

## Connecticut General Statutes Title 22A. Environmental Protection § 22a-475. Clean Water Fund: Definitions

As used in this section and [sections 22a-476](#) to [22a-483](#) , inclusive, the following terms shall have the following meanings unless the context clearly indicates a different meaning or intent:

(1) “Bond anticipation note” means a note issued by a municipality in anticipation of the receipt of the proceeds of a project loan obligation or a grant account loan obligation.

(2) “Clean Water Fund” means the fund created under [section 22a-477](#) .

(3) “Combined sewer projects” means any project undertaken to mitigate pollution due to combined sewer and storm drain systems, including, but not limited to, components of regional water pollution control facilities undertaken to prevent the overflow of untreated wastes due to collection system inflow, provided the state share of the cost of such components is less than the state share of the estimated cost of eliminating such inflow by means of physical separation at the sources of such inflow.

(4) “Commissioner” means the Commissioner of Energy and Environmental Protection.

(5) “Department” means the Department of Energy and Environmental Protection.

(6) “Disadvantaged communities” means the service area of a public water system that meets affordability criteria established by the Office of Policy and Management in accordance with applicable federal regulations.

(7) “Drinking water federal revolving loan account” means the drinking water federal revolving loan account of the Clean Water Fund created under [section 22a-477](#) .

(8) “Drinking water state account” means the drinking water state account of the Clean Water Fund created under [section 22a-477](#) .

(9) “Eligible drinking water project” means the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of all or a portion of a public water system approved by the Commissioner of Public Health, under [sections 22a-475](#) to [22a-483](#) , inclusive.

(10) “Eligible project” means an eligible drinking water project or an eligible water quality project, as applicable.

(11) “Eligible water quality project” means the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of a water pollution control facility approved by the commissioner under [sections 22a-475](#) to [22a-483](#) , inclusive.

(12) “Eligible project costs” means the total costs of an eligible project which are determined by (A) the commissioner, or (B) if the project is an eligible drinking water project, the Commissioner of Public Health, and in consultation with the Public Utilities Regulatory Authority when the recipient is a water company, as defined in [section 16-1](#) , to be necessary and reasonable. The total costs of a project may include the costs of all labor, materials, machinery and equipment, lands, property rights and easements, interest on project loan obligations and bond anticipation notes, including costs of issuance approved by the commissioner or by the Commissioner of Public Health if the project is an eligible drinking water project, plans and specifications, surveys or estimates of costs and revenues, engineering and legal services, auditing and administrative expenses, and all other expenses approved by the commissioner or by the Commissioner of Public

Health if the project is an eligible drinking water project, which are incident to all or part of an eligible project.

(13) “Eligible public water system” means a water company, as defined in [section 25-32a](#) , serving twenty-five or more persons or fifteen or more service connections year round and nonprofit noncommunity water systems.

(14) “Grant account loan” means a loan to a municipality by the state from the water pollution control state account of the Clean Water Fund.

(15) “Grant account loan obligation” means bonds or other obligations issued by a municipality to evidence the permanent financing by such municipality of its indebtedness under a project funding agreement with respect to a grant account loan, made payable to the state for the benefit of the water pollution control state account of the Clean Water Fund and containing such terms and conditions and being in such form as may be approved by the commissioner.

(16) “Grant anticipation note” means any note or notes issued in anticipation of the receipt of a project grant.

(17) “Interim funding obligation” means any bonds or notes issued by a recipient in anticipation of the issuance of project loan obligations, grant account loan obligations or the receipt of project grants.

(18) “Intended use plan” means a document if required, prepared by the Commissioner of Public Health, in accordance with [section 22a-478](#) .

(19) “Municipality” means any metropolitan district, town, consolidated town and city, consolidated town and borough, city, borough, village, fire and sewer district, sewer district or public authority and each municipal organization having authority to levy and collect taxes or make charges for its authorized function.

(20) “Pollution abatement facility” means any equipment, plant, treatment works, structure, machinery, apparatus or land, or any

combination thereof, which is acquired, used, constructed or operated for the storage, collection, reduction, recycling, reclamation, disposal, separation or treatment of water or wastes, or for the final disposal of residues resulting from the treatment of water or wastes, and includes, but is not limited to: Pumping and ventilating stations, facilities, plants and works; outfall sewers, interceptor sewers and collector sewers; and other real or personal property and appurtenances incident to their use or operation.

(21) “Priority list of eligible drinking water projects” means the priority list of eligible drinking water projects established by the Commissioner of Public Health in accordance with the provisions of [sections 22a-475 to 22a-483](#) , inclusive.

(22) “Priority list of eligible projects” means the priority list of eligible drinking water projects or the priority list of eligible water quality projects, as applicable.

(23) “Priority list of eligible water quality projects” means the priority list of eligible water quality projects established by the commissioner in accordance with the provisions of [sections 22a-475 to 22a-483](#) , inclusive.

(24) “Program” means the municipal water quality financial assistance program, including the drinking water financial assistance program, created under [sections 22a-475 to 22a-483](#) , inclusive.

(25) “Project grant” means a grant made to a municipality by the state from the water pollution control state account of the Clean Water Fund or the Long Island Sound clean-up account of the Clean Water Fund.

(26) “Project loan” means a loan made to a recipient by the state from the Clean Water Fund.

(27) “Project funding agreement” means a written agreement between the state, acting by and through the commissioner or, if the project is an eligible drinking water project, acting by and through the Commissioner of Public Health, in consultation with the Public Utilities

Regulatory Authority when the recipient is a water company, as defined in [section 16-1](#) , and a recipient with respect to a project grant, a grant account loan and a project loan as provided under [sections 22a-475](#) to [22a-483](#) , inclusive, and containing such terms and conditions as may be approved by the commissioner or, if the project is an eligible drinking water project, by the Commissioner of Public Health.

(28) “Project obligation” or “project loan obligation” means bonds or other obligations issued by a recipient to evidence the permanent financing by such recipient of its indebtedness under a project funding agreement with respect to a project loan, made payable to the state for the benefit of the water pollution control federal revolving loan account, the drinking water federal revolving loan account or the drinking water state account, as applicable, of the Clean Water Fund and containing such terms and conditions and being in such form as may be approved by the commissioner or, if the project is an eligible drinking water project, by the Commissioner of Public Health.

(29) “Public water system” means a public water system, as defined for purposes of the federal Safe Drinking Water Act, <sup>1</sup> as amended or superseded.

(30) “Recipient” means a municipality or eligible public water system, as applicable.

(31) “State bond anticipation note” means any note or notes issued by the state in anticipation of the issuance of bonds.

(32) “State grant anticipation note” means any note or notes issued by the state in anticipation of the receipt of federal grants.

(33) “Water pollution control facility” means a pollution abatement facility which stores, collects, reduces, recycles, reclaims, disposes of, separates or treats sewage, or disposes of residues from the treatment of sewage.

(34) “Water pollution control state account” means the water pollution control state account of the Clean Water Fund created under [section 22a-477](#) .

(35) “Water pollution control federal revolving loan account” means the water pollution control federal revolving loan account of the Clean Water Fund created under [section 22a-477](#) .

(36) “Long Island Sound clean-up account” means the Long Island Sound clean-up account created under [section 22a-477](#) .

It is hereby found and declared that the establishment of a municipal water quality financial assistance program to provide funds for grants for projects to improve Long Island Sound and to establish a low interest revolving loan fund and grant assistance fund to finance one hundred per cent of eligible project costs is necessary to ensure a continuing source of funds to finance the future needs of the state and is a matter of state-wide concern affecting the health, safety and welfare of the inhabitants of the state and the quality of the environment of the state, including the purity and adequacy of its drinking water, and that the establishment of such a program to encourage and support the planning, development and construction of water pollution control facilities and of necessary improvements to eligible public water systems serves an essential public purpose. It is further found and declared that, since the federal Water Quality Act of 1987 <sup>1</sup> restructures the federal grant program for municipal water pollution control projects as a program in which grant proceeds must be used to provide financial assistance in a manner which promotes preservation of the corpus of such proceeds for continuing reapplication to the purposes for which the grants were provided, since financial assistance for municipal water pollution control projects can be more effectively provided through state participation in the federal program of capitalization grants to states as set forth in Section 212 of said act <sup>2</sup> and compliance with requirements for eligibility to receive capitalization grants under such program, and since the act also permits states to use a revolving fund and its chief assets as a basis for issuing bonds for further revolving fund activity, and under such an arrangement a state is able to leverage

outstanding loans made from an initial set of capitalization grants and make available significant amounts of money much sooner than would otherwise have been possible, it is in the interests of the state to make use of this mechanism. It is further found and declared that the federal government intends to establish a similar revolving fund program, funded in part with federal capitalization grants, which may be established and operated by states as part of the Clean Water Fund program, in order to provide financial assistance to develop and implement drinking water projects, and that therefore it is in the interests of the state to participate in such program. It is further found and declared that it is in the best interests of the state to plan to authorize, in addition to any other funds contemplated, the following amounts for the Long Island Sound clean-up account: Not less than five million dollars in 1991, not less than sixteen million dollars in 1992, not less than twenty million dollars in 1993, not less than sixteen million dollars in 1994, not less than twelve million dollars in 1995, not less than thirty-four million dollars in 1996, and not less than seven million dollars in 1997.

(a) There is established and created a fund to be known as the "Clean Water Fund". There is established and created within the Clean Water Fund a water pollution control federal revolving loan account, a water pollution control state account, a Long Island Sound clean-up account, a drinking water federal revolving loan account, a drinking water state account and a river restoration account, which accounts shall be held separate and apart from each other.

(b) There shall be deposited in the water pollution control federal revolving loan account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) federal capitalization grants and awards or other federal assistance received by the state pursuant to Title VI of the federal Water Pollution Control Act; (3) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof; (4) payments received from any municipality in repayment of a project loan made with moneys on

deposit in the water pollution control federal revolving loan account; (5) interest or other income earned on the investment of moneys in the water pollution control federal revolving loan account; (6) any additional moneys made available from any sources, public or private, for the purposes for which the water pollution control federal revolving loan account has been established and for the purpose of deposit therein; and (7) on and after July 1, 1990, and annually thereafter, any moneys forfeited to the state by any person for a violation of a permit which results in a discharge into a municipal sewage treatment system, as determined by the commissioner, which are in excess of the total moneys forfeited to the state for such violations for the fiscal year ending June 30, 1990.

(c) Within the water pollution control federal revolving loan account there are established the following subaccounts: (1) A federal receipts subaccount, into which shall be deposited federal capitalization grants and awards or other federal assistance received by the state pursuant to Title VI of the federal Water Pollution Control Act, (2) a state bond receipts subaccount into which shall be deposited the proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein, (3) a state General Fund receipts subaccount into which shall be deposited funds appropriated by the General Assembly for the purpose of deposit therein, (4) a federal loan repayment subaccount into which shall be deposited payments received from any municipality in repayment of a project loan made from any moneys deposited in the water pollution control federal revolving loan account. Moneys in each subaccount created under this subsection may be expended by the commissioner for any of the purposes of the water pollution control federal revolving loan account and investment earnings of any subaccount shall be deposited in such account.

(d) There shall be deposited in the water pollution control state account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses



thereof; (3) interest or other income earned on the investment of moneys in the water pollution control state account; (4) payments received from any municipality as repayment for a grant account loan made with moneys on deposit in the water pollution control state account; and (5) any additional moneys made available from any sources, public or private, for the purposes for which the water pollution control state account has been established other than moneys on deposit in the federal receipts subaccount of the water pollution control federal revolving loan account.

(e) Within the water pollution control state account there are established the following subaccounts: (1) A state bond receipts subaccount, into which shall be deposited the proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein; (2) a General Fund receipts subaccount into which shall be deposited funds appropriated by the General Assembly for the purpose of deposit therein; (3) a state loan repayment subaccount into which shall be deposited payments received from any municipality in repayment of a project loan made from any moneys deposited in the water pollution control state account; (4) a state administrative and management subaccount into which shall be deposited amounts for administration and management of the Clean Water Fund which amounts shall be determined by the commissioner in consultation with the Secretary of the Office of Policy and Management; and (5) a state grant subaccount, into which shall be deposited (A) the proceeds of notes, bonds or other obligations issued by the state for the purposes of deposit therein; (B) funds appropriated by the General Assembly for the purpose of deposit therein; and (C) payments received from a municipality in repayment of a grant account loan.

(f) Moneys deposited in the Clean Water Fund shall be held separate and apart from all other moneys, funds and accounts. Investment earnings credited to the assets of such fund and to any account and subaccount thereof shall become part of the assets of such fund, account and subaccount. Any balance remaining in the Clean Water Fund at the end of any fiscal year shall be carried forward in such fund, account and subaccount for the fiscal year next succeeding.

(g) Amounts in the water pollution control federal revolving loan account of the Clean Water Fund shall be available to the commissioner to provide financial assistance (1) to any municipality for construction of eligible water quality projects, and (2) for any other purpose authorized by Title VI of the federal Water Pollution Control Act. In providing such financial assistance to municipalities, amounts in such account may be used only: (A) By the commissioner to make loans to municipalities at an interest rate of two per cent per annum, provided such loans shall not exceed a term of twenty years and shall have principal and interest payments commencing not later than one year after scheduled completion of the project, and provided the loan recipient will establish a dedicated source of revenue for repayment of the loan; (B) by the commissioner to guarantee, or purchase insurance for, local obligations, where such action would improve credit market access or reduce interest rates; (C) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the state if the proceeds of the sale of such bonds have been deposited in such account; (D) to be invested by the Treasurer of the state and earn interest on moneys in such account; (E) by the commissioner to pay for the reasonable costs of administering such account and conducting activities under Title VI of the federal Water Pollution Control Act; and (F) by the Treasurer to be transferred to the water pollution control state account for the purpose of meeting federal requirements for subsidization.

(h) Amounts in the water pollution control state account of the Clean Water Fund shall be available: (1) To be invested by the Treasurer of the state to earn interest on moneys in such account; (2) for the commissioner to make grants to municipalities in the amounts and in the manner set forth in a project funding agreement; (3) for the commissioner to make loans to municipalities in amounts and in the manner set forth in a project funding agreement for planning and developing eligible projects prior to construction and permanent financing; (4) for the commissioner to make loans to municipalities, for terms not exceeding twenty years, for an eligible water quality project; (5) for the commissioner to pay the costs of environmental studies

and surveys to determine water pollution control needs and priorities and to pay the expenses of the department in administering the program; (6) for the payment of costs for administration and management of the Clean Water Fund; (7) provided such amounts are not required for the purposes of such fund, for the Treasurer of the state to pay debt service on bonds of the state issued to fund the Clean Water Fund, or for the purchase or redemption of such bonds; (8) for the commissioner to make grants to municipalities for the development and installation of structural improvements to secondary clarifier operations including, but not limited to, flow distribution mechanisms, baffle-type devices, feed well design and sludge withdrawal mechanisms. Grants under this subdivision shall be for one hundred per cent of the construction cost and not more than three million dollars from the fund shall be used for such grants; (9) for the commissioner to pay the costs for the establishment, administration and management of the nitrogen credit exchange program described in [section 22a-524](#) , including, but not limited to, the purchase of equivalent nitrogen credits from publicly-owned treatment works in the event that the account of state funds established pursuant to [section 22a-524](#) is exhausted; and (10) for any other purpose of the Clean Water Fund and the program relating thereto.

(i) The Treasurer may establish such accounts and subaccounts within the Clean Water Fund as he deems desirable to effectuate the purposes of [sections 22a-475](#) to [22a-483](#) , inclusive, including, but not limited to, accounts (1) to segregate a portion or portions of the corpus of the water pollution control federal revolving loan account or the drinking water federal revolving loan account or as security for revenue bonds issued by the state for deposit in either of such accounts, (2) to segregate investment earnings on all or a portion of the water pollution control federal revolving loan account, the water pollution control state account, the drinking water federal revolving loan account or the drinking water state account, or (3) to segregate moneys in the fund that have previously been expended for the benefit of an eligible project from moneys that are initial deposits in the account.

(j) There shall be deposited in the Long Island Sound clean-up account (1) the proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof, (2) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof, and (3) any additional moneys made available from any sources, public or private, for the purposes for which the Long Island Sound clean-up account has been established other than moneys on deposit in the federal revolving loan account.

(k) Amounts in the Long Island Sound clean-up account shall be available: (1) To be invested by the Treasurer of the state to earn interest on moneys in such account; (2) for the commissioner to make grants to municipalities who undertake the construction of combined sewer projects which are found by the commissioner to impact Long Island Sound or which are part of a system under construction by a municipality prior to July 1, 1990, to mitigate effects of inflow on treatment processes and on Long Island Sound, provided such grants shall be fifty per cent of the eligible water quality project costs of such project and be made in accordance with the provisions of [section 22a-478](#) ; (3) for the commissioner to make grants to municipalities for eligible water quality projects for which the commissioner has required nutrient removal to protect Long Island Sound provided the amount of the grant shall be twenty per cent of the eligible water quality costs and be made in accordance with the provisions of said [section 22a-478](#) ; (4) for the commissioner to make grants to agencies, institutions or persons to conduct research related to Long Island Sound in accordance with procedures established by the commissioner; (5) for the commissioner to provide funds for (A) sediment, dredging and disposal activities for Long Island Sound, including necessary studies, (B) physical improvements to coves, embayments, coastal wetlands and salt marshes in physical proximity to Long Island Sound, and (C) harbor water quality programs to enhance the sediment and water quality of harbors, coves, embayments and wetlands of Long Island Sound; (6) for the commissioner to provide funds for the restoration and rehabilitation of tidal coves, embayments and salt marshes

degraded by physical modification, development or the effect of pollution, following a feasibility assessment which shall form the basis for the commissioner's determination of eligible restoration practices; (7) for the commissioner to provide funds for laboratory development to aid analysis of water quality samples collected as part of the Long Island Sound ambient monitoring program; (8) for the commissioner to make grants to municipalities for each municipally-owned wastewater treatment facility which discharges into coastal waters, for interim improvements to remove total nitrogen from such discharges in a manner which ensures that the total nitrogen load does not exceed the amount discharged during 1990, provided such grants shall be one hundred per cent of the eligible project costs of such projects; and (9) for the commissioner to provide grants on a competitive basis for demonstration projects to reduce nonpoint source pollution of Long Island Sound, following establishment by the commissioner of criteria for the awarding of such grants. The funds authorized for deposit in the Long Island Sound clean-up account pursuant to [section 22a-483](#) shall, in addition to any use under subdivision (1) of this subsection, be expended in accordance with the following minimums: (i) For the purposes of subdivision (2) of this subsection, not less than twenty million five hundred thousand dollars; (ii) for the purposes of subdivision (4) of this subsection, not less than one million dollars; (iii) for the purposes of subdivision (6) of this subsection, not less than three million dollars; (iv) for the purposes of subdivision (7) of this subsection, not less than five hundred thousand dollars; and (v) for the purposes of subdivision (8) of this subsection, not less than fifteen million dollars.

(l) There shall be deposited in the river restoration account (1) the proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof, (2) funds authorized by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof, and (3) any additional moneys made available from any sources, public or private, for the purposes for which the river restoration account has been established, except that in no case shall the funds authorized to be deposited in this

account from the Clean Water Fund exceed three million dollars per year.

(m) Amounts in the river restoration account shall be available: (1) To be invested by the Treasurer of the state to earn interest on moneys in such account; (2) for the payment of costs incurred by the Department of Energy and Environmental Protection for the administration and management of the rivers protection programs of the department; (3) for the commissioner to provide assistance to river committees established by municipalities for purposes of protection of rivers; (4) for the commissioner to make grants to municipalities or such river committees for the physical improvement and restoration of rivers degraded by modification, development or the effects of pollution, including but not limited to actions to (A) restore water quality, (B) provide minimum stream flows, or (C) restore or enhance the recreational, economic or environmental value of rivers and riverfront land; and (5) for the payment of costs incurred by the department of environmental protection for the physical improvement and restoration of rivers degraded by modification, development or the effects of pollution, including but not limited to actions to (A) restore water quality, (B) provide minimum stream flows, or (C) restore or enhance the recreational, economic or environmental value of rivers and riverfront lands by, for example, planting vegetation, removing physical impediments to river access, stabilizing stream banks, deepening stream channels, installing fish ladders and removing sediment; and (6) for the commissioner to make grants to provide matching funds for riparian zone restoration projects funded under the federal Agricultural Conservation Program pursuant to [16 USC Section 590g et seq.](#) Amounts in the river restoration fund shall not be used for acquisition of land or interests in land, for construction or maintenance of parking lots, or for construction or maintenance of boat ramps or other structures, with the exception of restoration or repair of historic river-related structures.

(n) (1) The commissioner shall maintain a priority list of eligible river restoration projects and shall establish a system setting the priority for making project grants. In establishing such priority list and ranking

system, the commissioner shall consider all factors he deems relevant, including but not limited to, the following: (A) The public health and safety; (B) protection of environmental resources; (C) attainment of state water quality goals and standards; (D) funds expended on water quality improvements; (E) consistency with basin planning; and (F) state and federal statutes and regulations. In dispersing funds from the Rivers Restoration Account, the commissioner shall give priority to providing matching funds for riparian zone restoration projects funded under the federal Agricultural Conservation Program pursuant to [16 USC Section 590g et seq.](#), and regulations adopted thereunder. The priority list of eligible river restoration projects shall include a description of each project and its purpose, and an explanation of the manner in which priorities were established.

(2) In each fiscal year the commissioner may make grants to municipalities and river committees established for river protection in the order of priority under subdivision (1) of this subsection to the extent of moneys available therefor in the appropriate accounts of the Clean Water Fund.

(3) The funding of a project shall be pursuant to a project funding agreement between the state, acting by and through the commissioner, and the municipality, river commission or river committee undertaking the project. A project funding agreement shall be in a form prescribed by the commissioner.

(4) The commissioner may adopt regulations, in accordance with the provisions of chapter 54, <sup>2</sup> to carry out the purposes of this section.

(o) There shall be deposited in the drinking water federal revolving loan account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) federal capitalization grants and federal capitalization awards received by the state pursuant to the federal Safe Drinking Water Act <sup>3</sup> or other related federal acts; (3) funds appropriated by the General Assembly for the purpose of deposit therein and use in

accordance with the permissible uses thereof; (4) payments received from any recipient in repayment of a project loan made with moneys on deposit in the drinking water federal revolving loan account; (5) interest or other income earned on the investment of moneys in the drinking water federal revolving loan account; and (6) any additional moneys made available from any sources, public or private, for the purposes for which the drinking water federal revolving loan account has been established and for the purpose of deposit therein.

(p) Within the drinking water federal revolving loan account there are established the following subaccounts: (1) A federal receipts subaccount, into which shall be deposited federal capitalization grants and federal capitalization awards received by the state pursuant to the federal Safe Drinking Water Act or other related federal acts; (2) a state bond receipts subaccount into which shall be deposited the proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein; (3) a state General Fund receipts subaccount into which shall be deposited funds appropriated by the General Assembly for the purpose of deposit therein; and (4) a federal loan repayment subaccount into which shall be deposited payments received from any recipient in repayment of a project loan made from any moneys deposited in the drinking water federal revolving loan account. Moneys in each subaccount created under this subsection may be expended by the Commissioner of Public Health for any of the purposes of the drinking water federal revolving loan account and investment earnings of any subaccount shall be deposited in such account.

(q) There shall be deposited in the drinking water state account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof; (3) interest or other income earned on the investment of moneys in the drinking water state account; (4) payments received from any recipient as repayment for a project loan made with moneys on



deposit in the drinking water state account; and (5) any additional moneys made available from any sources, public or private, for the purposes for which the drinking water state account has been established other than moneys on deposit in the federal receipts subaccount of the drinking water federal revolving loan account.

(r) Within the drinking water state account there are established the following subaccounts: (1) A state bond receipts subaccount, into which shall be deposited the proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein; (2) a General Fund receipts subaccount into which shall be deposited funds appropriated by the General Assembly for the purpose of deposit therein; and (3) a state loan repayment subaccount into which shall be deposited payments received from any recipient in repayment of a project loan made from any moneys deposited in the drinking water state account.

(s) Amounts in the drinking water federal revolving loan account of the Clean Water Fund shall be available to the Commissioner of Public Health to provide financial assistance (1) to any recipient for construction of eligible drinking water projects approved by the Department of Public Health, and (2) for any other purpose authorized by the federal Safe Drinking Water Act or other related federal acts. In providing such financial assistance to recipients, amounts in such account may be used only: (A) By the Commissioner of Public Health in conjunction with the State Treasurer to make loans to recipients at an interest rate not exceeding one-half the rate of the average net interest cost as determined by the last previous similar bond issue by the state of Connecticut as determined by the State Bond Commission in accordance with subsection (t) of [section 3-20](#) , provided such loans shall not exceed a term of twenty years, or such longer period as may be permitted by applicable federal law, and shall have principal and interest payments commencing not later than one year after scheduled completion of the project, and provided the loan recipient shall establish a dedicated source of revenue for repayment of the loan, except to the extent that the priority list of eligible drinking water projects allows for the making of project loans upon different terms,

including reduced interest rates or an extended term, if permitted by federal law; (B) by the Commissioner of Public Health to guarantee, or purchase insurance for, local obligations, where such action would improve credit market access or reduce interest rates; (C) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the state if the proceeds of the sale of such bonds have been deposited in such account; (D) to be invested by the State Treasurer and earn interest on moneys in such account; (E) by the Department of Public Health to pay for the reasonable costs of administering such account and conducting activities under the federal Safe Drinking Water Act or other related federal acts; and (F) by the Commissioner of Public Health to provide additional forms of subsidization, including grants, principal forgiveness or negative interest loans or any combination thereof, if permitted by federal law and made pursuant to a project funding agreement in accordance with subsection (k) of [section 22a-478](#) .

(t) Amounts in the drinking water state account of the Clean Water Fund shall be available: (1) To be invested by the State Treasurer to earn interest on moneys in such account; (2) for the Commissioner of Public Health to provide additional forms of subsidization, including grants, principal forgiveness or negative forgiveness loans or any combination thereof to recipients in a manner provided under the federal Safe Drinking Water Act in the amounts and in the manner set forth in a project funding agreement; (3) for the Commissioner of Public Health to make loans to recipients in amounts and in the manner set forth in a project funding agreement for planning and developing eligible drinking water projects prior to construction and permanent financing; (4) for the Commissioner of Public Health to make loans to recipients, for terms not exceeding twenty years, for an eligible drinking water project; (5) for the Commissioner of Public Health to pay the costs of studies and surveys to determine drinking water needs and priorities and to pay the expenses of the Department of Public Health in undertaking such studies and surveys and in administering the program; (6) for the payment of costs as agreed to by the Department of Public Health after consultation with the

Secretary of the Office of Policy and Management and the office of the State Treasurer for administration and management of the drinking water programs within the Clean Water Fund; (7) for the State Treasurer to pay debt service on bonds of the state issued to fund the drinking water programs within the Clean Water Fund, or for the purchase or redemption of such bonds; and (8) for any other purpose of the drinking water programs within the Clean Water Fund and the program relating thereto.

(a) The commissioner shall maintain a priority list of eligible water quality projects and shall establish a system setting the priority for making project grants, grant account loans and project loans. In establishing such priority list and ranking system, the commissioner shall consider all factors he deems relevant, including but not limited to the following: (1) The public health and safety; (2) protection of environmental resources; (3) population affected; (4) attainment of state water quality goals and standards; (5) consistency with the state plan of conservation and development; (6) state and federal regulations; (7) the formation in municipalities of local housing partnerships pursuant to the provisions of [section 8-336f](#) ; and (8) the necessity and feasibility of implementing measures designed to mitigate the impact of a rise in sea level over the projected life span of such project. The priority list of eligible water quality projects shall include a description of each project and its purpose, impact, cost and construction schedule, and an explanation of the manner in which priorities were established. The commissioner shall adopt an interim priority list of eligible water quality projects for the purpose of making project grants, grant account loans and project loans prior to adoption of final regulations, which priority list shall be the priority list currently in effect under subsection (c) of [section 22a-439](#) .

(b) In each fiscal year the commissioner may make project grants, grant account loans and project loans to municipalities in the order of the priority list of eligible water quality projects to the extent of moneys available therefor in the appropriate accounts of the Clean Water Fund. Each municipality undertaking an eligible water quality project may apply for and receive a project grant and loan or project grants

and loans in an amount equal to one hundred per cent of the eligible water quality project costs.

(c) The funding of an eligible water quality project shall be pursuant to a project funding agreement between the state, acting by and through the commissioner, and the municipality undertaking such project and shall be evidenced by a project fund obligation or grant account loan obligation, or both, or an interim funding obligation of such municipality issued in accordance with [section 22a-479](#) . A project funding agreement shall be in a form prescribed by the commissioner. Eligible water quality projects shall be funded as follows:

(1) A nonpoint source pollution abatement project shall receive a project grant of seventy-five per cent of the cost of the project determined to be eligible by the commissioner.

(2) A combined sewer project shall receive (A) a project grant of fifty per cent of the cost of the project, and (B) a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs.

(3) A construction contract eligible for financing awarded by a municipality on or after July 1, 2012, as a project undertaken for nutrient removal shall receive a project grant of thirty per cent of the cost of the project associated with nutrient removal, a twenty per cent grant for the balance of the cost of the project not related to nutrient removal, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs. Nutrient removal projects under design or construction on July 1, 2012, and projects that have been constructed but have not received permanent, Clean Water Fund financing, on July 1, 2012, shall be eligible to receive a project grant of thirty per cent of the cost of the project associated with nutrient removal, a twenty per cent grant for the balance of the cost of the project not related to nutrient removal, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs.

(4) If supplemental federal grant funds are available for Clean Water Fund projects specifically related to the clean-up of Long Island Sound that are funded on or after July 1, 2012, a distressed municipality, as defined in [section 32-9p](#) , may receive a combination of state and federal grants in an amount not to exceed fifty per cent of the cost of the project associated with nutrient removal, a twenty per cent grant for the balance of the cost of the project not related to nutrient removal, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the allowable water quality project costs.

(5) A municipality with a water pollution control project, the construction of which began on or after July 1, 2003, which has (A) a population of five thousand or less, or (B) a population of greater than five thousand which has a discrete area containing a population of less than five thousand that is not contiguous with the existing sewerage system, shall be eligible to receive a grant in the amount of twenty-five per cent of the design and construction phase of eligible project costs, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs.

(6) Any contract entered into by a municipality prior to, on or after May 26, 2016, but before July 1, 2019, that is eligible for financing as a project undertaken for phosphorus removal to at or below thirty-one one hundredths milligrams per liter, provided such amount is specified as the average monthly effluent total phosphorous limit in a discharge permit issued to such municipality by the commissioner pursuant to [section 22a-430](#) , shall receive (A) a project grant of fifty per cent of the cost of the project associated with such phosphorus removal, (B) except as provided in subdivision (3) of this subsection, a twenty per cent grant for the balance of the cost of the project, and (C) a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs, provided nothing in this subdivision shall affect any requirement or schedule in any discharge permit issued by the commissioner pursuant to said section.

(7) A municipality with a 2012 population of not less than forty thousand but not more than forty-two thousand with a municipal sewerage system that provides a regional sewerage treatment capacity to not less than five abutting communities, each with 2012 populations of less than five thousand, shall receive funding levels consistent with subdivisions (1) to (6), inclusive, of this subsection plus an additional five per cent for the design and construction phase costs of an eligible water quality project and a loan for the remainder of the costs of such eligible water quality project, provided such loan shall not exceed one hundred per cent of the costs of such eligible water project.

(8) Any other eligible water quality project shall receive (A) a project grant of twenty per cent of the eligible cost, and (B) a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible project cost.

(9) Project agreements to fund eligible project costs with grants from the Clean Water Fund that were executed during or after the fiscal year beginning July 1, 2003, shall not be reduced according to the provisions of the regulations adopted under [section 22a-482](#) .

(10) On or after July 1, 2002, an eligible water quality project that exclusively addresses sewer collection and conveyance system improvements may receive a loan for one hundred per cent of the eligible costs provided such project does not receive a project grant. Any such sewer collection and conveyance system improvement project shall be rated, ranked, and funded separately from other water pollution control projects and shall be considered only if it is highly consistent with the state's conservation and development plan, or is primarily needed as the most cost effective solution to an existing area-wide pollution problem and incorporates minimal capacity for growth.

(11) All loans made in accordance with the provisions of this section for an eligible water quality project shall bear an interest rate of two per cent per annum. The commissioner may allow any project fund obligation, grant account loan obligation or interim funding obligation

for an eligible water quality project to be repaid by a borrowing municipality prior to maturity without penalty.

(d) Each project loan and grant account loan for an eligible water quality project shall be made pursuant to a project funding agreement between the state, acting by and through the commissioner, and such municipality, and each project loan for an eligible water quality project shall be evidenced by a project loan obligation, each grant account loan for an eligible water quality project shall be evidenced by a grant account loan obligation, or either may be evidenced by an interim funding obligation of such municipality issued in accordance with [sections 22a-475 to 22a-483](#), inclusive. Except as otherwise provided in said sections, each project funding agreement shall contain such terms and conditions, including provisions for default which shall be enforceable against a municipality, as shall be approved by the commissioner. Each project loan obligation, grant account loan obligation or interim funding obligation issued pursuant to a project funding agreement for an eligible water quality project shall bear interest at a rate of two per cent per annum. Except as otherwise provided in [sections 22a-475 to 22a-483](#), inclusive, each project loan obligation, grant account loan obligation and interim funding obligation shall be issued in accordance with the terms and conditions set forth in the project funding agreement.

Notwithstanding any other provision of the general statutes, public act or special act to the contrary, each project loan obligation and grant account loan obligation for an eligible water quality project shall mature no later than twenty years from the date of completion of the construction of the project and shall be paid in monthly installments of principal and interest or in monthly installments of principal unless a finding is otherwise made by the Treasurer of the state requiring a different payment schedule. Interest on each project loan obligation and grant account loan obligation for an eligible water quality project shall be payable monthly unless a finding is otherwise made by the Treasurer of the state requiring a different payment schedule.

Principal and interest on interim funding obligations issued under a project funding agreement for an eligible water quality project shall be payable at such time or times as provided in the project funding

agreement, not exceeding six months after the date of completion of the planning and design phase or the construction phase, as applicable, of the eligible water quality project, as determined by the commissioner, and may be paid from the proceeds of a renewal note or notes or from the proceeds of a project loan obligation or grant account loan obligation. The commissioner may allow any project loan obligation, grant account loan obligation or interim funding obligation for an eligible water quality project to be repaid by the borrowing municipality prior to maturity without penalty.

(e) (1) The commissioner may make a project grant or a grant account loan or both to a municipality pursuant to a project funding agreement for the planning and design phase of an eligible water quality project. Principal and interest on a grant account loan for the planning and design phases of an eligible water quality project may be paid from and included in the principal amount of a loan for the construction phase of an eligible water quality project.

(2) In lieu of a grant and loan pursuant to subsection (b) of this section, the commissioner, upon written request by a municipality, may make a project grant to such municipality in the amount of fifty-five per cent of the cost approved by the commissioner for the planning phase of an eligible water quality project.

(3) If supplemental federal grant funds are available for Clean Water Fund projects specifically related to the clean-up of Long Island Sound that are funded on or after July 1, 2003, a distressed municipality, as defined in [section 32-9p](#), may receive a combination of state and federal grants in an amount not to exceed one hundred per cent of the cost, approved by the commissioner, for the planning phase of an eligible water quality project for nitrogen removal.

(f) A project grant, a grant account loan and a project loan for an eligible water quality project shall not be made to a municipality unless:



(1) In the case of a project grant, grant account loan and project loan for the construction phase, final plans and specifications for such project are approved by the commissioner;

(2) Each municipality undertaking such project provides assurances satisfactory to the commissioner that the municipality shall undertake and complete such project with due diligence and, in the case of a project loan for the construction phase, that it shall own such project and shall operate and maintain the eligible water quality project for a period and in a manner satisfactory to the commissioner after completion of such project;

(3) Each municipality undertaking such project has filed with the commissioner all applications and other documents prescribed by the commissioner within time periods prescribed by the commissioner;

(4) Each municipality undertaking such project has established separate accounts for the receipt and disbursement of the proceeds of such project grant, grant account loan and project loan and has agreed to maintain project accounts in accordance with generally accepted government accounting standards;

(5) In any case in which an eligible water quality project shall be owned or maintained by more than one municipality, the commissioner has received evidence satisfactory to the commissioner that all such municipalities are legally required to complete their respective portions of such project;

(6) Each municipality undertaking such project has agreed to comply with such audit requirements as may be imposed by the commissioner;

(7) In the case of a project grant, grant account loan and project loan for the construction phase, each municipality shall assure the commissioner that it has adequate legal, institutional, managerial and financial capability to construct and operate the pollution abatement facility for the design life of the facility; and

(8) In the case of a project grant, grant account loan and project loan for the construction phase awarded after July 1, 1991, each municipality shall demonstrate, to the satisfaction of the commissioner, that it has implemented an adequate operation and maintenance program for the municipal sewerage system for the design life of the facility.

(g) Notwithstanding any provision of [sections 22a-475 to 22a-483](#) , inclusive, to the contrary, the commissioner may make a project grant or project grants and a grant account loan or loans in accordance with the provisions of subsection (c) of this section with respect to an eligible water quality project without regard to the priority list of eligible water quality projects if a public emergency exists which requires that the eligible water quality project be undertaken to protect the public health and safety or the natural and environmental resources of the state.

(h) The Department of Public Health shall establish and maintain a priority list of eligible drinking water projects and shall establish a system setting the priority for making project loans to eligible public water systems. In establishing such priority list and ranking system, the Commissioner of Public Health shall consider all factors which he deems relevant, including but not limited to the following: (1) The public health and safety; (2) protection of environmental resources; (3) population affected; (4) risk to human health; (5) public water systems most in need on a per household basis according to applicable state affordability criteria; (6) compliance with the applicable requirements of the federal Safe Drinking Water Act <sup>1</sup> and other related federal acts; (7) applicable state and federal regulations. The priority list of eligible drinking water projects shall include a description of each project and its purpose, impact, cost and construction schedule, and an explanation of the manner in which priorities were established. The Commissioner of Public Health shall adopt an interim priority list of eligible drinking water projects for the purpose of making project loans prior to adoption of final regulations, and in so doing may utilize existing rules and regulations of the department relating to the program. To the extent required by

applicable federal law, the Department of Public Health shall prepare any required intended use plan with respect to eligible drinking water projects; (8) consistency with the plan of conservation and development; (9) consistency with the policies delineated in [section 22a-380](#) ; and (10) consistency with the coordinated water system plan in accordance with subsection (f) of [section 25-33d](#) .

(i) In each fiscal year the Commissioner of Public Health may make project loans to recipients in the order of the priority list of eligible drinking water projects to the extent of moneys available therefor in the appropriate accounts of the Clean Water Fund. Each recipient undertaking an eligible drinking water project may apply for and receive a project loan or loans in an amount equal to one hundred per cent of the eligible project costs.

(j) The funding of an eligible drinking water project shall be pursuant to a project funding agreement between the state, acting by and through the Commissioner of Public Health, and the recipient undertaking such project and shall be evidenced by a project fund obligation or an interim funding obligation of such recipient issued in accordance with [section 22a-479](#) . A project funding agreement shall be in a form prescribed by the Commissioner of Public Health. Any eligible drinking water project shall receive a project loan for the costs of the project. All loans made in accordance with the provisions of this section for an eligible drinking water project shall bear an interest rate not exceeding one-half the rate of the average net interest cost as determined by the last previous similar bond issue by the state of Connecticut as determined by the State Bond Commission in accordance with subsection (t) of [section 3-20](#) . The Commissioner of Public Health may allow any project fund obligation or interim funding obligation for an eligible drinking water project to be repaid by a borrowing recipient prior to maturity without penalty.

(k) Each project loan for an eligible drinking water project shall be made pursuant to a project funding agreement between the state, acting by and through the Commissioner of Public Health, and such recipient, and each project loan for an eligible drinking water project shall be evidenced by a project loan obligation or by an interim funding

obligation of such recipient issued in accordance with [sections 22a-475 to 22a-483](#) , inclusive. Except as otherwise provided in said [sections 22a-475 to 22a-483](#) , inclusive, each project funding agreement shall contain such terms and conditions, including provisions for default which shall be enforceable against a recipient, as shall be approved by the Commissioner of Public Health. Each project loan obligation or interim funding obligation issued pursuant to a project funding agreement for an eligible drinking water project shall bear an interest rate not exceeding one-half the rate of the average net interest cost as determined by the last previous similar bond issue by the state of Connecticut as determined by the State Bond Commission in accordance with subsection (t) of [section 3-20](#) . Except as otherwise provided in said [sections 22a-475 to 22a-483](#) , inclusive, each project loan obligation and interim funding obligation shall be issued in accordance with the terms and conditions set forth in the project funding agreement. Notwithstanding any other provision of the general statutes, public act or special act to the contrary, each project loan obligation for an eligible drinking water project shall mature no later than twenty years from the date of completion of the construction of the project and shall be paid in monthly installments of principal and interest or in monthly installments of principal unless a finding is otherwise made by the State Treasurer requiring a different payment schedule. Interest on each project loan obligation for an eligible drinking water project shall be payable monthly unless a finding is otherwise made by the State Treasurer requiring a different payment schedule. Principal and interest on interim funding obligations issued under a project funding agreement for an eligible drinking water project shall be payable at such time or times as provided in the project funding agreement, not exceeding six months after the date of completion of the planning and design phase or the construction phase, as applicable, of the eligible drinking water project, as determined by the Commissioner of Public Health, and may be paid from the proceeds of a renewal note or notes or from the proceeds of a project loan obligation. The Commissioner of Public Health may allow any project loan obligation or interim funding obligation for an eligible drinking water project to be repaid by the borrowing recipient prior to maturity without penalty.

(l) The Commissioner of Public Health may make a project loan to a recipient pursuant to a project funding agreement for an eligible drinking water project for the planning and design phase of an eligible project, to the extent provided by the federal Safe Drinking Water Act, as amended. Principal and interest on a project loan for the planning and design phases of an eligible drinking water project may be paid from and included in the principal amount of a loan for the construction phase of an eligible drinking water project.

(m) A project loan for an eligible drinking water project shall not be made to a recipient unless: (1) In the case of a project loan for the construction phase, final plans and specifications for such project are approved by the Commissioner of Public Health, and when the recipient is a water company, as defined in [section 16-1](#), with the concurrence of the Public Utilities Regulatory Authority, and with the approval of the Commissioner of Public Health for consistency with financial requirements of the general statutes, regulations and resolutions; (2) each recipient undertaking such project provides assurances satisfactory to the Commissioner of Public Health that the recipient shall undertake and complete such project with due diligence and, in the case of a project loan for the construction phase, that it shall own such project and shall operate and maintain the eligible drinking water project for a period and in a manner satisfactory to the Department of Public Health after completion of such project; (3) each recipient undertaking such project has filed with the Commissioner of Public Health all applications and other documents prescribed by the Public Utilities Regulatory Authority and the Commissioner of Public Health within time periods prescribed by the Commissioner of Public Health; (4) each recipient undertaking such project has established separate accounts for the receipt and disbursement of the proceeds of such project loan and has agreed to maintain project accounts in accordance with generally accepted government accounting standards or uniform system of accounts, as applicable; (5) in any case in which an eligible drinking water project shall be owned or maintained by more than one recipient, the Commissioner of Public Health has received evidence satisfactory to him that all such recipients are legally required to complete their respective portions of

such project; (6) each recipient undertaking such project has agreed to comply with such audit requirements as may be imposed by the Commissioner of Public Health; and (7) in the case of a project loan for the construction phase, each recipient shall assure the Public Utilities Regulatory Authority, as required, and the Commissioner of Public Health that it has adequate legal, institutional, technical, managerial and financial capability to ensure compliance with the requirements of applicable federal law, except to the extent otherwise permitted by federal law.

(n) Notwithstanding any provision of [sections 22a-475 to 22a-483](#) , inclusive, to the contrary, the Commissioner of Public Health may make a project loan or loans in accordance with the provisions of subsection (j) of this section with respect to an eligible drinking water project without regard to the priority list of eligible drinking water projects if a public drinking water supply emergency exists, pursuant to [section 25-32b](#) , which requires that the eligible drinking water project be undertaken to protect the public health and safety.

(o) The commissioner shall prepare an annual report to the Governor within ninety days after the completion of each fiscal year which includes a list of project funding agreements entered into during the fiscal year then ended, the estimated year that funding will be available for specific projects listed on each priority list of eligible projects and a financial report on the condition of the Clean Water Fund for the fiscal year then ended, which shall include a certification by the commissioner of any amounts to become available for payment of debt service or for the purchase or redemption of bonds during the next succeeding fiscal year.