

**Clean Water State Revolving Fund Intended Use Plan SFY25-26  
Multiple Federal Grants**

10. Entering benefits information on all projects into the CWSRF database by the end of the quarter in which the assistance agreement is signed.
11. PENNVEST is actively informing funding recipients that EPA SRF funds are available to finance eligible cyber security practices. This includes equipment and technology upgrades, such as upgrading outdated computers and software, creating secure network backups, enhancing the security of information technology and operational technology systems, installing or updating supervisory control and data acquisition (SCADA) systems, providing on-site back up power generation, and installing threat detection and monitoring systems.

**B. Long- Term Goals**

1. Provide funding that will enable publicly owned wastewater treatment systems to achieve and/or maintain compliance with state and federal water quality standards.
2. Administer the CWSRF to issue loans, loan guarantees, and insurance, at fees commensurate with risk, such that the revolving nature of the CWSRF is assured in perpetuity.
3. Ensure accounting, audit and fiscal procedures that conform to accepted governmental accounting standards are implemented.
4. Support and implement infrastructure sustainability initiatives to protect public health and the environment in accordance with “[EPA’s Clean Water and Drinking Water Infrastructure Sustainability Policy](#)”
5. Continue to support the nutrient trading program in support of reductions of nutrients to the Chesapeake Bay.
6. Continue to pursue opportunities to participate in nontraditional projects and other best management practices in the Clean Water State Revolving Fund Programs.

**IV. Allocation of Funds**

Allocation of funds for eligible traditional and nonpoint source projects is based on a three-step process:

1. Determine the eligibility and amount of financial assistance needed for each community.
2. Identify the funding sources and spending limits for all CWSRF funds.

**Clean Water State Revolving Fund Intended Use Plan SFY25-26  
Multiple Federal Grants**

3. Allocate the CWSRF project funds such that grant, and loan availability are not exceeded while meeting the financial assistance of each funded project.

Information pertinent to each CWSRF project is contained in the PPLs and the appropriate grant application meeting the requirements of Section 606(c)(3) of the FWPCA.

**A. Criteria and Method of Distribution of Funds**

The following approach was used to develop Pennsylvania's proposed distribution of its funding:

- Analyze the type of communities served and financial assistance needed.
- Identify the sources and funds.
- Develop a payment schedule which will provide for making timely binding commitments to the projects selected for CWSRF assistance; and
- Develop a disbursement schedule to pay the project costs as incurred.

***Bypass Procedures***

The projects designated for funding fall under the eligible need categories. Projects on Chart 1 of Attachment 8 satisfy all the enforceable requirements of the Act.

In the event that projects identified for funding in the IUP are unable to proceed, these delayed projects will be bypassed and other projects from the PPL will be funded based on the project priority ratings, the criteria identified in [Section 10\(b\) of Act 16 of 1988](#) and Section 963.8 of the PENNVEST regulations.

A project may also be bypassed if PENNVEST determines that provision of funds from the CWSRF will be used to replace or supplant other funds reasonably available for the project. Further, PENNVEST reserves the right to provide funding for only a portion of the total costs of a project or only a portion of the amount requested where the municipality can, based on its ability to pay, obtain other affordable financing for the remainder of the project.

A project may be bypassed if Pennsylvania determines that a different project should be funded due to an emergency condition that can only be addressed in an immediate time frame. The final IUP and PPL lists will reflect the changes caused by the emergency.

Bypassed projects that retain their priority rating will be subject to the same eligibility and funding considerations from future allotments as other fundable projects.

## **B. Types of Projects to be Funded**

### ***Project Development***

Each project is reviewed by the regional DEP staff for cost-effectiveness, including the sizing of proposed facilities. Approved projects must be designed to meet only existing needs and future needs based on reasonably expected growth. Where project cost estimates include excess capacity for service beyond normal growth, project approval is based solely on that portion of the project needed to eliminate the public health or compliance concerns for the existing and reasonably expected future customers.

Although the project applicant may receive a DEP permit to construct whatever size facility it deems appropriate and which meets DEP design standards, the awarding of PENNVEST CWSRF funding is limited to those costs, which meet these criteria.

All CWSRF projects are ranked and funded based upon the rating criteria agreed upon by Pennsylvania and EPA. Some projects may obtain an updated rating based upon information provided by the project sponsor at the time of application. Pennsylvania has state funds that may be used for projects as well. If a project is included on the original IUP as CWSRF- eligible, and the review and ranking process concludes that it is not CWSRF eligible, it will be bypassed and potentially funded through non-CWSRF funding sources. Other CWSRF- eligible and ranked projects would move onto the IUP to fill any resulting gaps. A brief description of each project on the IUP list is included following the list.

### ***IUP and PPL Amendment Process***

Annually, as part of the CWSRF Annual Report, DEP/PENNVEST will submit to EPA one PPL and one IUP/fundable list for EPA's review and approval of all projects that have been approved for funding during the prior year. This post approval amendment process will allow for multiple PENNVEST board meetings and amendments throughout the year and is based on the experience that has been developed over the years. Additionally, a brief description of the environmental or public health concerns and descriptions of all new projects will be included. EPA will review and approve these revisions as part of its annual review process.

Should a project be approved by PENNVEST and included on the IUP/PPL that subsequently is found to not be an eligible project, it will be removed and any funds that have been expended will be reimbursed to the fund.

Pennsylvania plans to apply for any stimulus funding that may be appropriated by Congress for FFY 2025. Projects may be added to the IUP from the PPL in priority order, subject to readiness-to-proceed and bypass procedures.

**Clean Water State Revolving Fund Intended Use Plan SFY25-26  
Multiple Federal Grants**

***Project Classification Process***

With the passage of WRRDA and the development of revisions to PENNVEST regulations, it became evident that a clear process for the classification of wastewater, stormwater, and nonpoint source projects was needed. This classification process:

1. Facilitates the application of the appropriate federal requirements, including those established under WRRDA. This is especially important for Section 212, Treatment Works projects. Pennsylvania has determined these projects include wastewater projects only. The logic behind this definition is described in Attachment 6, Policy Statement – Definition of Treatment Works.
2. Separates stormwater projects from nonpoint source projects for the purpose of ranking, reviewing, and project management.
3. Further defines which projects are categorically green under the criteria for “green infrastructure” as defined by the EPA Grant Guidance, “2012 Clean Water and Drinking Water State Revolving Fund 10% Green Project Reserve: Guidance for Determining Project Eligibility” dated April 2012. A memorandum dated February 21, 2017 was issued removing business case requirement.

This classification process is illustrated in the flowchart in Attachment 6. It is based on the problem being solved and the types of practices being used to solve the problem. DEP will use this flow chart to define each project as part of the application review process before the project is ranked and recommended for funding.

***Wastewater Projects***

Attachment 1 - Project Priority List for Wastewater Projects identifies the applicants and projects expected to need CWSRF funds within the next twelve to eighteen months. Project ranking follows Attachment 3 - Wastewater Project Ranking Criteria, the criteria identified in Section 10(b) of Act 16 of 1988 and in Title 25, Section 963.8 of the PENNVEST regulations. Projects included in the IUP are selected from the PPL.

***Green Infrastructure Projects***

Pennsylvania proposes to utilize at least 10% of the Base Grant, 10% of the General Supplemental Grant and 10% of the Emerging Contaminants Grant to fund green infrastructure projects as defined by EPA to include the following categories:

1. Water efficiency
2. Energy efficiency
3. Green Infrastructure (Nonpoint Source Projects)

**Clean Water State Revolving Fund Intended Use Plan SFY25-26  
Multiple Federal Grants**

4. Environmentally innovative

Procedures for determining which projects are categorically green will be implemented consistent with the EPA Grant Guidance, “2012 Clean Water and Drinking Water State Revolving Fund 10% Green Project Reserve: Guidance for Determining Project Eligibility” dated April 2012. The PPL will identify which projects are “green” and which green category the project addresses.

***Nonpoint Source Projects***

The 1994 CWSRF Grant Application included funding for the Pennsylvania On-lot Sewage Program for repairing and replacing individual on-lot systems. Under this IUP, Pennsylvania will continue to allocate capitalization grant funds to implement its On-lot Sewage Disposal System Loan Program. As with previous capitalization grants, the allocation will be equal to the amount expected to be utilized during the year. The loans are used to repair or replace malfunctioning on-lot sewage disposal systems or install/replace private laterals and the necessary connections into an existing wastewater treatment system, eliminating related groundwater and stream contamination problems. This program is a cooperative effort among PENNVEST, the Pennsylvania Housing Finance Agency (PHFA), DEP, and local financial institutions to provide funding to address the public health and environmental needs which result from malfunctioning on-lot systems in areas where public collection and treatment facilities are not currently practical. Eligible costs include all testing, design, permits, and construction costs associated with the repair, rehabilitation, improvement, expansion or replacement of an existing individual on-lot sewage disposal system or all costs associated with the installation of all necessary pipes and appurtenances outside of the home to convey the individual homeowner's sewage to an existing wastewater treatment system. This program will complement other state sourced efforts to aid in nonpoint source pollution reduction. As of January 31, 2025, a total of \$27,966,556 has been set aside for the on-lot loan program. As of January 31, 2025, \$21,798,016 in on-lot loans has been settled, in cooperation with Pennsylvania Housing Finance Agency.

In this application Pennsylvania proposes to use a portion of the CWSRF capitalization grant to fund the Nonpoint Source Program that was created in 2010. Projects designed to address the three top sources of nonpoint source pollution, as identified in the Commonwealth's approved Section 319 Nonpoint Source Management Program Plan; resource extraction, agriculture, and urban runoff, will be implemented through this program. Attachment 4 is the ranking framework used to prioritize these projects.

Pennsylvania also plans to use a portion of the CWSRF funds to assist with groundwater cleanup and site remediation efforts under the Commonwealth's Land Recycling Program, commonly referred to as the “Brownfields” program. The DEP Bureau of Environmental Cleanup and Brownfields oversees the implementation of the Land Recycling Program. The Bureau currently maintains an inventory of more than 1,000 sites in the Commonwealth,

**Clean Water State Revolving Fund Intended Use Plan SFY25-26  
Multiple Federal Grants**

which serves as the basis for prioritizing and scheduling site assessments and cleanups. Brownfield projects supported with these funds are consistent with Pennsylvania's approved Section 319 Nonpoint Source Management Program as defined in the Nonpoint Source Management Plan.

***Stormwater Projects***

In 1992, PENNVEST began utilizing state funds to provide low interest loans to construct, improve and rehabilitate public stormwater facilities to address urban runoff. Facilities eligible for this funding are: (1) new or updated storm sewer systems to reduce stormwater flooding or to separate stormwater from sanitary sewers and (2) detention basins to control stormwater runoff. Consistent with PENNVEST statute, Pennsylvania's stormwater management regulations, and the addition under WRRDA of eligible activities for CWSRF funding to "manage, reduce, treat, or recapture stormwater or subsurface drainage water", investment in the construction of the more traditional "bricks and mortar" type projects may be necessary. Attachment 5 is the ranking framework for these projects.

***PA State-Level Riparian Buffer Program***

PA Department of Conservation and Natural Resources (DCNR) and a broad partnership of public and nonprofit partners are developing a state-level riparian buffer program as an additional tool to encourage landowners to voluntarily install buffers along creeks to improve water quality. The program will encourage broader participation than is currently active in the state through wider landowner eligibility, greater design flexibility, and – most importantly – added incentives for participating landowners to generate income from their buffer plantings beyond a 15-foot minimum "natural buffer" zone. DCNR's goal is to help the state meet its Chesapeake Bay goal of 95,000 acres of new riparian forested buffers by 2025. PENNVEST grant funding at first, and investment funds later, would be used to cover the cost of plant materials, installation, and three (3) years of maintenance. The purpose of the grant funding is to support platform set up, and to development a business plan for future investment. A portion of the annual income produced by the buffers will be used to provide capital payback over a set time period. DCNR will contract these funds to third-party conservation groups to do the outreach, installation, and maintenance, with DCNR's forestry staff providing technical assistance. Landowner agreements will define minimum establishment periods for the buffers and the pay-back mechanisms, while DEP will oversee acreage reporting and verification. Program evaluation, verification and reporting is ongoing.

***Small Projects Initiative***

While PENNVEST's traditional assistance programs meet the needs of most potential funding applicants, many lower cost projects in small communities are presently not

**Clean Water State Revolving Fund Intended Use Plan SFY25-26**  
**Multiple Federal Grants**

accessing the PENNVEST program for funding, in part due to the expense in complying with additional terms tied to the funds and the time delay between application and funding offer. To address these issues, effective July 1, 2020, the PENNVEST Board allocated \$15,000,000 to the Small Project Initiative (SPI) program. Here, capital projects less than \$1,000,000 in total project costs can receive up to \$500,000 of PENNVEST funding. To date, \$7,869,381 has been expended under the program to 21 projects.

Program authorization by the PENNVEST Board has generally authorizing staff to conduct an expedited review on the applications and make the funding awards. The SPI funding awards are in the form of low interest loans only, no extended term bond purchases, grants, or principal forgiveness loans. The reviews and approvals are expedited at the staff level reducing the time it takes to receive an award.

***Programmatic Financing***

Many large government-owned and private drinking water and wastewater utilities use the tax-exempt market to fund infrastructure projects identified in their comprehensive capital improvement plans (CIP). A CIP includes projects the utility intends to implement over the next few years. Governmental utilities sell general obligation or revenue bonds to fund their projects whereas the private utilities use an asset backed security. In all cases the cost of borrowing at market interest rates is passed on to the customer through the rate structure.

Project by project funding through either Pennsylvania or the market often results in a sudden spike to the user rate to accommodate the debt repayment.

Programmatic Financing (“Pro Fi”) is better aligned with Pennsylvania’s funding with the needs of the utilities. In brief, Pro Fi shifts the traditional project-specific lending strategy to one that is more congruent with the utility planning model, matching the funding approval to the annual (or multi-year) cash flow needs of the utility. Instead of issuing a binding commitment for a certain amount of dollars for a single project, a Pro Fi funding package funds a CIP (in entirety or in part) for a group of clean water projects so long as each individual project is eligible and prepared in compliance with program requirements. This helps develop strong lasting relationships with the larger private and government owned utilities as repeat borrowers, allows Pennsylvania to extend the subsidies of the program to the benefit of the residential customers, and ensure funding is available to facilitate timely replacement of deteriorating infrastructure.

**C. Determination of Financing Rates**

Pennsylvania uses a financial capability analysis to determine the funding amount, loan interest rate, repayment period and/or any principal forgiveness. A further description of this analysis is below. All projects are new; therefore, we do not anticipate using refinancing provisions under the CWSRF this year.