of the IUP.

All of the opportunities mentioned above are open to the public. Meetings and hearing information are posted on the Water Quality News and IUP pages⁹ of the SRF website and announced through agency-managed listservs. Public comments are accepted at srf-pc@dnr.iowa.gov.

D. SFY 2026 DWSRF Program Goals

SHORT TERM GOALS

Goal: Maximize Funding Opportunities. *Apply for all available Federal Fiscal Year (FFY) 2025 Base and IIJA Capitalization Grants.*

Goal: Maximize Loan Commitments. *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 that protect human health through the delivery of safe drinking water.*

Goal: Expand Subsidization Opportunities. *Assign/reallocate LF funds from new and previous capitalization grants to fulfill additional subsidization requirements and reduce the financial burden on borrowers.*

Goal: Improve Program Efficiency. *Streamline administrative processes, including adoption of new software that improves communication and reduces the time from initial application to funding.*

Goal: Enhance Public Awareness. *Update marketing materials, program resources and website to increase outreach and education efforts that will inform communities about available funding and program benefits.*

Goal: Increase Funding Accessibility. *Continue the partnership with Environmental Finance Center's (EFC) Technical Assistance (TA) resources to assist the Iowa SRF Program to make funding more accessible to small and disadvantaged communities.*

⁵ <https://opportunityiowa.gov/community/water-quality/srf-programs/drinking-water-loan-program>

⁶ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

⁷ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

⁸ <https://www.iowadnr.gov/About-DNR/Boards-Commissions/Environmental-Protection-EPC>

⁹ <https://www.iowasrf.com/intended-use-plan-public-hearings/> and <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

LONG TERM GOALS

Goal: Minimize Barriers to Funding. *Apply program requirements that are simple and understandable and do not add unnecessary burdens to borrowers or recipients.*

Goal: Expand Program Reach. *Increase the number of projects funded and expand the geographic reach of the program to benefit more communities. Endeavor to make the SRF Program the first choice for Iowa communities to finance a water infrastructure project.*

Goal: Enhance Collaboration. *Strengthen partnerships with federal, state, and local agencies to maximize the impact of the DWSRF.*

Goal: Maintain Financial Health of the Fund. *Ensure the long-term financial stability of the DWSRF through prudent financial management and strategic investments that will sustain the DWSRF Loan Program in perpetuity to assist PWS in achieving compliance with public health objectives of the SDWA.*

E. SFY 2026 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.¹⁰ Section G. - Set-Aside Uses provides further details on Iowa's intended use of set-aside funds during SFY 2026.

DWSRF BASE PROGRAM

Allotments for the FFY 2025 EPA DWSRF Capitalization Grants (Cap Grants) have not been determined as of the publication of this DRAFT IUP. The Iowa SRF Program will apply for and/or receive FFY 2025 CWSRF Base Program Funding during the SFY 2026 once the allotments and funding become available.

| FFY | Funding Source | Allocation Amount* |
|------|----------------------|--------------------|
| 2025 | DWSRF Base Cap Grant | \$16,397,000 |

*This award amount is anticipated to be received by SFY 2026 but has not been applied for/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.

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.¹¹ Eligibility guidelines are available in the DWSRF Eligibility Handbook.¹²

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in F. Financial Administration and Appendix H-SRF Assistance Recipient Federal Requirements.

¹⁰ <https://www.epa.gov/dwsrf/how-drinking-water-state-revolving-fund-works#DWSRF%20Set-Asides>

¹¹ <https://www.epa.gov/dwsrf/dwsrf-program-overview-epa-816-f-18-001>

¹² <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-eligibility-handbook>

DWSRF IJJA PROGRAMS

The IJJA, also known as the IIJA, provides DWSRF programs with three additional capitalization grants annually through FFY 2026. Allotments for the FFY 2024 EPA capitalization grants have been determined and the Iowa SRF Program will apply for and/or receive FFY 2024 and 2025 IJJA Funding during the SFY 2026.

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

DWSRF IJJA GENERAL SUPPLEMENTAL (GS) FUNDS

| FFY | Funding Source | Allocation Amount |
|------|---------------------------------------|-------------------|
| 2025 | DWSRF IJJA General Supplemental Grant | \$37,434,000 |

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

Special Conditions: Projects selected as equivalency will comply with the federal requirements described in F. Financial Administration and Appendix H-SRF Assistance Recipient Federal Requirements.

DWSRF PFAS/EMERGING CONTAMINANTS (EC) FUND

Iowa intends to apply for the full amount of these Cap Grant awards, however, award amounts will be limited to the total of the project applications received and listed on the PPL by the grant application deadline.

| FFY | Funding Source | Allocation Amount |
|------|--------------------|-------------------|
| 2024 | DWSRF IJJA PFAS/EC | \$11,487,000* |
| 2025 | DWSRF IJJA PFAS/EC | \$11,487,000* |

*This award amount is anticipated to be applied for and/or received during SFY 2026 but has not been received as of the publication of this DRAFT IUP.

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 DAC or PWSs 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 PFAS/EC in drinking water. Any contaminant on EPA's Contaminant Candidate Lists 1-6 are eligible, however, priority for funding will be given to projects addressing perfluoroalkyl and polyfluoroalkyl substances (PFAS) based on the April 2024 final PFAS National Primary Drinking Water Regulation.¹³

Special Conditions: Projects being funded with IJJA PFAS/EC are all considered equivalency projects and will comply with the federal requirements described in F. Financial Administration and Appendix H-SRF Assistance Recipient Federal Requirements.

The Iowa SRF Program requested, at the time of application in SFY 2024, that a portion of the FFY 2023 CWSRF IJJA PFAS/EC allocation, totaling \$1,078,000, be transferred to the DWSRF IJJA PFAS/EC fund. These transferred funds are expected to be received and available for DW PFAS/EC projects during SFY 2026.

¹³ EPA's webpage for the final regulation at <https://www.epa.gov/sdwa/and-polyfluoroalkyl-substances-pfas>

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) IIJA PFAS/EC Fund.

DWSRF IIJA LEAD SERVICE LINE REPLACEMENT (LSL) FUND

Iowa intends to apply for the full amount of these Cap Grant awards, however, award amounts will be limited to the total of the project applications received and listed on the PPL by the grant application deadline.

| FFY | Funding Source | Allocation Amount |
|------|----------------------------|-------------------|
| 2024 | DWSRF IIJA LSL Replacement | \$30,066,000* |
| 2025 | DWSRF IIJA LSL Replacement | \$TBD* |

*This award amount is anticipated to be applied for and/or received during SFY 2026 but has not been received as of the publication of this DRAFT IUP.

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. LSLs can be system-owned or customer-owned.

- LF eligibility for LSL projects will be determined by the disadvantaged status of the community where the water system is located.
 - DAC community: All of the addresses within the service area will be considered disadvantaged for LF eligibility.
 - Non-DAC communities: The program will evaluate the disadvantaged status of individual addresses for LF eligibility. Addresses must be located within a census tract that scores between 11-20 to be considered disadvantaged in order for those construction costs to be eligible for LF.

If there is only one census tract covering the service area, borrowers will use the Service Area-Based SA Tool. If there are multiple tracts within the community’s service area, borrowers will use the Census Tract-Based SA Tool to determine disadvantaged census tracts. 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 **only purpose** must be a LSL replacement project or associated activity directly connected to the identification, planning, design, and replacement of LSLs. LSL Replacement includes:

- A full lead service line replacement including the private portion (but not interior plumbing)
 - *Galvanized service lines that are “unknown” to ever be located downstream of LSL are not eligible for funding after FFY 2024*
- Standalone or connected lead goosenecks, pigtails and connectors
- Pot-holing activities to confirm material types (regardless of type discovered)
- Pitchers and filters following replacement (up to 6 months)
- Lead Service Line disposal

Application Requirements. In order to be listed on the PPL, application packets must include, at minimum:

1. Intended Use Plan Application
 - 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 (by census tract, if applicable); and
 - Budget estimate
2. Environmental Review Checklist
3. Viability Assessment
4. PER/Lead Service Line Replacement Plan

Projects may 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 IJA LSL funding. Although a 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 IJA Program Information page of the SRF website¹⁴ or the DNR’s DWSRF webpage.¹⁵ A final address list must be submitted in an Excel format and included with the LSLR Plan prior to approval.

After a DNR Water Supply Engineering project manager has reviewed and ensured the plan is complete, an approval letter will be issued based on the final address list. No additional addresses may be added to the project after LSLR Plan approval is issued.

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 ER 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. ER clearance will be based off the final address list submitted/approved with the LSLR Plan.

Funding Terms.

IJA LSL funding will be offered to borrowers as a combination of additional subsidization (LF) and loans. Special loan interest rates and terms may be offered for LSL projects (see Appendix D - Interest Rates, Fees and Loan Terms). Funds will be committed on a first ready, first-funded basis while funds are available.

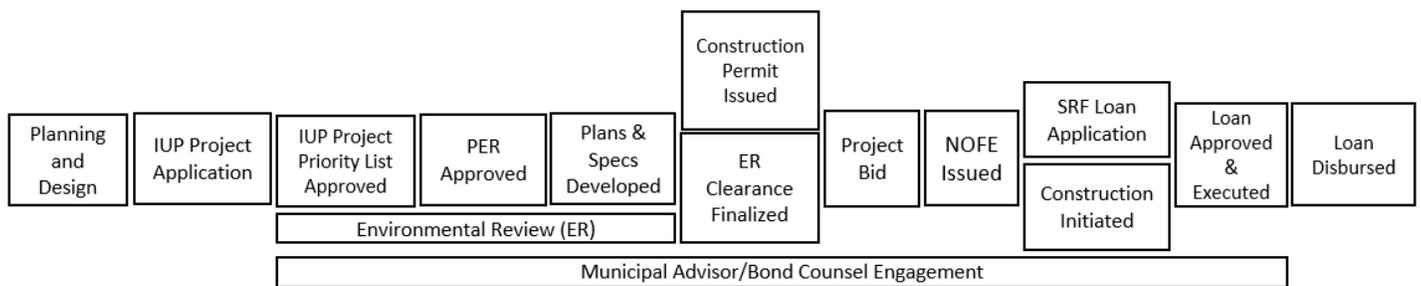
Special Conditions. Projects being funded with IJA LSL are all considered equivalency projects and will comply with the federal requirements described in F. Financial Administration and Appendix H-SRF Assistance Recipient Federal Requirements.

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

F. Iowa Specific SRF Program Requirements

PROJECT SEQUENCE

In order to ensure that all program requirements are met before binding financial commitments are made, the Iowa SRF Program requires all SRF projects to follow the project sequence below. Following this project sequence keeps projects progressing toward construction; limits duplication of work; reduces risk of re-bidding projects; reduces risk of re-issuing construction permits or environmental clearances; and minimizes the risk of project cost not being eligible for reimbursement from an SRF loan.



¹⁴ LSL Replacement Plan Requirements <https://opportunityiowa.gov/community/water-quality/srf-resources/infrastructure-investment-and-jobs-act>

¹⁵ <https://www.iowadnr.gov/Environmental-Protection/Water-Quality/Water-Supply-Engineering/State-Revolving-Loan-Fund>

ASSISTANCE RECIPIENT REQUIREMENTS

For more information on SRF Program federal requirements, see Appendix H – SRF Assistance Recipient Federal Requirements.

The Iowa SRF Program has developed specific requirements that apply to all Iowa SRF borrowers in order to ensure compliance with EPA program requirements and minimize risk to the program.

VIALBILITY ASSESSMENT

The Iowa SRF Program requires all borrowers to demonstrate Technical, Managerial and Financial (TMF) Capacity prior to executing an SRF loan. The SRF Program has chosen to use the DNR's Viability Self-Assessment Manual as a tool to demonstrate a system's T & M capacity. Financial capacity is determined through the use of a Municipal Advisor. A Viability Assessment is a required attachment to the IUP application.

MUNICIPAL ADVISOR

The Iowa SRF Program requires all borrowers to engage a U.S. Securities and Exchange Commission (SEC) registered Municipal Advisor (MA) for any SRF construction loan. To maintain the integrity of the financing process and avoid conflicts of interest, the same firm or individual may not serve as both Municipal Advisor and Bond Counsel for the same transaction. Borrowers must retain separate entities for each role.

Role and Responsibilities

The MA is responsible for performing a pre-loan pro-forma cash flow analysis to determine if projected revenues are sufficient to meet the loan's debt service coverage requirements. If revenues are found to be insufficient, the MA will recommend the necessary user rate adjustments.

Furthermore, borrowers are required to submit an updated pro forma analysis to the SRF program every five years during the loan repayment period to demonstrate ongoing compliance with debt coverage ratios.

Municipal Advisor Fees

Fees charged by a Municipal Advisor are eligible for reimbursement with SRF loan funds.

Please note, the \$4,000 MA fee credit previously offered by the program to help offset this cost was discontinued and is not available for loans executed after July 1, 2025. Borrowers remain responsible for engaging an MA as required.

BOND COUNSEL

The SRF Program provides loans through the purchase of local bond debt. As such, SRF borrowers must engage with their bond counsel to authorize and issue the debt, prepare documents for public hearings, and to prepare loan closing documents.

PROCUREMENT PROCEDURES

All SRF borrowers must follow Iowa procurement law, *Ch.26 – Public Construction Bidding*, when bidding SRF construction projects. If an SRF borrower is utilizing the Construction Manager at Risk (CMaR) delivery model, *Ch.26A – Guaranteed Maximum Price Contracts* must also be adhered to.

For borrowers utilizing the CMaR method, this process is also required when soliciting for a Construction Manager prior to construction.

Front-End Documents

All SRF borrowers must include SRF Front-End Documents as part of their bid package prior to soliciting bids. Some of these documents will be required for borrowers and/or primary contractors to sign when purchases of goods and services are done directly by the borrower and/or outside of a public bid package. SRF staff will inform each project

which of the SRF Front-End Documents are required for each undertaking. These documents are also available on the Documents and Guides page of the SRF website¹⁶.

Legal Opinion of Compliance

To demonstrate compliance, borrowers will be required to submit a legal bid opinion to SRF. Borrowers are encouraged to seek a preliminary opinion review or “Form of Bid Opinion” by legal counsel prior to beginning their procurement processes. After construction contracts are executed and delivered, a “Legal Opinion of Compliance” must be signed by legal counsel certifying compliance with Ch.26 or Ch. 26A, as applicable. Example templates of these documents can be found on the Documents and Guides page of the SRF website¹⁷.

Early Procurement

Occasionally, SRF borrowers find it necessary to procure construction-related equipment and services outside of and/or prior to a public request for bids. These activities are typically eligible for reimbursement under an SRF construction loan if SRF Front-End Documents are properly executed. Borrowers will need to contact SRF for guidance on proper documentation.

Some of these procurement activities may still require the compliance with Ch. 26 -Public Construction Bidding. Borrowers are encouraged to consult with their bond counsel prior to engaging in these activities to ensure that proper procedures are followed and/or bond documents are drawn up accurately to include these expenses.

Construction Manager at Risk (CMaR)

The CMaR construction delivery model allows for a construction manager to be hired early in the planning phase to assist with the planning and design of a project. The CMaR also offers borrowers more transparency in the bidding process and results in a Guaranteed Maximum Price (GMP) for constructing a project.

Although the CMaR delivery model is compatible with the Iowa SRF Program, there are limitations to its traditional use of “design-build” construction. Iowa SRF projects are more compatible with the “design-bid-build” construction model because all required permits must be issued and the entire scope of the project must have an environmental clearance issued prior to beginning construction.

Borrowers choosing to use the CMaR method must **contact SRF early in the planning phase of the project, prior to soliciting for qualifications for a CMaR**, and must follow Ch.26A procurement procedures. Legal opinions, Front-End Documents and Notice of Funding Eligibility are all required for selection of the Construction Manager.

NOTICE OF FUNDING ELIGIBILITY (NOFE)

The SRF Program reviews public bid documents, including schedule of values, and/or all procurement documents or purchase agreements for cost eligibility for the SRF Program. Following review of these documents, the SRF Program will issue a NOFE indicating the amount of construction costs eligible for an SRF construction loan. A NOFE also indicates a borrower’s next steps and required documents needed before submitting a construction loan application.

SELF CERTIFICATIONS

The SRF Program utilizes a self-certification form for demonstrating compliance with select federal program requirements. Although some additional program oversight may also occur, self-certifications are collected for American Iron and Steel compliance, Build America, Buy American (BABA) compliance, Disadvantaged Business Enterprise (DBE) usage, and Davis-Bacon Act compliance.

¹⁶ <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

¹⁷ <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

RECORDS RETENTION¹⁸

The SRF Program requires retention of SRF project records for a period of a minimum of three years from the date of the final disbursement of the last loan closed for a project. The “Final Disbursement Date” can be found on the loan's Final Amortization Schedule provided to a borrower by IFA. If there is more than one loan issued for an SRF project, the date of retention is determined by the last loan closed. Records to be retained include but are not limited to, permits, financial records, supporting documentation and compliance documentation for Davis-Bacon, American Iron and Steel, Environmental Review, procurement, all applicable cross-cutters as outlined in Appendix H, and when the following circumstances apply to an SRF funded project (in whole or in part):

Litigation: The records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken if any litigation, claim, or audit is started before the expiration of the three-year period.

Property and Equipment: The records for property and equipment acquired with the support of SRF funds must be retained for three years after final disposition.

Force Account Labor: The records for indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as composite fringe benefit rates) must be retained for three-years. The retention period for its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

G. Financial Administration

RATES, FEES AND LOAN TERMS & CONDITIONS

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

PROJECT READINESS FOR LOAN APPLICATION

Prior to a loan application being considered ready to go before the IFA Board for approval, borrowers must receive a Notice of Funding Eligibility from SRF.

SRF Notice of Funding Eligibility (NOFE)

NOFE Letters will be issued **only after** the following program requirements are complete:

- Construction Permit(s) issued by DNR Project Manager for all project phases to be funded by the SRF loan
- Environmental Clearance issued by SRF ER staff
- Project Bid and Bid Documents (including signed SRF Front-End Documents) submitted to DNR

NOFE Letters will include “next steps” which, at minimum, include the collection of the following documents:

- Legal Opinion of Compliance – *An opinion by legal counsel certifying compliance with Chapter 26 and/or 26A*
- Executed contract(s)
- Notice to Proceed

A Construction Loan Application **will not be considered “complete” until SRF issues a NOFE Letter and the borrower submits an opinion of legal counsel to DNR certifying compliance with Iowa public bidding law.**

Prior to Approving a Construction Loan:

A complete SRF Construction application includes a proforma and proof of rate ordinance adoption. When the complete SRF construction loan application is accepted, the loan will be considered for IFA Board approval. Once the board approves the loan, the 90-day interest rate lock will be in effect.

- For revenue-backed loans, submit a pro-forma cash flow analysis prepared by a registered Municipal Advisor identifying all outstanding parity obligations and detailing the revenues, expenses, outstanding debt, and debt

¹⁸ The records retention requirements for borrowers follows the SRF Program’s records retention and methods requirements found in 2 CFR [§ 200.334](#) and [§ 200.336](#), respectively.

coverage ratios for the system. At a minimum, the pro-forma should show financial information based on actuals for the past two years, the current year, and projections for the next two years.

- If user rates must be increased to meet the loan's debt coverage requirements, provide documentation that action has been taken to implement the recommendation of the Municipal Advisor (adopted rate ordinance, public hearing notice, etc.).

DISADVANTAGED COMMUNITIES

(See Appendix A - Disadvantaged Communities (DAC))

The SDWA defines DAC as the entire service area of a PWS that meets affordability criteria established by the State after public review and comment.

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 LF eligibility. The SA Tool is updated with new census data each year and will become effective, with the IUP, on the first day the state fiscal year. Borrowers will use the SA Tool in effect for the state fiscal year of their project application to determine DAC score. **DAC determinations are made at the time of IUP application. Once a DAC score is assigned to a project, it will not change for that project.**

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.** At the end of each fiscal year, unassigned or reallocated LF may remain available in subsequent years in accordance with its original criteria, or may be combined with the funds made available in accordance with the new Cap Grant criteria.

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 with loan amounts totaling the amount of each Cap Grant received, to comply with all federal funding requirements applicable to that Cap Grant.

Projects assigned as equivalency for SRF capitalization grants will have to comply with the following federal requirements:

- Disadvantaged Business Enterprise
- Single Audit Act
- Federal Funding Accountability and Transparency Act (FFATA) reporting
- EPA signage requirements
- BABA (FFY 2022 and all future capitalization grants)¹⁹
- Federal environmental crosscutters (such as Endangered Species Act and National Historic Preservation Act)
- Federal Socioeconomic crosscutters (such as Debarment & Suspension Executive Order and Prohibition on Certain Telecom and Video Surveillance Services/Equipment)

See Appendix G - Federal Assurances, Certifications and Proposals for program compliance requirements and Appendix H – SRF Assistance Recipient Federal 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. The evaluation is project-specific. Many factors are considered but, at minimum, the following factors are evaluated when making project selections for equivalency:

- Project type

¹⁹ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>

- Project cost
- Project timeline
- Timing of loan execution
- Structure of loan(s)
- Federal co-funding (specifically, do other co-funding sources already require the same compliance?)
- Population of borrower
- Disadvantaged status of borrower
- Single audits (are they typically performed for the borrower?)

The SRF Program will coordinate with borrowers during project planning to identify and assign projects for equivalency. Because it is unknown which projects listed on the PPL will execute loan agreements in a fiscal year, the final equivalency loans selected for each year will not be listed in the IUP but will be identified in the annual report.

During SFY 2026, SRF intends to select projects for equivalency that are for property acquisition-only, connection fee-only, or regionalization buy-in fee-only.

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 FFY2025 DWSRF Base Capitalization Grant, FFY2025 IJJA General Supplemental Fund, the FFY2022 and FFY 2023 IJJA LSL Fund and FFY 2022 and FFY 2023 IJJA PFAS/EC during the program year.

Allocation of Funds Among Projects. All projects listed in the DWSRF PPL (Attachment 1) may be funded from the DWSRF subject to available funds.

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 reimburse the project costs as incurred.

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

1. The amount of financial assistance needed for each application was estimated.
2. The sources and allowable uses of all DWSRF funds were identified.
3. The DWSRF funds were allocated among the projects, consistent with the amount available and the financial assistance needed.

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 (Attachment 1).

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 2026 and will report assignments of these funds in the annual report.

FUNDING SOURCES AND USES

(See Appendix E – Estimated Sources and Use)

During SFY 2026, the Iowa SRF Program will apply for and/or receive the following capitalization grants and amounts:

| FFY | Funding Source | Allocation Amount |
|------------|---|--------------------------|
| 2021 | DWSRF Base Cap Grant Re-allotment | \$24,000 |
| 2022 | DWSRF IIIA PFAS/EC 2 nd Re-allotment | \$25,000 |
| 2023 | DWSRF IIIA PFAS/EC Re-allotment | \$322,000 |
| 2023 | DWSRF IIIA LSL Re-allotment | \$1,940,000 |
| 2023 | DWSRF IIIA GS Grant Transfer from CWSRF | \$1,078,000 |
| 2024 | DWSRF IIIA PFAS/EC | \$11,487,000* |
| 2024 | DWSRF IIIA LSL Replacement | \$30,066,000* |
| 2025 | DWSRF Base Cap Grant | \$16,397,000 |
| 2025 | DWSRF IIIA GS Grant | \$37,434,000 |

*This amount is subject to the total of the project applications received by the application deadline

During SFY 2026, the Iowa SRF Program will apply for (but may not receive these funds in SFY 2026) the following capitalization grants and amounts:

| FFY | Funding Source | Allocation Amount |
|------------|----------------------------|--------------------------|
| 2025 | DWSRF IIIA PFAS/EC | \$11,487,000* |
| 2025 | DWSRF IIIA LSL Replacement | \$TBD* |

*This amount is subject to the total of the project applications received by the application deadline

Appendix E – Estimated Sources and Use illustrates potential sources and uses of funds in the DWSRF for SFY 2026. As shown, all pending loan requests and program administration needs can be funded. To account for the fact that projects draw their funding at different intervals, Iowa SRF frequently analyzes program cash flows to ensure adequate funding is available. Appendix E - Sources and Uses will be updated, as appropriate, 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 new SDWA regulations and other future drinking water needs. If Iowa SRF continues to receive Cap Grants, and provides at least 26% of the Base Cap Grant and 49% of the IIIA Supplemental Cap Grant as LF, it is estimated that the DWSRF could loan an average of approximately \$200 million per year over the next 10 years, or a total of \$2.0 billion. These figures would increase with an increase in interest rates.

STATE MATCH

(See Appendix F - State Match)

The Iowa SRF Program issues bonds for state match.

BONDS

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

SWIFIA

The Iowa SRF program was invited to apply for a loan through EPA's Water Infrastructure Finance and Innovation Act (WIFIA). 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 Clean 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 strong and sustained demand for loans and it utilizes Federal Cap Grant funds as quickly as possible. After SRF bonds are issued, state match funds are spent first, before drawing Cap Grant funds. The Cap Grant funds are drawn at a 100% proportionality ratio. Loan disbursements requests are processed weekly.

Throughout the first 10 months of SFY 2025 (through April 2025), the DWSRF program disbursed an average of approximately \$10.5 million per month. Since the program's inception, Iowa's DWSRF has provided more than \$3.00 of assistance for every \$1.00 of federal investment due to the revolving nature of the program, demonstrating SRF's efficiency and effectiveness in delivering water infrastructure funding to important projects.

OTHER PROGRAM USES

ADMINISTRATIVE ACCOUNTS

DWSRF administration expenses include the work of drinking water engineering section project managers, SRF Environmental Review Specialists, SRF Project Compliance Specialist, program coordinators, program admin, program managers, financial officers and loan coordinators. It also covers expenses for financial and legal advisors. These program expenses will first be paid out of administrative set-aside and Program Income; and then Non-Program Income will be used once Program Income has been fully expended.

There are three distinct funding sources for DWSRF administrative expenses: Cap Grant administrative set-aside, loan initiation fees, and loan servicing fees.

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. Iowa will use all 4% of Admin. Planned expenses are discussed in Section F. Set-Aside Uses.

Program Income. A 0.50% **loan initiation fee** is charged on new DWSRF construction loans which is included in the loan principal. Iowa uses the initiation fee receipts for administration of the DWSRF Program. Program Income is earned throughout the fiscal year by funds received from loan initiation fees as described in Appendix D – Interest Rates, Fees, and Loan Terms.

Loan initiation fees will not be assessed on loans to any DAC borrowers.

Non-Program Income. An **annual servicing fee** of 0.25% is charged on the outstanding principal of DWSRF construction loans (see Appendix D – Interest Rates, Fees, and Loan Terms).

Iowa uses servicing fees collected throughout the fiscal year while the Cap Grant is open for administration of the DWSRF Program, and those fees are considered Program Income. Servicing fee receipts collected after the Cap Grant is closed are considered Non-Program Income and those fees are used for other purposes under SDWA Section 1452 or reserved for future administrative expenses.

A portion of the Non-Program Income funds may be used in SFY 2026 to fund some of the activities completed under the State Program Management set-aside. A portion of these funds may also be used in SFY 2026 toward Drinking Water Laboratory Certification and Capacity Development initiatives. Planned expenses are further discussed in Appendix G. Set-Aside Uses.

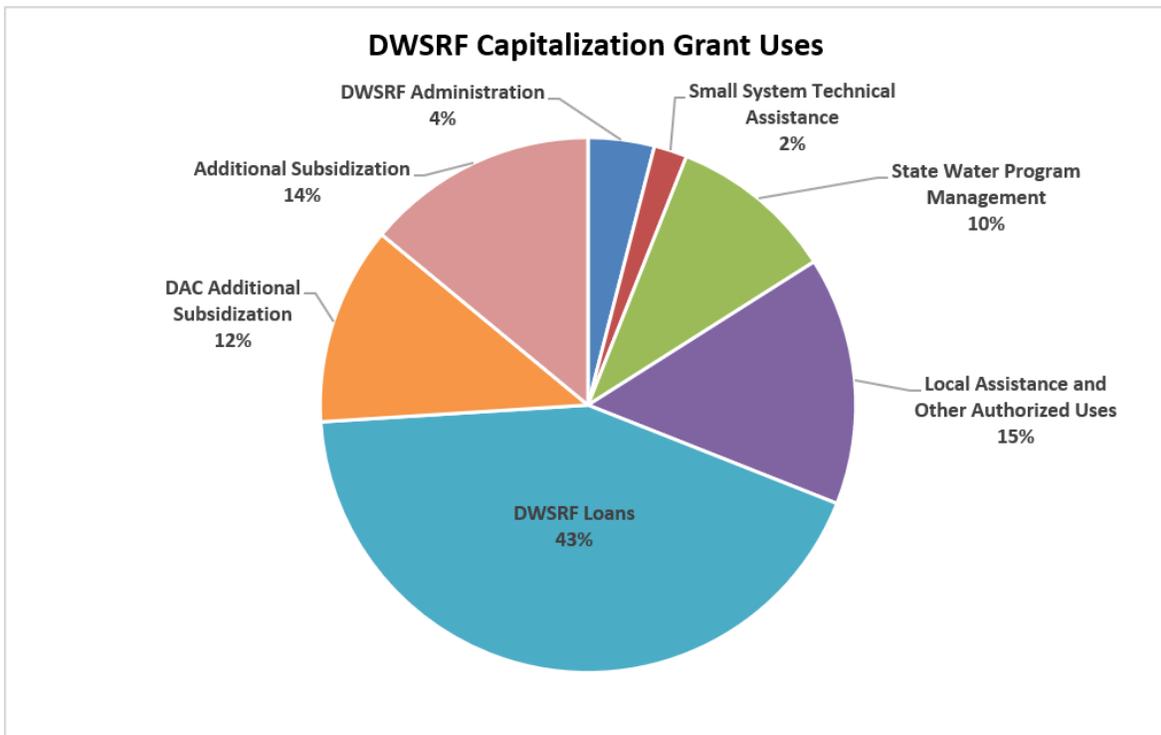
SENIOR ENVIRONMENTAL EMPLOYEE (SEE) SALARY FUNDS DEDUCTED FROM CAPITALIZATION GRANT

The DWSRF Program may withhold funding from FFY 2025 DWSRF Base Cap Grant application for the SEE Program and seek to fill positions under this program during SFY 2026. 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.”

H. 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 2025 workplan and will transition to the SFY 2026 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 taken up to their maximum allowable percentage or 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 IJA General Supplemental Cap Grant and reserve authorized amounts from each of the DWSRF Base Program, IJA PFAS/EC Funds and IJA 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, IJA GS, IJA LSL and PFAS/EC Funds including:

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

In order to keep **ER services available for all borrowers, the SRF Program may establish funding limitations per project for archaeological and/or architectural contracted services necessary to complete a project's ER. If funding limitations are implemented, the borrower will be responsible for all related costs in excess of the funding limit.*

Small System Technical Assistance Set-Aside (2%). Iowa intends to use this set-aside to provide technical assistance to 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 2026 Set-Aside Workplan to support initiatives specific to 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 IAC
- Field Office water supply staff conducting sanitary survey inspections at PWSs, as required by the SDWA.
- Create new electronic certification exams and PFAS Monitoring
- Audit laboratories to ensure compliance with permitting requirements
- Conduct surface water training

Additional tasks may be added to the SFY 2026 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)
- System-specific capacity development assistance by contractor, including promotion of asset management planning

Additional tasks may be added to the SFY 2026 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)

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 conditions 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 affordability criteria established in this IUP after public review and comment will be the criteria used to determine DAC status.²⁰ The amount of additional subsidization available to a DAC will be established annually in the IUP (see Appendix B – Additional Subsidization).

SA TOOL

The metrics (affordability criteria) used in the SA Tool was established using EPA guidance and revised with public input. The SA Tool continues to be part of the annual IUP public review and comment process. The SA Tool data is updated annually with new census data and the SFY 2026 SA Tool will go into effect upon approval of this IUP by the EPC.

For SFY 2026, borrowers with a 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.

DAC eligibility will be evaluated at the time of IUP application. All projects added to the Project Priority List (PPL) during SFY 2026 will receive a DAC score based on the SFY 2026 SA Tool and this score will not change with future SA Tool updates. All projects listed on the approved PPL prior to SFY 2026 will continue to use the DAC score in accordance with the SFY 2024 and SFY2025 SA Tools.

There are two versions of the SA Tool:

- **Service Area-Based** - Metrics results are for an entire community or service area
 - Standard by Place: Applicable to municipalities which serve populations within **incorporated** boundaries.
 - Standard for Large Service Areas: Applicable to municipalities which serve populations within more than 5 incorporated boundaries.
 - Standard for Rural Service Areas: Applicable to Sanitary Districts, Rural Water Associations and/or municipalities which serve populations in **unincorporated** boundaries.
- **Census Tract-Based** - Metrics results are for Census tracts or primary county
 - By Tract: Applicable to Homeowner Associations (HOA) and SRF borrowers for IJJA Lead Service Line projects. This tool will also 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 throughout the SRF website²¹.

The SA Tool assesses 10 datapoints from publicly available sources produced by the Census Bureau of the U.S. Department of Commerce. The SA Tool **is updated annually** with the release of new data from these sources. In SFY 2026, the SA Tool will use 2019-2023 (5-year) data from the American Community Survey. Figure 1 below provides a list of the metrics used in the SA Tool.

²⁰ 40 CFR 35.3505 Definitions and IAC 265 Chapter 26.7 - DAC Status

²¹ Documents and Guides page <https://www.iowasrf.com/documents-and-guides/>

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, borrowers will be given a score indicating the relative disadvantage to the other communities in the state (see Figure 1 and Figure 2)²². A weighted average for each metric will be calculated and assigned points. Scores for each metric are totaled to produce an overall assessment of the borrower’s underlying social, economic, and demographic profile.

Example: A borrower 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 | 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* | Non-negative population growth | Declining growth up to -7.5% | Declining growth of more than 7.5% |
| 8 Percent with Highschool Diploma or Less | Bottom 1/3 (Lowest %) | Middle 1/3 | Top 1/3 (Highest %) |
| 9 Percent of Vacant Homes (excluding 2 nd /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- and renter-occupied housing) | Bottom 1/3 (Lowest %) | Middle 1/3 | Top 1/3 (Highest %) |
| Relative Disadvantage: | Low | Moderate | High |

Figure 1

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

Figure 2

NOTE: In prior years, population growth for both the service area-based and Census tract-based SA Tool was measured at the County level. The service area-based SA Tool now uses Census Place data to measure population growth. Projects that use the tract-based version of the SA tool will continue to use County level data for population growth.

USING THE SA SCORE TO DETERMINE DAC STATUS

The following information applies to DWSRF Base and IIJA 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

²² The only exception is Population Trend. For the service area-based SA-Tool, no points are given for positive or 0% growth, 1 point for negative growth up to -7.5%, 2 points for more than -7.5% population growth.

relative to the other communities in the state. Conversely, borrowers 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.

- All projects added to the PPL during SFY 2026 will receive a DAC score based on the SFY 2026 SA Tool and this score will not change with future SFY SA Tool updates. **All projects listed on the approved PPL prior to SFY 2026 will continue to use the DAC score assigned in accordance with the SFY 2025 or 2024 SA Tool, as applicable.**

Borrowers 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 |

NOTE: Because DAC scores are determined at the time of IUP application, it is possible for a borrower with multiple projects listed on the approved PPL to have different DAC scores for each project, if the project IUP applications were submitted to SRF in different state fiscal years.

Appendix B - Additional Subsidization

The DWSRF Program will comply with the additional subsidization requirements of each Cap Grant and will identify recipients of available funds during the fiscal year. Criteria for additional subsidization eligibility is established with each Cap Grant (see below).

Iowa applies additional subsidization in the form of loan principal forgiveness (LF). LF is applied as principal forgiveness on the later of (1) the date of the final loan disbursement; or (2) the date of the loan’s reissuance (if determined as necessary by the borrower’s bond counsel).

The final amount disbursed on a loan is used to identify final LF amounts. In some cases, the actual amount of LF applied to a loan is less than the amount that SRF committed to a project, leaving a remaining balance of LF to be awarded to another project.

PREVIOUS LOAN FORGIVENESS OPPORTUNITIES

Unused portions of LF awards from previous LF opportunities may be reallocated to the next eligible borrower in accordance with its original criteria, or may be combined with other available Cap Grant LF funds and awarded in accordance with the LF criteria in effect for the current funding year.

LF awards were be made in SFY 2025 using all available LF funding to qualifying projects. As of the publication of this draft IUP, final committed amounts and remaining LF balances are pending loans executed in May and June, 2025 and pending acceptance of LF terms and conditions.

At the conclusion of SFY 2025, LF balances from these capitalization grants remain available to award in SFY 2026:

| FFY | LF Funding Source |
|------|-------------------|
| 2023 | DWSRF IIJA LSL |

During SFY 2026, SRF will be receiving additional re-allocation/transfer funding from these previously awarded capitalization grants, providing additional loan forgiveness opportunities:

| FFY | Funding Source | Allocation Amount |
|------|---|-------------------|
| 2021 | DWSRF Base Cap Grant Re-allotment | \$24,000 |
| 2022 | DWSRF IIJA PFAS/EC 2 nd Re-allotment | \$25,000 |
| 2023 | DWSRF IIJA PFAS/EC Re-allotment | \$322,000 |
| 2023 | DWSRF IIJA LSL Re-allotment | \$1,940,000 |
| 2023 | DWSRF IIJA GS Grant Transfer from CWSRF | \$1,078,000 |

SFY 2026 LF CRITERIA

The following criteria will apply to all LF funding available to award during SFY 2026:

GENERAL RESTRICTIONS AND/OR LIMITATIONS

- LF eligibility will be evaluated based on the current SA Tool in effect at the time the project is added to the PPL.
- 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.
- Except for lead service line projects or as otherwise allowed by the program, taxable portions of SRF projects are not eligible for LF.

- Borrowers 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 EPA congressionally directed spending will not be eligible to receive subsequent LF from the Iowa SRF program for the same project.
- Borrowers receiving additional subsidization awards from a previous Cap Grant will not be eligible to receive subsequent LF from the Iowa SRF program for the same project.
- LF awards may consist of more than one funding source.

DWSRF BASE CAPITALIZATION GRANT AND IIJA GENERAL SUPPLEMENTAL FUND

| FFY Fund | Award Amount | LF Required |
|---|---------------|--------------|
| 2025 DWSRF Base Cap Grant | \$16,397,000* | \$4,263,220* |
| 2025 DWSRF IIJA General Supplemental Fund (IIJA Year 4) | \$37,434,000* | \$18,342,660 |

*This award amount is anticipated to be received during SFY 2026.

MAXIMUM AWARD AMOUNTS

LF awards will be issued as a not to exceed maximum award amount. Maximum amounts are based on a borrower’s DAC score, in accordance with the SA Tool in effect at the time of IUP application (all borrowers listed on the approved PPL prior to SFY 2026 were assigned a DAC score in accordance with the SFY 2024 and SFY 2025 SA Tools).

LF awards from this funding source are applied only to the total eligible construction costs of the project.

Maximum award amounts based on DAC scores are identified below in Figure 3 - LF Award Scale:

| DAC Score | Maximum LF Award Amount |
|-----------|-------------------------|
| 20 | \$ 1,400,000 |
| 19 | \$ 1,300,000 |
| 18 | \$ 1,200,000 |
| 17 | \$ 1,100,000 |
| 16 | \$ 1,000,000 |
| 15 | \$ 900,000 |
| 14 | \$ 800,000 |
| 13 | \$ 700,000 |
| 12 | \$ 600,000 |
| 11 | \$ 500,000 |

Figure 3 - LF Award Scale

ELIGIBILITY CRITERIA

1. Compliance projects that result in the resolution of public health violations or return a system to compliance upon completion. Projects include correction of one of the following:

- A. Non-compliance with Safe Drinking Water Act (SDWA)
- B. Maximum Contaminant Level (MCL) or Health Advisory Level (HA) Violation
- C. Identified Significant Deficiency (determined by DNR)
- D. Requirements of a Bilateral Compliance Agreement (BCA)

2. New projects added to the PPL during SFY 2026 that meet the DAC criteria.

METHOD OF AWARD

Projects that meet compliance requirements listed above under eligibility criteria will be committed LF upon approval of the PPL. LF will be committed to all other projects added to the PPL during SFY 2026, based on highest to lowest ranking order, in accordance with the SFY 2026 LF method described below. ***It is the intent of the SRF Program to issue LF award letters to these recipients at the end of the 2nd and 4th quarters of the state fiscal year.***

After compliance projects have been committed LF, all other LF will be committed in two rounds until all funding is obligated/awarded:

Round 1: Projects added to the PPL in SFY 26 quarters 1 and 2 (July 1-December 31).

Round 2: Projects added to the PPL in SFY 26 quarters 3 and 4 (January 1-June 30).

Each group will be ranked and LF assigned according to the following ranking criteria:

1. First, all projects (DAC scores 11-20) will be ranked **by DAC score** (highest to lowest).
2. Next, projects will be ranked **by project priority points** (highest to lowest).
3. If necessary, the date of loan execution will be used as a tiebreaker to determine final priority ranking.

The DWSRF Program reserves the right to modify the DAC level maximum LF award amounts and/or to withdraw the limitation to construction costs.

DWSRF IIJA PFAS/EC FUND

| FFY IIJA Fund | LF Required | LF Committed | LF Available to Award |
|----------------------------------|---------------|--------------|-----------------------|
| 2024 DWSRF PFAS/EC (IIJA Year 3) | \$11,487,000* | \$0 | \$11,487,000 |

MAXIMUM AWARD AMOUNTS

The DWSRF Program reserves the right to withdraw or modify the individual project cap.

LF will be applied to eligible project costs within the SRF portion of the project.

- LF for new water source projects is capped at **\$3 million per project or 80% of the SRF loan, whichever is less.**
- LF for individual treatment projects is capped at **\$8 million per project or 80% of the SRF loan, whichever is less.**
- LF for consolidation projects is capped at **\$8 million per project or 90% of the SRF loan, whichever is less.**

ELIGIBILITY CRITERIA

LF may be issued to any borrower addressing PFAS or an EC meeting the criteria described in the IUP E. SFY 2026 Program Activities to be Supported.

1. Treatment or New Water Source Projects. LF of up to 80% may be offered for eligible project costs for projects that meet the contaminant and detection level priorities as listed below.

| Emerging Contaminant | Concentration (ppt) ¹ | Loan Forgiveness % | |
|--|----------------------------------|--|--|
| | | Finished Water for PWS with Treatment ₃ | Raw Water for PWS without Treatment ₃ |
| PFAS | PFOA ≥ 4.0 | 80% | 60% |
| | PFOS ≥ 4.0 | 80% | 60% |
| | PFHxS ≥ 10 | 80% | 60% |
| | PFNA ≥ 10 | 80% | 60% |
| | HFPO-DA (Gen X) ≥ 10 | 80% | 60% |
| | Hazard Index ² > 1 | 80% | 60% |
| Health Advisories (HA) on EPA's Contaminant Candidate Lists 1-6 (Non PFAS) | ≥ HA level | 80% | 60% |
| | ≥ 75% of HA level | 40% | N/A |

¹In parts per trillion, except for the Hazard Index⁷

²Hazard Index calculation is based on the April 2024 final rule for the National Primary Drinking Water Regulation for PFAS.

³Treatment addresses the emerging contaminant through a removal process. Blending of raw water sources is not considered treatment.

2. Consolidation Projects. LF of 90% may be offered for eligible consolidation/connection projects with the purpose of resolving a source water issue due to an eligible contaminant with a detection level listed above.

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 LF even if there is no violation or compliance issue for system A. 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 LF.

METHOD OF AWARD

LF will be awarded on a first ready, first-funded basis while funds are available. ***It is the intent of the SRF Program to issue LF award letters to these recipients at the end of the 2nd and 4th quarters of the state fiscal year.***

DWSRF IIJA LSL REPLACEMENT FUND

| FFY IIJA Fund | LF Required | LF Committed | LF Available to Award |
|-----------------------------------|--------------|--------------|-----------------------|
| 2024 DWSRF IIJA LSL (IIJA Year 3) | \$14,732,340 | \$0 | \$14,732,340* |

*This award amount is anticipated to be received during SFY 2026 and is subject to the total of the project applications received by the application deadline.

MAXIMUM AWARD AMOUNTS

The DWSRF Program reserves the right to withdraw or modify the individual project cap.

Funding for individual projects is **capped at 49% per project.**

ELIGIBILITY CRITERIA

LF may be issued to any borrower for lead service line inventory or replacement meeting the criteria described in the IUP E. SFY 2026 Program Activities to be Supported.

Regardless of ownership:

(1) LF of 49% may be offered to DAC borrowers for all eligible **project costs** necessary to replace full lead service lines **anywhere** within their service area.

(2) LF of 49% may be offered to non-DAC borrowers for all eligible **project** costs necessary to replace full 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 E. SFY 2026 Program Activities to be Supported.

For non-DAC borrowers, costs related to LSL replacements completed in census tract areas that do not meet the DAC criteria and non-construction costs (such as legal and engineering fees) 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).

METHOD OF AWARD

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

LF is committed to an LSL project upon approval of the PPL. LF will not be **awarded** or offer letters sent to the borrower until DNR engineering staff have approved the borrower's LSLR Plan and an environmental review is finalized (project readiness is described in the IUP in section E. SFY 2026 Program Activities to be Supported).

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 SDWA. 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.

PPL 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. The ranking will be done at the time the IUP is prepared and will not be updated during the year.

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 EPA regulations or guidance to be eligible for DWSRF funding);
3. The entity with the smallest served population shall receive the next highest priority.

IJIA PFAS/EC and LSL Replacement projects on the PPL may be given a **contingency** status until all fundable criteria described in section E. SFY 2026 Program Activities to be Supported of this IUP have been met.

PPL SCORING CRITERIA

Eligible PWS projects will be scored for inclusion in the PPL based on the application as submitted, 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 15 points)
- D. Special Category Improvements (maximum of 15 points)
- E. DNR Adjustment Factor for Population (10 points)

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 OF FINANCING

SRF P&D LOANS

SRF Planning & Design (P&D) Loans are available to eligible entities to reimburse costs incurred during the preliminary phase of an SRF-eligible proposed drinking water project. Eligible costs include, but are not limited to, engineering fees, archaeological surveys, environmental studies, and other expenses associated with the preparation and submission of the project plan.

A key feature of P&D Loans is the deferral of all interest and principal payments for up to three years while the project is being designed. These loans have no minimum or maximum funding limits and are not assessed initiation or servicing fees. While there are no program fees, applicants are required to engage a 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 secured.

SRF CONSTRUCTION LOANS

SRF Construction Loans provide low-cost, long-term financing for a wide range of drinking water infrastructure projects. Key features include below-market interest rates, low fees, and flexible repayment terms of up to 30 years.

To secure the loan, borrowers must provide a first-lien pledge. Acceptable forms of security include:

- A pledge of the utility system's net revenues.
- A pledge of ad valorem taxes levied against all taxable property (a General Obligation pledge).
- A combination of both revenue and General Obligation pledges.

Additionally, the SRF Program may, on a case-by-case basis, require a borrower to establish and maintain Debt Service Reserve Fund (DSRF). This requirement is typically considered for loans with unique credit profiles or financial structures that warrant additional security to ensure repayment. If required, the SRF must be funded in an amount equal to the lesser of the following:

- 10% of the par amount of the loan;
- 100% of the Maximum Annual Debt Service (MADS); or
- 125% of the Average Annual Debt Service.

The DSRF may be funded using SRF loan proceeds.

TERMS OF FINANCING

STANDARD TERM LOANS (UP TO 20 YEARS)

Standard Term SRF Construction Loans are offered with a standard repayment term of up to 20 years.

EXTENDED TERM LOANS (21-30 YEARS)

Extended term loans, with a repayment period of up to 30 years, are available for qualifying projects. The maximum term may not exceed the project's average useful life. To be considered for extended term financing, a completed and signed *DWSRF Extended Financing Worksheet* must be submitted with the construction loan application. This worksheet requires signatures from both the applicant's consulting design engineer and the Iowa DNR project manager. The interest rate for these projects will be:

| Loan Term* | Interest Rate |
|-------------|----------------------------|
| 21-30 years | Base Interest Rate + 1.00% |

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

The *DWSRF Extended Term Financing Worksheet* can be found on the Documents and Guides page of the SRF website.²³

INTEREST RATES

The Iowa SRF Program is committed to providing a perpetual, low-cost funding source for communities to build infrastructure that provides safe drinking water and treats water pollution to support a healthy environment. To ensure the program's long-term sustainability, the interest rate methodology is reviewed regularly. This process considers factors such as the availability of federal and state funds, market conditions, and the program's overall financial health. The goal is to set rates that are affordable for borrowers while allowing the SRF to operate as a permanent financial resource for Iowa communities.

SETTING THE BASE RATE

The SRF Program establishes Base Interest Rates for both tax-exempt and taxable loans on a quarterly basis. These rates are calculated and published on the first business day of January, April, July, and October (the "Effective Date").

The rates are based on a percentage of the Bloomberg BVAL Municipal Yield Curves ("BVAL"). BVAL was chosen as the benchmark index because it is widely used, objective, and transparently reflects real-time municipal market conditions. The index is publicly available from the Municipal Securities Rulemaking Board (MSRB) for independent tracking. The Base Interest Rate is calculated using the average BVAL 20-year AAA yield for the calendar month immediately preceding the Effective Date. The current methodology is:

- **Tax-Exempt Loans:** The rate is 75% of the average Bloomberg BVAL General Obligation Municipal AAA 20-year yield.
- **Taxable Loans:** The rate is 75% of the average Bloomberg BVAL Taxable General Obligation Municipal AAA 20-year yield.

For example, a rate effective July 1 is calculated using the average BVAL yield during the month of June.

Current SRF loan interest rates are published on the SRF website²⁴.

SPECIAL PURPOSE FUND LOANS

Lead Service Line (LSL) Projects

Projects for the replacement of lead service lines qualify for a promotional interest rate, subject to the following terms:

- **Interest Rate:** A 0% interest rate is available for eligible LSL-related projects²⁵.
- **Applicable Fees:** Standard loan servicing fees apply to the full loan amount (please see the Fees section below for more information).

INTEREST RATE LOCK

To provide applicants with greater certainty during the final stages of the loan process, an interest rate lock is applied once an applicant, in coordination with its financing team, has completed all program prerequisites. These include, but are not limited to:

- Submission of a complete SRF Construction Loan Application;
- Issuance of Notice of Funding Eligibility (NOFE) letters by the Iowa DNR for all contracts funded by the loan;

About BVAL

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

²³ <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

²⁴ <https://opportunityiowa.gov/community/water-quality/srf-resources/loan-interest-rates>

²⁵ IMPORTANT NOTE: 0% financing is limited to an aggregate amount equal to the amount of the IJIA LSL Cap Grant(s) available for loans (e.g., net of set-asides).

- Receipt of a legal opinion confirming compliance with bidding procedures;
- Completion of all steps necessary to authorize the issuance of the debt; and
- Completion of a pro-forma financial analysis meeting the program's criteria.

Once these prerequisites are met and the application is deemed complete, Program staff will place the loan on an upcoming Iowa Finance Authority (IFA) Board meeting agenda. At that point, the following rate lock terms immediately apply²⁶.

Rate Lock Terms

- **Commencement and Duration:** A loan's interest rate is locked for a 90-day period on the date that Program staff formally submit the loan for the Board's agenda.
- **Protection from Rate Increases:** The locked rate protects the applicant from any potential interest rate increases that may occur during the 90-day period.
- **Benefit from Rate Decreases:** If the Program's published interest rates decrease during the lock period before the final loan agreement is signed, the applicant will automatically receive the new, more favorable rate.
- **Expiration:** Should the loan not be closed before the 90-day lock period expires, the interest rate will be reset to the Program's currently published rate at the time of closing.

FEES

Fee income is considered both Program Income and Non-Program Income, depending on when it is collected and if it is capitalized as part of the SRF loan. Program Income may only be used for purposes of administering the SRF Program or for making new loans. Non-Program Income can be used to administer the program or for other water quality purposes. The uses of Program Income and Non-Program Income are discussed in this IUP under Section F. Financial Administration-Other Program Uses and Section G. Set-Aside Uses.

LOAN INITIATION FEES

A one-time Loan Initiation Fee is assessed on new SRF Construction Loans, typically paid from loan proceeds at closing.

- **Rate:** 0.50% of the full loan commitment amount.
- **Maximum Fee:** The total initiation fee will not exceed \$100,000 per loan.
- **Fee Waiver for Disadvantaged Communities (DAC):** The 0.50% Loan Initiation Fee is waived for any borrower that meets the program's criteria as a Disadvantaged Community (DAC). A borrower's DAC designation is determined based on criteria applied to the community as a whole. Therefore, borrowers identified as DAC are eligible for the fee waiver even if only portions of their service area (e.g., specific Census Tracts) meet the DAC threshold.

For non-DAC communities, the standard initiation fee applies to all projects. This policy extends to Lead Service Line (LSL) replacement projects, where waiver eligibility is based on the borrower's overall DAC status, not the DAC status of an individual project location.

When capitalized, this fee income is considered Program Income.

LOAN SERVICING FEES

An annual Loan Servicing Fee is charged on the outstanding balance of SRF Construction Loans for the duration of the loan term.

²⁶ <https://opportunityiowa.gov/community/water-quality/srf-resources/loan-interest-rates>

- **Rate:** 0.25% of the outstanding principal balance each year.
- **Payment:** The fee is paid semi-annually along with scheduled principal and interest payments.

Pursuant to established regulatory guidance, loan servicing fees may be classified as either Program Income or Non-Program Income.

Appendix E – Estimated Sources and Uses

DWSRF - SFY 2026

Rounded to the nearest \$1,000 as of April 30, 2025

SOURCES OF FUNDS

| | |
|--|----------------------|
| Federal Capitalization Grants: | |
| FFY 2021 Grant(s): | |
| Base Program (reallotment) | \$24,000 |
| Total FFY 2021 Capitalization Grants Available | \$24,000 |
| FFY 2022 Grant(s): | |
| IIJA Emerging Contaminants (undrawn amount) | \$11,128,000 |
| IIJA Emerging Contaminants (2nd reallotment) | \$25,000 |
| IIJA Lead Service Line Replacement (undrawn amount) | \$48,747,000 |
| Total FFY 2022 Capitalization Grants Available | \$59,900,000 |
| FFY 2023 Grant(s): | |
| IIJA Emerging Contaminants (undrawn amount) | \$11,487,000 |
| IIJA Emerging Contaminants (transfer from CW) | \$1,078,000 |
| IIJA Emerging Contaminants (reallotment) | \$322,000 |
| IIJA Lead Service Line Replacement (undrawn amount) | \$29,319,000 |
| IIJA Lead Service Line Replacement (reallotment) | \$1,940,000 |
| Total FFY 2023 Capitalization Grants Available | \$44,146,000 |
| FFY 2024 Grant(s): | |
| IIJA Supplemental (undrawn amount, net of set-aside balance) | \$5,836,000 |
| IIJA Emerging Contaminants (application forthcoming) | \$11,487,000 |
| IIJA Lead Service Line Replacement (application forthcoming) | \$30,066,000 |
| Total FFY 2024 Capitalization Grants Available | \$47,389,000 |
| FFY 2025 Grant(s): | |
| Base Program (application forthcoming, less anticipated set-asides) | \$16,044,000 |
| IIJA Supplemental (application forthcoming, less anticipated set-asides) | \$25,829,000 |
| Total FFY 2025 Capitalization Grants Available | \$41,873,000 |
| Estimated Loan Repayments (P&I) | \$57,522,000 |
| Estimated Fee Income | \$2,752,000 |
| Funds Available in Equity and Program Accounts | \$226,640,000 |
| Estimated Investment Earnings on Funds | \$7,378,000 |
| Estimated Bond Proceeds: | |
| Leveraged/Reimbursement | \$35,000,000 |
| New State Match | \$12,000,000 |
| TOTAL SOURCES | \$534,600,000 |

ANTICIPATED USES OF FUNDS

| | |
|---|----------------------|
| Administration | \$6,700,000 |
| Project Funding: | |
| Disbursements to Existing Loan Commitments ¹ | \$38,895,000 |
| Disbursements to Future Loan Commitments: | |
| Planning & Design Loan Requests from IUP ² | \$18,568,000 |
| Additional DWSRF Project Requests ³ | \$107,537,000 |
| Debt Service: | |
| Principal Payments on Outstanding Revenue Bonds | \$22,195,000 |
| Interest Payments on Outstanding Revenue Bonds | \$17,901,000 |
| Retained Equity ⁴ | \$322,804,000 |
| TOTAL USES | \$534,600,000 |

NET AVAILABLE FUNDS

\$0

Notes:

1. Assumes 60% disbursement rate.
2. Assumes 50% disbursement rate.
3. Additional projects from IUP (up to the budgeted disbursement total for SFY 2026).
4. Includes accumulated undrawn cap grants, investment interest, and loan repayments available for future project funding and/or debt service.

Appendix F - State Match

Drinking Water SRF

Federal Fiscal Year 2023

Sources of State Match

| | | |
|--|--|--------------------|
| Surplus State Match from Prior Year(s) | | \$5,272,900 |
| Total DW State Match Available | | \$5,272,900 |

Application of State Match

| | <u>Cap Grant (\$)</u> | <u>Match Required (%)</u> | <u>Match Required (\$)</u> |
|--------------------------------------|-----------------------|---------------------------|----------------------------|
| FFY 2023 Base Cap Grant | \$7,424,000 | 20% | \$1,484,800 |
| FFY 2023 IIJA Supplemental Cap Grant | \$31,656,000 | 10% | \$3,165,600 |
| Total DW State Match Required | | | \$4,650,400 |

| | |
|---|------------------|
| DW State Match Surplus (Deficit) | \$622,500 |
|---|------------------|

Federal Fiscal Year 2024

Sources of State Match

| | |
|--|--------------------|
| Surplus State Match from Prior Year(s) | \$622,500 |
| State Match Bonds Issued in June 2024 | \$8,000,000 |
| Total DW State Match Available | \$8,622,500 |

Application of State Match

| | <u>Cap Grant (\$)</u> | <u>Match Required (%)</u> | <u>Match Required (\$)</u> |
|---|-----------------------|---------------------------|----------------------------|
| FFY 2024 Base Cap Grant (includes reallocation) | \$7,031,000 | 20% | \$1,406,200 |
| FFY 2024 IIJA Supplemental Cap Grant | \$34,558,000 | 20% | \$6,911,600 |
| Total DW State Match Required | | | \$8,317,800 |

| | |
|---|------------------|
| DW State Match Surplus (Deficit) | \$304,700 |
|---|------------------|

Federal Fiscal Year 2025

Sources of State Match

| | |
|---|---------------------|
| Surplus State Match from Prior Year(s) | \$304,700 |
| State Match Bonds to be Issued in July 2025 | \$12,000,000 |
| Total DW State Match Available | \$12,304,700 |

Application of State Match

| | <u>Cap Grant (\$)</u> | <u>Match Required (%)</u> | <u>Match Required (\$)</u> |
|--------------------------------------|-----------------------|---------------------------|----------------------------|
| FFY 2025 Base Cap Grant (estimated) | \$16,712,000 | 20% | \$3,342,400 |
| FFY 2025 IIJA Supplemental Cap Grant | \$37,434,000 | 20% | \$7,486,800 |
| Total DW State Match Required | | | \$10,829,200 |

| | |
|---|--------------------|
| DW State Match Surplus (Deficit) | \$1,475,500 |
|---|--------------------|

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 SRF program issues periodic announcements of all executed DWSRF loans. Each SRF funded project is also required to provide public notice of their SRF Project as part of the ER process.

VIABILITY ASSESSMENT

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

GREEN PROJECT RESERVE (GPR)

Congressional Appropriations require 10% of DWSRF Cap Grant amounts be used to fund projects that qualify under the EPA's GPR, if such applications are submitted. GPR projects address green infrastructure, water and energy efficiency, and/or other environmentally innovative activities. The specific projects identified as GPR will be listed in the annual report.

ADDITIONAL SUBSIDIZATION

DWSRF Base Program funding, provided through the Consolidated Appropriations Act, includes two different additional subsidization authorities (Congressional and SDWA DAC). Additional subsidy authority also exists under the IIJA. 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 systems²⁷. Iowa DWSRF Program conducts oversight of this requirement 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 borrowers 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 website²⁸

BUILD AMERICAN, BUY AMERICA (BABA) ACT

On November 15, 2021, President Joseph R. Biden Jr. signed into law the IIJA, Pub. L. No. 117-58, which includes the BABA that strengthens the Made in America Laws.²⁹ Infrastructure projects funded by federal financial assistance must

²⁷ <https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement>

²⁸ <https://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

²⁹ [Build America, Buy America Act, https://www.epa.gov/baba](https://www.epa.gov/baba)

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 borrowers required to comply with necessary documentation and inspection procedures. Iowa conducts oversight of this requirement 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 borrowers determine eligibility for the exemptions and waivers provided for in BABA 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 website³².

ENVIRONMENTAL REVIEW

Projects receiving assistance from the DWSRF must conduct ERs of the potential environmental impacts of projects and associated activities. To reduce costs and barriers to participating in the SRF loan program, Iowa SRF ER staff will conduct NEPA-like ER services on behalf of DWSRF borrowers in accordance with the federal assurances below and in accordance with the EPA-approved Iowa DWSRF State Environmental Review Process (SERP), to the extent practicable.

Projects receiving assistance from the CWSRF as equivalency projects will also undergo a review for compliance with the National Historic Preservation Act (NHPA) and certain environmental authority crosscutters. SRF staff will facilitate consultation with State Historic Preservation Office (SHPO) and other consulting agencies, as necessary, on behalf of SRF borrowers (see Appendix H-SRF Assistance Recipient Federal Requirements).

In order to keep these services available for all borrowers, the SRF Program may establish funding limitations per project for archaeological and/or architectural contracted services necessary to complete a project's ER. If funding limitations are implemented, the borrower will be responsible for all related costs in excess of the funding limit.

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.³³ Iowa's oversight of this requirement is conducted by verification of bid documents and wage determinations, and will require borrowers 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 SDWA, in an amount equal to 120 percent of the amount of each grant payment, within one year after receipt of such grant payment.

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

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

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://opportunityiowa.gov/community/water-quality/srf-resources/documents-and-guides>

³³ <https://www.epa.gov/grants/davis-bacon-and-related-acts-dbra>

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.

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

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. Projects identified as equivalency projects will also undergo a review for compliance with the National Historic Preservation Act (NHPA) and applicable environmental authority crosscutters (see Appendix H-SRF Assistance Recipient Federal Requirements).

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 200.334. Federal access to records will be according to 2 CFR 200.336. The State will establish and maintain program and project files as required to:

1. Document compliance with 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 the State and coordinated with EPA as necessary. The State will address project-level and most program inquiries and provide EPA a

copy of all Congressional inquiries and responses. 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 the inquiry and response in a timely manner.

Appendix H – SRF Assistance Recipient Federal Requirements

PROGRAM SPECIFIC REQUIREMENTS—ALL SRF PROJECTS

The following federal program requirements are specifically identified in the CWA, SDWA, SRF Program regulations, and/or EPA policy and they apply to all SRF borrowers. These requirements are beyond basic borrower eligibility and basic project/activity requirements.

| Requirement | Authorizing Statute | How IA SRF borrowers comply |
|---|--|---|
| American Iron and Steel | 33 U.S.C. 1388 and 42 U.S.C. 300j-12(a)(4) | SRF Front-End Document #9; SRF Staff perform on-site inspection and desk review of certification letters; and AIS Self-Certification form signed at completion of project. |
| Davis-Bacon Wages | 33 U.S.C. 1382(b)(6) and 42 U.S.C. 300j12(a)(5) | SRF Front-End Document #7b; Self-Certification. |
| Environmental Review | 40 CFR 35.3140; 40 CFR 35.3580 | Iowa SRF Environmental Review staff perform a NEPA-like investigation and/or consult with federal authorities on behalf of the SRF borrower to gain the necessary technical assistance and/or concurrence to issue a Categorical Exclusion (CX) or Finding of No Significant Impact (FNSI) clearance. These activities are completed prior to construction. |
| Generally Accepted Accounting Principles | 33 U.S.C. 1382(b)(9) and 42 U.S.C. 300j-12(g)(3) | Loan documents. |
| Technical, Managerial, and Financial Capacity Demonstration, (DWSRF Only) | 42 U.S.C. 300j-12(a)(3) | Viability Assessment and Municipal Advisor. |

ADDITIONAL PROGRAM SPECIFIC REQUIREMENTS—EQUIVALENCY PROJECTS ONLY

| Requirement | Authorizing Statute | How IA SRF borrowers comply |
|--------------|---|--|
| Single Audit | 2 CFR part 200, Subpart F | Submit Single Audit; Corrective Actions. |
| Signage | EPA Guidance for Enhancing Public Awareness of SRF Assistance Agreements (2015) | SRF Program issues a media release quarterly listing all SRF executed loans. Projects issue public notification of project through social media, customer mailings, or other public notification methods. |

REQUIRED CROSS-CUTTERS—ALL SRF PROJECTS

Federal cross-cutter authorities are requirements established by other federal laws and Executive Orders that apply to federal financial assistance programs. These requirements are not cited in the SRF Programs' authorizing statutes or regulations but apply broadly by their own terms in federal statutes, regulations, or executive orders to a wide range of federal financial assistance programs, including SRF.

| Authority | Crosscutter | How IA SRF borrowers comply |
|---------------------------|---|---|
| Social Policy Authorities | <p>Civil Rights Laws</p> <ul style="list-style-type: none"> - The Age Discrimination Act of 1975, 42 U.S.C. 6102 et seq. - Section 13 of the Federal Water Pollution Control Act Amendments of 1972, (CWSRF only) 33 U.S.C. 1251 et seq. <p>Civil Rights Laws October 2003.pdf October 2003</p> <ul style="list-style-type: none"> - Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794 - Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq. | SRF Front-End Documents #1&7, signature on final page of IUP application, and loan documents. |

ADDITIONAL REQUIRED CROSS-CUTTERS—EQUIVALENCY PROJECTS ONLY*

| Authority | Crosscutter | How IA borrowers comply |
|---------------------------|--|--|
| Social Policy Authorities | Participation by Disadvantaged Business Enterprises in United States Environmental Protection Agency Programs | <p>SRF Front-End Documents #3-6, as applicable.</p> <p><i>*This requirement is applied to <u>all</u> Iowa SRF projects</i></p> |
| Environmental Authorities | <p>Archaeological and Historic Preservation Act, 16 U.S.C. 469 et seq.</p> <p>Clean Air Act Conformity, 42 U.S.C. 7401 et seq</p> <p>Coastal Barriers Resources Act, 16 U.S.C. 3501 et seq</p> <p>Coastal Zone Management Act, 16 U.S.C. 1451 et seq.</p> <p>Endangered Species Act, 16 U.S.C. 1531 et seq.</p> <p>Farmland Protection Policy Act, 7 U.S.C. 4201 et seq.</p> <p>Floodplain Management Executive Order No. 11988 (1977), as amended by Executive Order No. 12148 (1979)</p> <p>Magnuson-Stevens Fishery Conservation Management Act, 16 U.S.C. 1801 et seq.</p> <p>National Historic Preservation Act, 54 U.S.C. 300101 et seq.</p> <p>Sole Source Aquifer, Section 1424(e) of Safe Drinking Water Act, 42 U.S.C. 300h-3e</p> <p>Wetlands Protection - Executive Order No. 11990 (1997), as amended by Executive Order No. 12608 (1997)</p> | <p>Iowa SRF Environmental Review staff perform a NEPA-like investigation and/or consult with federal authorities on behalf of the SRF borrower to gain the necessary concurrence or clearances for these crosscutter requirements. These activities are completed prior to construction.</p> <p><i>*Investigation and/or consultation for these environmental authorities may be conducted for non-equivalency Iowa SRF projects, however, the consultation is for the technical assistance rather than concurrence or clearance purposes.</i></p> |

| | | |
|--|---|--|
| | Wild and Scenic Rivers Act, 16 U.S.C. 1271 et seq. | |
| Economic and Miscellaneous Authorities | Administration of the Clean Air Act and the Federal Water Pollution Control Act with respect to Federal contracts, grants, or loans, Executive Order No. 11738 (1973) -Section 306 of the Clean Air Act, 42 U.S.C. 7606 et seq. -Section 508 of the Clean Water Act, 33 U.S.C. 1368 et seq. | SRF Environmental Review staff perform investigation and/or consult with federal authorities on behalf of the SRF borrower to gain the necessary concurrence or clearances for this crosscutter requirement. |
| | Build America, Buy America Act, Pub. L. 117-58, Sections 70901-70927 | SRF Front-End Document #9; SRF Staff perform on-site inspection and desk review of certification letters; and BABA Self-Certification form signed at completion of project. |
| | Prohibition on Certain Telecom and Video Surveillance Services/Equipment, 2 CFR 200.216 | SRF Front-End Document #10. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i> |
| | Suspension and Debarment, Executive Order 12549 (1986), 2 CFR Part 180, 2 CFR Part 1532 | SRF Front-End Documents #2; SRF staff verifying SAMS.gov for all selected bidders/procurement contracts. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i> |
| | Uniform Relocation and Real Property Acquisition Policies Act, 42 U.S.C 4601 et seq., 40 CFR Part 4, 49 CFR Part 24 | Signature on Section 6 of IUP Application. <i>*This requirement is applied to <u>all</u> Iowa SRF projects</i> |
| | Federal Funding Accountability and Transparency Act (FFATA), Public Law 109-282 | SRF Program staff file a FFATA report through SAM.gov following a SRF loan execution, as applicable, for projects selected as equivalency. |

Appendix I – Public Review and Comments Received

A public meeting to allow input to Iowa’s SFY 2026 IUP and PPL was held May 29, 2025, 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. Public notice announcements were also posted on the Water Quality News³⁴ and the IUP Intended Use Plan³⁵ pages of the SRF website. Written comments may be submitted to srf-pc@dnr.iowa.gov and will be accepted through June 5, 2025.

Comments Received:

Question: In relation to PFAS/Emerging Contaminants Loan Forgiveness: “I did see that the draft language includes an increase in the potential loan forgiveness amount from the \$2M max to the \$3M max amount. It seemed like the City had a strong case to be made for the maximum loan forgiveness based on our past conversations. Do you believe the City may be granted the \$3M maximum?”

Response: *This question identified an error in the loan forgiveness maximum amounts published in the original draft version of the IUP. The original version did not have the maximum amount of LF correct for treatment projects. Corrections to the eligible amounts were addressed on page 27. Additionally, the project description and requested amounts for the City of Schaller FS-81-23-082 was updated on Attachment 1-DWSRF PPL.*

Comment: EPA Region 7 provided technical review comments on the DRAFT IUP and identified areas that needed clarification or correction.

Response: *SRF added additional clarification language and/or corrected information in Appendix H, Attachment 1 – Project Priority List and the Equivalency section of pages 15 and 16.*

Comment: IFA requested clarification on a discrepancy between loan forgiveness eligibilities listed in the program highlights and Appendix B.

Response: *SRF provided further clarification and/or corrected errors in statements on pages 3, 28 and 29.*

During the public comment period, SRF received the FFY 2025 Cap Grant allocations so those amounts were updated throughout the document.

Second Quarter Update:

A public meeting to allow input to Iowa’s SFY 2026 IUP and PPL was held on August 28, 2025, 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. Public notice announcements were also posted on the Water Quality News³⁶ and the IUP Intended Use Plan³⁷ pages of the SRF website. Written comments were accepted at srf-pc@dnr.iowa.gov through September 4, 2025.

Comments Received:

There were no written or public comments received.

Third Quarter Update:

A public meeting to allow input to Iowa’s SFY 2026 IUP and PPL was held on December 4, 2025, 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. Public notice announcements were also posted on the Water Quality News³⁸ and the IUP

³⁴ <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

³⁵ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

³⁶ <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

³⁷ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

³⁸ <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

Intended Use Plan³⁹ pages of the SRF website. Written comments were accepted at srf-pc@dnr.iowa.gov through December 4, 2025.

Comments Received:

There were no written or public comments received.

Fourth Quarter Update:

A public meeting to allow input to Iowa's SFY 2026 IUP and PPL was held on February 26, 2026, 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. Public notice announcements were also posted on the Water Quality News⁴⁰ and the IUP Intended Use Plan⁴¹ pages of the SRF website. Written comments were accepted at srf-pc@dnr.iowa.gov through March 5, 2026.

Comments Received:

³⁹ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

⁴⁰ <https://opportunityiowa.gov/community/water-quality/srf-resources/water-quality-news>

⁴¹ <https://opportunityiowa.gov/community/water-quality/srf-resources/intended-use-plan>

Appendix J – IUP Acronyms

| Acronym | Description |
|---------|--|
| A/E | Architectural and Engineering |
| AIS | American Iron and Steel |
| ARRA | American Recovery and Reinvestment Act of 2009 |
| AWIA | America's Water Infrastructure Act of 2018 |
| AWOP | Area Wide Optimization Program |
| BABA | Build America, Buy America |
| BIL | Bipartisan Infrastructure Law |
| BVAL | Bloomberg Value - General Obligation Municipal AAA 20-year yield |
| CFR | Code of Federal Regulation |
| CMaR | Construction Manager at Risk |
| CSO | Combined Sewer Operations |
| CWA | Clean Water Act |
| CWSRF | Clean Water State Revolving Fund |
| DAC | Disadvantaged Community |
| DNR | Iowa Department of Natural Resources |
| DW | Drinking Water |
| DWSRF | Drinking Water State Revolving Fund |
| EC | Emerging Contaminants |
| EFC | Environmental Finance Center |
| EPA | U.S. Environmental Protection Agency |
| EPC | Environmental Protection Commission |
| ER | Environmental Review |
| FEMA | Federal Emergency Management Agency |
| FFATA | Federal Funding Accountability and Transparency Act |
| FFY | Federal Fiscal Year |
| FP | Facility Plan |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |

| | |
|-------|---|
| GMP | Guaranteed Maximum Price |
| GNS | General Nonpoint Source |
| GPR | Green Project Reserve |
| GS | General Supplemental |
| HOA | Homeowner's Association |
| IAC | Iowa Administrative Code |
| IDALS | Iowa Department of Agriculture and Land Stewardship |
| IFA | Iowa Finance Authority |
| IIJA | Infrastructure Investment and Jobs Act |
| IUP | Intended Use Plan |
| LF | Loan Forgiveness |
| LSL | Lead Service Line |
| LWPP | Local Water Protection Program |
| LWQP | Livestock Water Quality Program |
| MOU | Memorandum of Understanding |
| NEPA | National Environmental Protection Act |
| NHPA | National Historic Preservation Act |
| NIMS | National Information Management System |
| NOFE | Notice of Funding Eligibility |
| NPDES | National Pollutant Discharge Elimination System |
| NPS | Nonpoint Source |
| OMB | Office of Management and Budget |
| OSWAP | Onsite Wastewater Assistance Program |
| OWSRF | Office of Water State Revolving Fund |
| P&D | Planning & Design |
| PER | Preliminary Engineering Report |
| PFAS | Perfluoroalkyl and polyfluoroalkyl Substances |
| POPs | Persistent Organic Pollutants |
| POTW | Publicly Owned Treatment Works |
| PPCPs | Pharmaceuticals and Personal Care Products |
| PPL | Project Priority List |

| | |
|--------|--|
| PWS | Public Water Supply |
| PWSS | Public Water Supply Supervision |
| SA | Socioeconomic Assessment (Tool) |
| SDWA | Safe Drinking Water Act |
| SDWIS | Safe Drinking Water Information System |
| SEE | Senior Environmental Employee |
| SFY | State Fiscal Year |
| SWIFIA | State Infrastructure Financing Authority Water Infrastructure Finance and Innovation Act of 2014 |
| SWP | Stormwater Best Management Practices Program |
| TA | Technical Assistance |
| WRRDA | Water Resources Reform and Development Act of 2014 |

Attachment 1 - DWSRF PPL

This is a separate, sortable Excel File