

**State of Vermont  
Clean Water State Revolving Fund**

**Program Evaluation Report**

**SFY 2023  
(7/1/2022 – 6/30/2023)**

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## I. INTRODUCTION

Title VI of the Clean Water Act (CWA) of 1987 established the Clean Water State Revolving Fund (CWSRF) program as an innovative replacement for the federal Construction Grants program. The CWSRF Program helps fund traditional municipal wastewater treatment and collection system infrastructure projects. It is also available to fund a wide variety of water quality improvement projects including all types of nonpoint source, watershed protection or restoration, and estuary management projects.

Section 606(e) of CWA Title VI requires EPA to conduct an Annual Review to assess the State's progress in the implementation of its CWSRF program. The ultimate objective of the Annual Review is to ensure that the State's CWSRF program is designed and operated to provide on-going financial assistance for water pollution control activities.

On November 15, 2021, President Biden signed the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) or 2021, (P.L. 117-58). The BIL appropriates more than \$43 billion to be administered through the existing CWSRF and DWSRF programs from federal fiscal years (FFYs) 2022 through 2026. During these fiscal years, the BIL created two annual appropriations in addition to the base CWSRF program:

- CWSRF General Supplemental, and
- CWSRF Emerging Contaminants.

Additionally, the BIL made amendments to Title VI of the CWA: reauthorized the CWSRF program at elevated levels from FY 2022 through 2026, expanded allowable forms of CWA 603(i) Additional Subsidy, established an Additional Subsidy range of 10% to 30% when the national amount appropriated exceeds \$1 billion, allowed up to 2% of capitalization grants to be used for Technical Assistance and added the Build America, Buy America procurement requirements to SRF federally funded projects.

This document, the Program Evaluation Report (PER), summarizes EPA's Annual Review of the Vermont CWSRF program for the period of SFY 2023 (7/1/2022 – 6/30/2023) and will serve as the basis for actions taken by the State and as a point of future reference for the Region. The Annual Review took place on May 7<sup>th</sup> through 9<sup>th</sup>, 2024 and was conducted in accordance with EPA's Annual Review Guidance, including a document review, discussions with state staff, project file review, financial transaction testing, and completion of nationally standardized programmatic, financial, and project file checklists.

## II. PRE-ONSITE REVIEW

EPA reviewed the following documents prior to the on-site review: Operating Agreement, Annual Report, State Environmental Review Process (SERP), Intended Use Plan (IUP), Independent Audit Report, Single Audit Report, Clean Water SRF Data System Reports, Financial Accountability and Transparency Act (FFATA) Reports, and Compass Reports. This document review provided the information necessary to answer some of the questions in the Annual Review Checklist developed by EPA Headquarters and to complete the sections below.

### ***a. Awards to Date and Summary CWSRF Statistics***

The Vermont Department of Environmental Conservation (VT DEC) received their 2022 CWSRF capitalization grants in the amounts of \$5,681,000 for the base, \$8,738,000 for BIL Supplemental, and \$459,000 for BIL Emerging Contaminants during SFY 2023. The CWSRF capitalization grants awarded during SFY 2023 are summarized in Table 1. 2022 Vermont

CWSRF Capitalization Grant Awards. below. As of June 30, 2023, EPA has awarded the VT DEC a total of \$253,944,706 in CWSRF funding since the inception of the CWSRF program.

**Table 1.** 2022 Vermont CWSRF Capitalization Grant Awards.

	Award Amount	Award Date
<b>Base CWSRF Grant</b>	\$5,681,000	8/4/2022
<b>BIL CWSRF Supplemental Grant</b>	\$8,738,000	8/4/2022
<b>BIL CWSRF EC Grant</b>	\$459,000	8/4/2022

The review provided EPA with a snapshot of the program’s financial status, allowing EPA to determine compliance with the binding commitment requirement and the financial status of the state’s CWSRF program. Key SFY 2023 and cumulative information on the program is listed in Table 2.

**Table 2.** Summary annual and cumulative statistics for Vermont’s CWSRF program.

	SFY 2023	Cumulative as of 6/30/2023
<b>Total State Match<sup>1</sup></b>	\$2,010,000	\$45,981,703
<b>Repayments (principal and interest)<sup>2</sup></b>	\$9,323,038	\$193,278,913
<b>Interest Earnings on Investments<sup>3</sup></b>	\$3,147,874	\$12,568,839
<b>Bond Proceeds<sup>4</sup></b>	\$0	\$0
<b>Administrative Expenses Paid Outside the CWSRF<sup>5</sup></b>	\$1,650,000	\$12,004,670

The binding commitment requirement is a cumulative requirement. As the Base and BIL Supplemental funding has the same eligibilities, the binding commitment for both grants are tracked together. With the BIL EC grant funding having specific eligibilities associated with the funds that differ from the base CWSRF, the binding commitments for the BIL EC grants must start over beginning with the 2022 BIL EC grant. The summary of the binding commitment requirement review is listed in Table 3. Summary binding commitments for Vermont’s CWSRF program.. At the time of the annual review the EC grant had not met its binding commitment requirements and was in non-compliance, however after discussion with the state about the reallocated funds, an update to the payment schedule was started in conjunction with the amendment. The amendment was completed during the development of the PER to add the reallocated funds. A follow-up amendment included an update to the disbursement schedule for EC funds by pushing all funds back to the last quarter available (Q4FY24) bringing the 2022 BIL EC grant into compliance.

**Action Item:** Ensure that progress is being made to meet the binding commitment requirements for the Emerging Contaminant BIL Grants.

<sup>1</sup> NIMS lines 90 and 98, 91 and 99, respectively.

<sup>2</sup> NIMS lines 236 and 239, respectively.

<sup>3</sup> NIMS lines 241 and 242, respectively.

<sup>4</sup> NIMS lines 209 and 217, respectively.

<sup>5</sup> NIMS lines 247 and 248, respectively.

**Table 3.** Summary binding commitments for Vermont’s CWSRF program.

	SFY 2023	Cumulative as of 6/30/2023
<b>Base (includes BIL Supplemental)</b>		
Number of agreements <sup>6</sup>	21	315
Dollar Amount <sup>7</sup>	\$9,566,352	\$367,313,773
Amount in Excess of Required Commitments		\$86,267,602
<b>BIL EC</b>		
Number of agreements	0	0
Dollar Amount	\$0	\$0
Amount in Excess of Required Commitments	-	-

A note on Table 3, the number of agreements included is the number of initial agreements. As several agreements often fund a given project through amendments, there are more total agreements than initial agreements. In SFY23, there were 50 total agreements made, and 21 of them were new.

**b. Financial Indicators<sup>8</sup>**

Many of the indicators are incorporated into the Government Performance and Results Act (GPRA) annual performance goals for the CWSRF program. These financial indicators are tools which help EPA understand and assess a State’s SRF program within the Region. The values are calculated using the data which the State provides in the SRF Data System report each year.

EPA’s Office of Water released their memorandum titled “*Maximizing Water Quality and Public Health Benefits by Ensuring Expeditious and Timely Use of All State Revolving Fund Resources*”, referred to as *Timely and Expeditious Memo*, on January 31<sup>st</sup>, 2024. This memorandum establishes firm parameters with the intention of providing a clear direction in relation to timely and expeditious benchmarks needed to enhance environmental protection and public health of the Nation’s wastewater and drinking water infrastructure. The memorandum specifically notates that the Undisbursed Funds to Average Disbursements Ratio has an established exceptional rated level of **under one years’ worth of undisbursed funds**, adequate rated level of **two years’ worth of undisbursed funds** and an unacceptable rated level of **five years’ worth of undisbursed funds or greater**. The memo also reaffirms the states have a **two federal fiscal year limit** to apply for and for EPA to award the federal capitalization grants to the states. Additionally, the commitment requirement of the states allows **one year** from funds receipt to a signed final assistance agreement with an emphasis that this

<sup>6</sup> NIMS lines 116 and 117, respectively.

<sup>7</sup> NIMS lines 109 and 110, respectively.

<sup>8</sup> Indicators are provided under EPA memoranda: “Implementation of CWSRF Financial Indicators” dated October 31, 2000 and additionally EPA memoranda: “Implementation of Additional SRF Financial Indicators” dated April 26, 2018

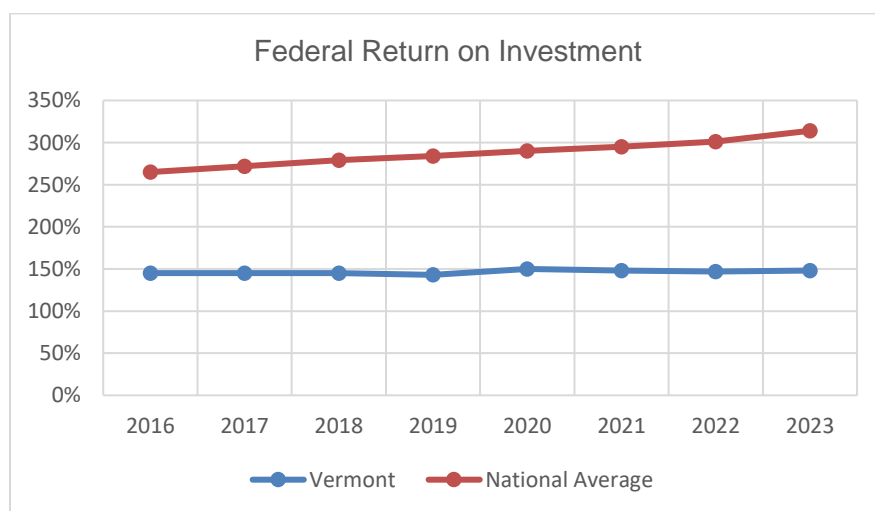
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requirement applies to all funds in an SRF program, not just the federal capitalization grant funds.

It is also worth noting that the memorandum acknowledges that the influx of additional federal funding from the BIL brings short-term challenges to the states in being able to meet these firm parameters. Although the Timely and Expeditious Memo establishes benchmarks on several financial indicators, EPA Region 1 recognizes that several factors can impact indicators and are approaching the review looking at overall financial health of the program.

The **Federal Return on Investment** indicator shows how many dollars of assistance were disbursed to eligible borrowers for each federal dollar drawn. The State of Vermont is disbursing funds at a rate of 148%. This indicates that for every federal dollar expended, approximately \$1.48 of assistance is disbursed through Vermont's CWSRF program. This percentage falls much lower than the current national average of 314% and Vermont's Federal Return has remained approximately the same over the last 7 years as shown in Figure 1. An important distinction for the current national average is that it is weighted higher as it includes leveraged state programs. With leveraging, they can include the added leveraged bond investments to the cumulative assistance totals. Even so, Vermont DEC continues to execute a large number of planning and design loans each year but has not committed as much funding to construction projects which leads to the lower Federal Return on Investment indicator. With the introduction of BIL, the CWSRF will see higher demands for funding important wastewater infrastructure projects and Emerging Contaminant projects. EPA will continue to monitor this trend hoping that, with the introduction of BIL and new staff helping to execute longstanding projects into construction phases as noted by Vermont's IUP, that their Federal Return should increase to above 150%.

**Figure 1. Federal Return on Investment**

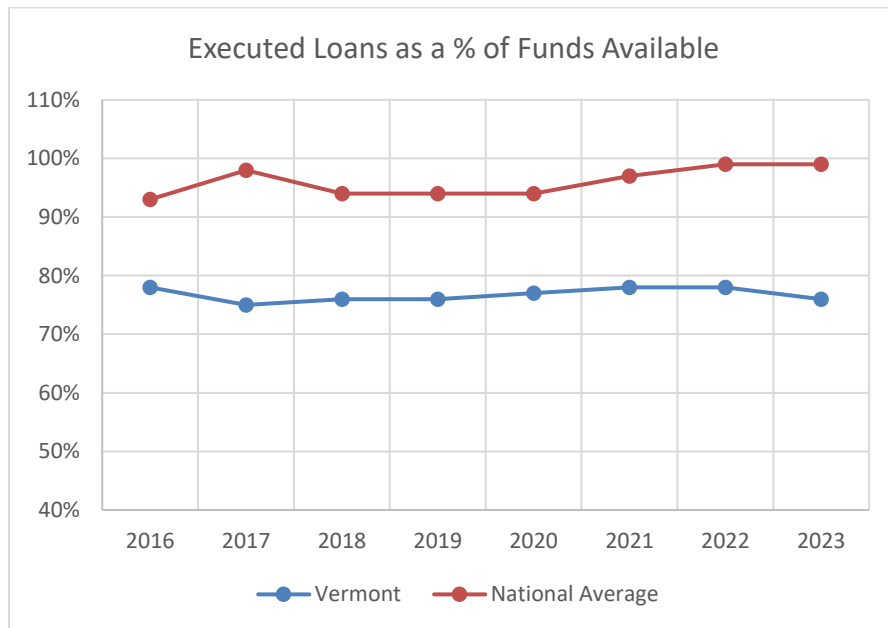


The **Executed Loans as a Percent of Funds Available** indicator measures the dollar amount of executed loan agreements to the cumulative dollar amount of funds available for loans. It is one indicator that measures the **Pace** of the program by gauging how quickly funds are made available to finance CWSRF projects. This indicator has a wide range of values and can exceed 100% for those states that have adopted an advanced loan approval approach, which makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. Vermont is proceeding to convert its CWSRF available funds into

executed loans at a rate of 76%. When compared to the national average of 99%, Vermont's Pace falls exceptionally low. Vermont CWSRF provided important details that have correlated to the slowing execution of loans including heavy turnover of key staff members and recipients extending their commitment to coming in for construction loans. Because of certain issues that require more extensive resolution, EPA will be conducting formal check-ins twice in the next fiscal year. EPA will coordinate with Vermont CWSRF staff to find the best dates and times for these check-ins.

**Action Item:** Coordinate with EPA to schedule two check-ins in the upcoming fiscal year. The dates should be scheduled by November 1, 2024.

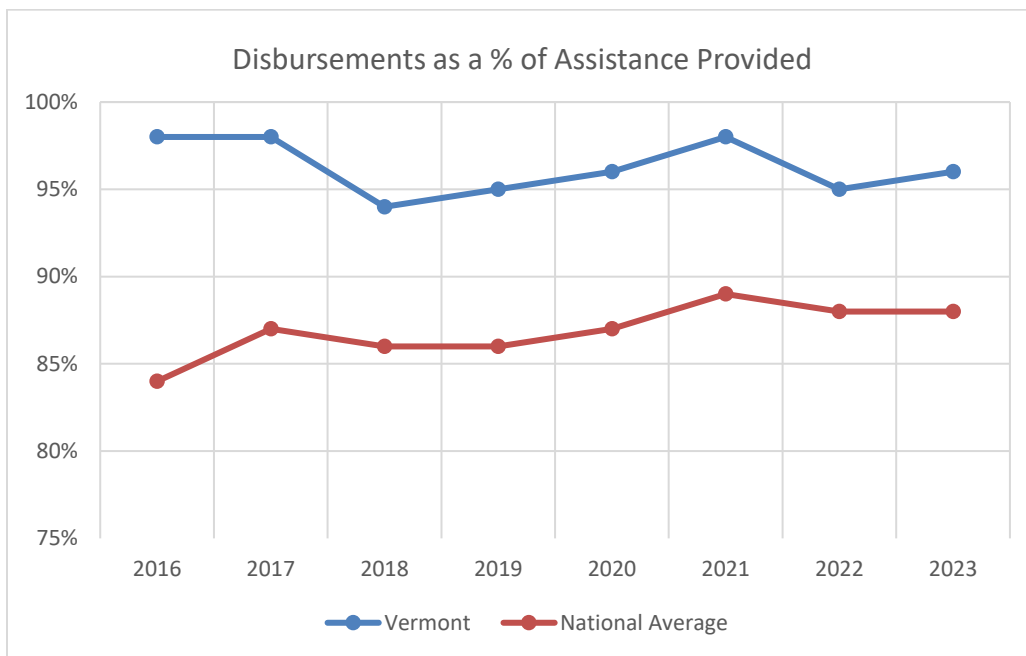
**Figure 2.** Executed Loans as a Percent of Funds Available



The **Project Disbursements as a Percent of Assistance Provided** indicator measures the speed at which projects are proceeding to completion. This indicator shows the relationship between loan disbursements and the total amount of funding provided. This indicator has a wide range of values but will not exceed 100% as that would indicate disbursing funds in excess of the funds committed. Vermont is proceeding at a 96% rate, an increasing rate from previous years and greater than the current national average of 88%. EPA commends Vermont staff for committing consistent effort in disbursing funds at the optimal rate of above 95% and, as shown in Figure 3, consistently paced better than the national average.

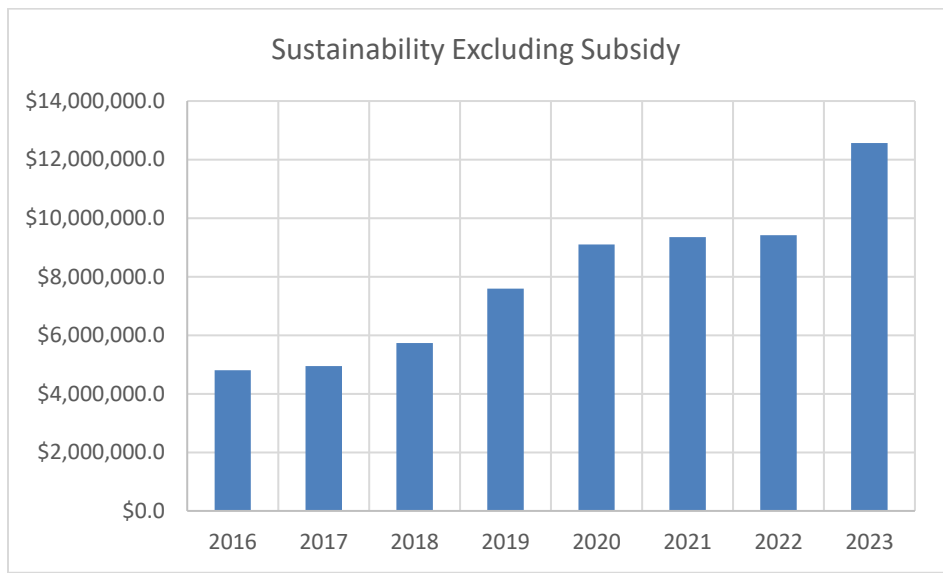


**Figure 3. Project Disbursements as a Percent of Assistance Provided**



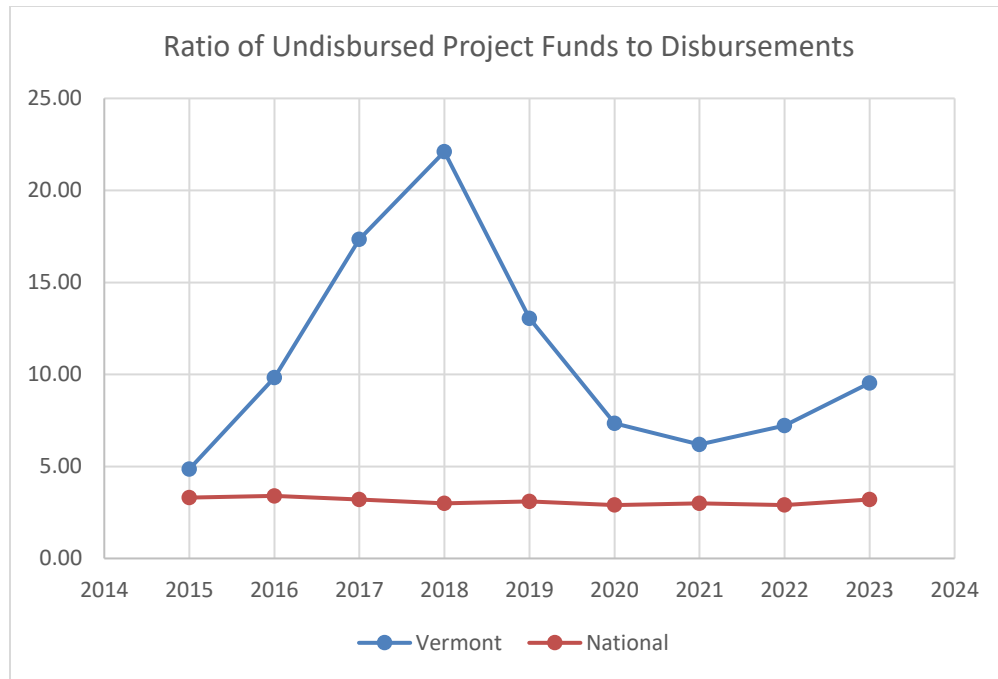
The **Sustainability Excluding Subsidy** indicator seeks to gauge how well the State’s CWSRF fund is maintaining the invested capital, without making adjustments for loss of purchasing power due to inflation. Sustainability is a measure of Perpetuity, which is a measure of the amount of net earnings that has been generated by the operations of the CWSRF program. This indicator measures the dollars that have been returned to the CWSRF over and above the initial Federal grants and State match deposits. These will contribute to the viability of the CWSRF and enable it to exist in perpetuity as intended by Title VI of the CWA. This value should be greater than \$0 (no net earnings). The Sustainability indicator for the State of Vermont has reached over \$12.5 Million in SFY 2023. As such, Vermont’s CWSRF program health appears to continue to perpetuate as a steady increase in available repayment funds since 2017. EPA expects that through the BIL’s lifetime, this indicator will continue to exhibit positive increase as more loans and interest earnings continue to circulate throughout the program.

**Figure 4. Sustainability Excluding Subsidy**



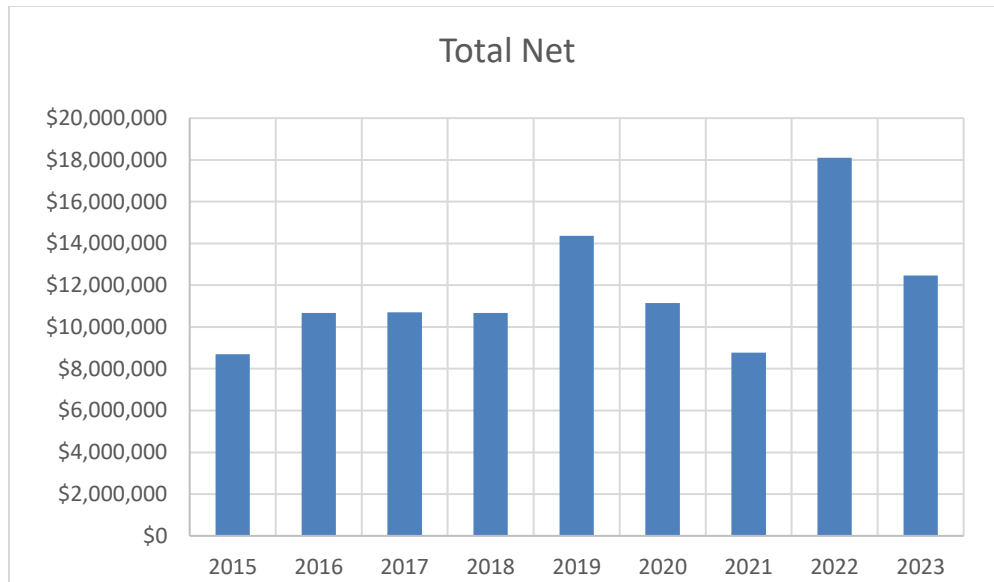
The **Ratio of Undisbursed Project Funds to Disbursements** evaluates how efficiently SRF funds are revolving (and thus, balancing inflows and outflows) by examining a program’s disbursement rate over a set time period and comparing it to the amount of cash on hand. The results of this measure reflect the number of years it would take to spend the cash on hand, assuming the future disbursements are consistent with average annual disbursements over the past three years. The State of Vermont has approximately 9.53 years’ worth of undisbursed funds on hand in SFY 2023, a metric that is significantly higher than the expected metrics set in the Timely and Expeditious memo. By comparing it to the national average of 3.2, this means the Vermont CWSRF program takes approximately triple the time it takes to disburse all the SRF funds to wastewater projects as the current national average. Even though there was incredible effort back in 2018-2020 to lowering the undisbursed project funds from 22.1 years, the slowing timeline for construction projects to come through to shovel ready status and project disbursement has kept this indicator from improving. Alongside the Pace indicator, this will be added as part of an ongoing financial assessment as part of the Action Item mentioned above.

**Figure 5. Ratio of Undisbursed Project Funds to Disbursements**



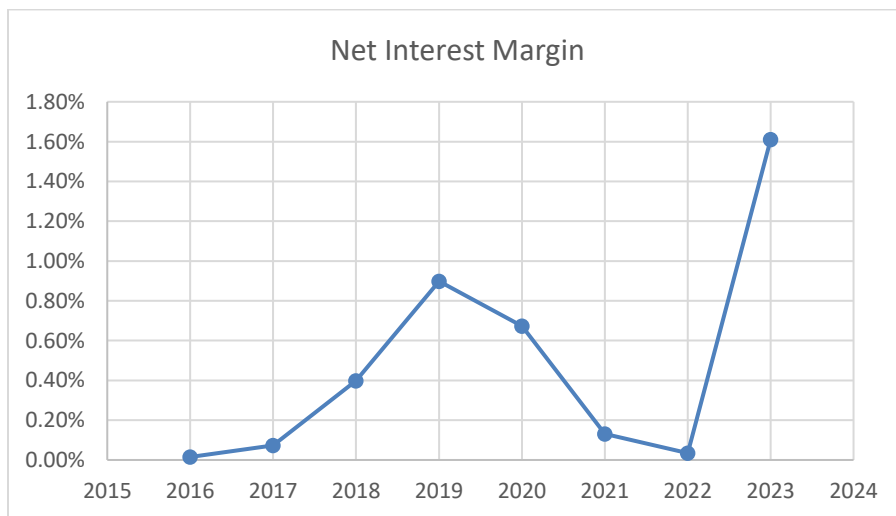
**Total Net** measures the extent by which internal growth is generating additional funding for new projects. It accomplishes this by taking the total cash inflows generated by ongoing loan and investment activity and subtracting out debt service payments from outstanding match and leveraged bonds. New federal capitalization grants and leveraged bond issues are also excluded from this calculation. This measure reflects the amount of new annual project funding generated solely from net repayments. Vermont's total net is over \$12 million which has dropped from FY22's total net of \$18 million. The big shift was due to a lower Annual Loan Principal from \$18 million to \$9 million meaning Vermont CWSRF executed half in total new loans in FY23 compared to FY22. EPA will continue to work alongside Vermont DEC to increase annual loan principals for upcoming fiscal years as part of the ongoing fiscal effort included in the Action Item mentioned above.

**Figure 6. Total Net**



**Net Interest Margin** measures the net rate of return (as a percentage) the SRF is generating from its Total Assets through loans and investments after accounting for the interest expenses associated with match and leveraged bonds. It differs from the existing Retained Earnings metric because it does not include Match Bond Principal as an expense. Vermont's net interest margin is 1.61% which includes an increase from 2022 and is the highest margin in the past 7 years. While new executed loans have decreased from 2022, their investment interests increased to over \$3 million which has helped increase the margin greatly. EPA commends the stability the Vermont CWSRF program maintains with their existing recipients and continue with the existing SRF projects.

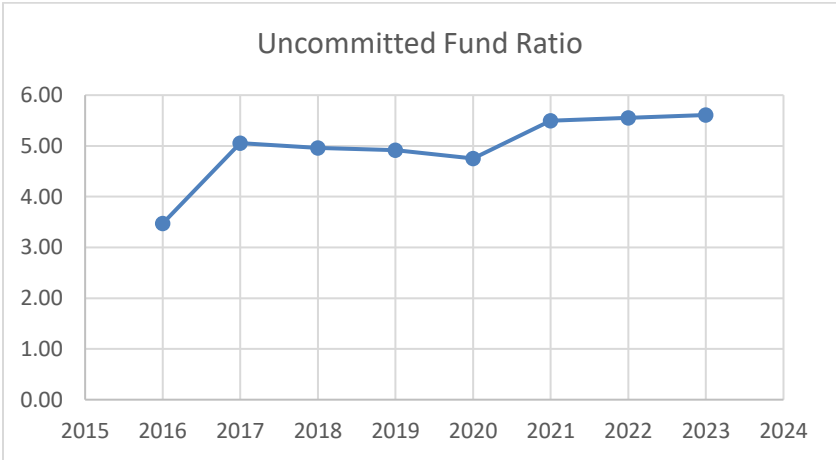
**Figure 7. Net Interest Margin**



**Uncommitted Funds**

EPA Headquarters has developed a ratio to assist the EPA Regions on assessing the amount of uncommitted funds a state has at the end of each fiscal year. Uncommitted funds include federal and non-federal funds, repayments, state match, interest earnings, and bond proceeds (when applicable). The ratio is calculated by taking the amount of all available (uncommitted) funds at the end of the fiscal year and determining how many years it would take to draw down that amount based on the average drawdown rate over the last 3 years of disbursements. The unofficial goal is to have a ratio less than 2.0 which represents having less than 2 years of uncommitted funds. As of June 30, 2023, Vermont has an uncommitted fund ratio of 5.61. This ratio has remained consistently high for the past several years and the state continues to maintain a high uncommitted balance. EPA has included financial conversations and goals in the Action Item mentioned in the Pace section and the Uncommitted Funds Ratio will also be discussed during those financial meetings. Pace, Undisbursed Funds, and Uncommitted Funds Ratio all have a strong correlation to higher loan activity. Higher yields in recipients coming for construction SRF loans would show improvements to all 3 indicators. Vermont has agreed to make ongoing changes alongside EPA’s guidance and, as of 7/1/2024, Vermont CW has committed \$4,503,805. Considering the total funds available including the FY23 cap grants, Vermont CW should commit approximately \$10 million to increase their cumulative assistance. EPA will engage in ongoing financial planning conversations in the upcoming fiscal cycle to reach that \$10 million goal.

**Figure 8.** Uncommitted Funds



**c. Financial Audit**

Independent financial audits are conducted annually to determine whether SRF financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB). Additionally, the audit should determine if there are any weaknesses in internal controls regarding the oversight of SRF funds and if the state is in compliance with respect to laws, regulations and the provisions of SRF capitalization grants.

On, December 5, 2023, as well as January 26th, 2024, CliftonLarsonAllen LLP (CLA) issued the “State of Vermont Special Environmental Revolving Fund” and “State of Vermont Report on the Audit of the Financial Statements”, respectively for the fiscal year ending June 30th, 2023, associated with the financial position, and accompanying notes to the financial statements of Vermont’s CWSRF program. The first audit report was solely an independent audit conducted of

the Vermont SRF specific financial statements and the second audit report was the State of Vermont Statewide Single Audit that includes a Single Audit section for the Vermont SRF program. CLA conducted the audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Vermont CWSRF received an unmodified opinion of the financial statements for both audit reports completed by CLA. Both audits did not report any significant findings that pertain to the Vermont SRF program. In their opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2023.

### III. FINANCIAL REVIEW

EPA Region 1 Financial Analysts thank state staff for making themselves available for interviews and meetings during the financial review. The information gathered during interviews with state staff was used to complete the Annual Review Checklist developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place.

#### **a. Transaction Testing**

In accordance with the EPA’s Oversight Plan, Table 4 shows the 2 cash draws reviewed for the CWSRF program. The selected sample below reflects the statistical sample of transactions selected by OCFO during the recent federal fiscal year. EPA HQ directed those transactions be selected based on the federal fiscal year rather than the state fiscal year. Therefore, some of the transactions selected are between July 1, 2023, and September 30, 2023.

**Table 4.** Cash draws selected for transaction testing.

Date of Cash Draw	Amount of Cash Draw	Description of Transaction
02/01/2023	\$127,807.98	Project draw from grant # CS50000120
08/02/2023	\$72,729.70	EC draw from grant # 4C50000222

These transactions did not duplicate any of the transactions sampled during previous reviews and all items appeared to be eligible under the CWSRF program. The back-up documents associated with these payment requests were reviewed in detail by the contractor to complete the transaction testing worksheets developed by EPA Headquarters. EPA Region 1 found Vermont DEC staff to be very cooperative in providing well-organized documentation for the draws requested and answering any questions asked.

Review of the above transactions by the contractor determined that each cash draw transaction occurred within a timely manner and there were no improper payments.

#### **b. Proportionality**

The proportionality requirement will no longer apply to cash draws from capitalization grants awarded after November 18, 2022, the date of the class exception from the cash draw rules. Future SRF annual reviews will not test for the proportionality requirement based on this class exception approval. Vermont has been using the 100% state match disbursement method.

**c. State Match**

Vermont DEC receives their state match funding from the Biennial Capital Bill (State General Obligation Bonds). For the 2023 capitalization grants, VT utilized the extra deposited state match from November 2022 of \$412,019, in addition to the amount appropriated by the Governor on June 14, 2023, equaling \$1,347,881, giving a total state match of \$1,759,900. The final deposit was made on October 26, 2023. This covered the required 20% state match for Base of \$736,600 and the 10% state match for General Supplemental of \$1,023,300.

**IV. PROGRAMMATIC AND PROJECT REVIEWS**

EPA Region 1 project officers thank state staff for making themselves available for interviews and meetings during the programmatic review. The information gathered during interviews with state staff was used to complete the Annual Review Checklist and Project File Review Checklist developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place.

**a. Project File Reviews**

In accordance with the EPA's Oversight Plan, Project File Review Checklists were completed for the following 3 CWSRF projects:

<i>Project Files for this Review</i>	
<i>Town of Castleton [RF1-262-1.1] WWTF and Collection System Evaluation</i>	<i>\$2,500,000.00 Loan Date: 10/11/2022</i>
<i>Town of Hartford [RF1-291-3.0] Main Street Contract II Project</i>	<i>\$750,000.00 Loan Date: 5/17/2022</i>
<i>Town of Woodstock [RF1-266-2.0] South Woodstock WWTF Upgrade</i>	<i>\$2,510,248.00 Loan Date: 4/19/2022</i>

Project, construction, and administrative loan files were examined to ensure projects are managed consistent with federal regulations and policies governing the CWSRF program. Additionally, files were checked for the inclusion of documentation to verify compliance with all applicable CWSRF programmatic and financial requirements.

All projects reviewed included most of the required documentation, however some trends were noted across all projects, such as the absence of the Magnusson-Stevens Fisheries Act and Sole Source Aquifer from the environmental review crosscutter checklist.

Additional details specific to each project file review are as follows:

Town of Castleton: Project checklists appeared to include an error where Yes, No, and N/A were all selected for compliance with DBE requirement making confirmation of compliance difficult to determine. The project is in the OWSRF EPA data system and a Certificate of Final Review was in the project file documents, however the completion date was not updated in OWSRF at the time of the review. This was corrected following the review during the development of the PER. The Region would like to reiterate that keeping OWSRF as up to date

as possible helps show a complete picture of the program and recommends project completion data be entered promptly.

Town of Woodstock: Davis-Bacon requirements are generally included in Section 19.13 - Federal Wage and Fringe Rate Requirements in the contract and requirement is referenced however the full term and condition is not included in the contract as is required.

**Action Item:** Update the standard Environmental Review checklist to include the Magnusson-Stevens Fisheries Act and Sole Source Aquifer. Please complete this update and notify the project officer of the completion by November 1<sup>st</sup>.

**Status:** This was completed by the State prior to finalization of the PER

**Action Item:** Ensure that project checklists are formatted in a way that the correct information can be entered. Please complete this update and notify the project officer of the completion by November 1<sup>st</sup>.

**Action Item:** Ensure that all contracts include the Davis-Bacon language from the capitalization grant term and condition. Note that as the term and condition changes, the language included in contracts should also change. Please ensure that that the template language is updated and notify the project officer of the completion by November 1<sup>st</sup>.

#### ***b. Equivalency***

Vermont currently applies equivalency to the following requirements:

- Federal Funding Accountability and Transparency Act (FFATA)

All other equivalency requirements are applied to all CWSRF projects, regardless of source of funding. During the review the EPA discussed with Vermont how it is necessary to better define which projects are selected as equivalency projects specifically relating to how BABA will be implemented.

**Recommendation:** Develop a process for determining which projects will be equivalency projects earlier in the funding lifetime. Please develop a plan for this and provide the plan to the project officer by November 1<sup>st</sup>.

**Action Item:** Include the Telecom Equipment & Services 2 CFR 200.21 and Federal Flood Risk Management Standard (FFRMS) to the list of required crosscutters in the IUP and annual report.

**Action Item:** Include a list of the projects that are used to meet equivalency requirements in the Annual Report.

#### ***c. FFATA Reporting***

FFATA applies to all federal funding awarded after October 1, 2010. FFATA requirements are considered met when loan, contract, and set-aside activity has been reported to [www.fsr.gov](http://www.fsr.gov) in an amount equivalent to the full capitalization grant. Satisfied FFATA reporting amounts at the time of the review are shown in Table 5. FFATA Requirements



**Table 5. FFATA Requirements**

Funding Source/Grant	Required Amount	Already Reported	Left to be Reported
2019	\$7,779,000	\$7,779,000	\$0
2020	\$7,780,000	\$7,780,000	\$0
2021	\$7,779,000	\$7,779,000	\$0
2022 Base	\$5,681,000	\$5,340,140	\$340,860
2022 BIL	\$8,738,000	\$2,608,619	\$6,129,381
2022 EC	\$459,000	\$0	\$459,000

**d. Green Project Reserve (GPR)**

The GPR provision was determined to have been met for the 2021 capitalization grant requirements during the annual review last year. The GPR provision for the 2022 Appropriations Bill states that, to the extent that there are sufficient eligible project applications, at least 10 percent of the capitalization grant shall be used for projects or components of projects that address energy efficiency, water efficiency, green infrastructure, or are environmentally innovative projects.

At the end of the SFY 2023 and according to the OWSRF data system, 1 GPR project has been committed to meet the 2022 Base requirement. See Table 6. Green Project Reserve Requirements as of 6/30/2023 below for more information.

**Table 6. Green Project Reserve Requirements as of 6/30/2023**

Funding Source/Grant	Requirement	Minimum Required	Amount Committed as of 6/30/2023
2022 Base	10% Minimum	\$568,100	\$2,000,000
2022 BIL	10% Minimum	\$873,800	\$0
2022 EC	10% Minimum	\$45,900	\$0

At the time of the annual review, the committed amount of GPR was entirely reported under the Base grant as shown in Table 7a. After following up with the state about this immediately after the review, the amount of GPR committed was distributed between the Base and BIL Supplemental grants as shown in Table 7b and meets the minimum requirements for both grants. There have been no proposals for Emerging Contaminant projects with a GPR component, but if any are proposed the state plans to fund them.

**Table 7:** Green Project Reserve Requirements as of 7/9/2024

Funding Source/ Grant	Requirement	Minimum Required	Amount Committed as of 7/9/2024
2022 Base	10% Minimum	\$568,100	\$1,000,000
2022 BIL	10% Minimum	\$873,800	\$1,000,000
2022 EC	10% Minimum	\$45,900	\$0

**Action Item:** Ensure that the GPR requirements are reported correctly in OWSRF for all future GPR projects. **Note:** For the 2022 grants this correction was made following the review and before the PER was finalized as shown in Table 7.

**e. Additional Subsidy Requirements**

EPA would like to commend the State on providing detailed disbursement information on additional subsidy on projects that were counted towards the 2016 through 2022 capitalization grants as of 6/30/2023. As is the case with the GPR requirements, the additional subsidy should be committed in executed loan agreements by the end of the federal fiscal year following the appropriations year. As of 6/30/2023, the 2022 Base, 2022 BIL, and 2022 EC additional subsidy requirements have not yet been met. See Table 8. Additional Subsidy Commitments and Disbursements for Open Grants below for more information.

**Table 8.** Additional Subsidy Commitments and Disbursements for Open Grants

Grant	Requirement	Committed as of 6/30/2023	Disbursed as of 6/30/2023 as reported in Annual Report
2017	Minimum - \$647,400 Maximum - \$2,589,600	\$2,587,689.90	\$1,660,520
2019	Minimum - \$777,900 Maximum - \$3,111,600	\$2,717,174.50	\$209,877
2020	Minimum - \$778,000 Maximum - \$3,112,000	\$3,067,971.77	\$727,441
2021	Minimum - \$777,900 Maximum - \$3,111,600	\$2,880,823.00	\$0
2022 Base	Minimum - \$1,136,200 Maximum - \$2,272,400	\$577,455.00	\$0
2022 BIL	\$4,281,620	OWSRF:\$1,645,360 AR:\$1,989,223	\$0
2022 EC	\$459,000	\$0	\$0

At the time of the annual review, OWSRF reporting and the annual report did not have matching Additional Subsidy commitments for each grant year. In the time since the annual review and the finalization of the PER, OWSRF was updated and includes matching values for all grants except the 2022 BIL Supplemental grant. Grant closeout is in progress for the 2017 grant.

**Action Item:** Ensure that Additional Subsidy is reporting correctly in OWSRF and the Annual Report.

**Action Item:** The Annual Report must contain an explanation of the reasons for the delay in the additional subsidy commitments into loan executions and provide a plan that identifies the project(s) that will use the remaining subsidy funds, along with milestones for each project showing the path to an executed agreement. The Annual Report should indicate the amount of additional subsidy from the previous years that must still be committed to projects.

**f. Justice40**

In January 2021, Executive Order 14008 – Tackling the Climate Crisis at Home and Abroad announced the Justice40 initiative, which mandates that at least 40% of the benefits of federal investments in climate and clean energy flow to disadvantaged communities. In July 2021, EPA received Interim Guidance to support implementation of Justice40 initiative. This guidance included six EPA programs as part of the Justice40 pilot, including the CWSRF. Helpful annual and cumulative information on Hardship communities is included in Table 9. Hardship or Disadvantaged Community Funding below. The table provides the reported number and dollar amount of assistance agreements that went to hardship communities.

**Table 9.** Hardship or Disadvantaged Community Funding

	SFY 2023	Cumulative as of 6/30/2023
<i>Number of Agreements<sup>9</sup></i>	6	16
<i>Dollar Amount<sup>10</sup></i>	\$6,057,239.00	\$11,409,371
<i>Additional Subsidy Dollar Amount Provided<sup>11</sup></i>	\$4,464,831.00	\$5,784,537.13

The state did not update their affordability criteria in the reporting year and continues to assign priority points to recipients meeting their affordability criteria. The state also uses the Environmental Finance Center (EFC) and other organization such as Vermont Rural Water and Rural Community Assistance Partnership (RCAP) Solutions to work with communities and to help them complete applications. One challenge the state is having is in assisting a portion of a communities that is disadvantaged but exists within a larger community with a higher MHI and thus as a whole doesn't qualify. The state is looking into ways to better carve out these communities to provide better assistance. The state is also looking to use the 2% TA authority to further assist communities meeting their affordability criteria but is working on accumulating several years of funds in order to maximize its value in a contract.

<sup>9</sup> NIMS lines 132 and 133, respectively.

<sup>10</sup> NIMS lines 130 and 131, respectively.

<sup>11</sup> OWSRF Assistance Agreement Report for hardship communities that received additional subsidy

During SFY23, the state updated its reporting of Hardship/DAC subsidy in OWSRF, so the cumulative amounts from last years PER and this years PER do not align, however as this reporting was corrected additional discrepancies are not expected.

**Recommendation:** Add a notation to the annual report subsidy table indicating which communities meet the state’s affordability criteria.

**Recommendation:** Review historic information in OWSRF for additional subsidy to ensure Hardship/DAC reporting is correct. The data can be corrected until October 4, 2024, while the Data Collection period is open.

**g. Climate Resiliency**

Priority point and subsidy percentage points are provided as an incentive for resiliency and climate change projects in Vermont. There are several projects currently in development to for wastewater treatment facilities that have been affected by multiple flood events. Redundancy, FFRMS, and state energy codes also are included as design standards to ensure that resiliency is an inherent part of the program beyond general eligibilities. Vermont exceeds the minimum requirements for FFRMS by applying it to all projects beyond the required federally funded (equivalency) projects.

**h. Capitalization Grant Closeouts**

Since the inception of the CWSRF, Vermont has been awarded an annual capitalization grant. There are several requirements that need to be met before a capitalization grant can be closed out including FFATA reporting, additional subsidy commitment, GPR commitment, full draw down of the grant, and the submission of a completed Final Financial Status Report (FFSR). EPA is trying to work with states to formally close the grants where all requirements for each grant have been met. The closeout for the 2017 grant is in progress with the EPA grants office, and EPA will initiate closure of the 2019 – 2021 grants. **Error! Reference source not found.** Table 10. Open Capitalization Grants and Requirements Met below provides a summary of the current open Vermont CWSRF capitalization grants.

**Table 10.** Open Capitalization Grants and Requirements Met

Grant	FFATA Reporting	Subsidy Commitments	GPR Commitments	Grant Fully Drawn Down	Final Financial Status Report (FSR) Submitted
2017	Yes	Yes	Yes	Yes	Yes
2019	Yes	Yes	Yes	Yes	Yes
2020	Yes	Yes	Yes	Yes	Yes
2021	Yes	Yes	Yes	Yes	Yes
2022 Base	No	No	Yes	No	No
2022 BIL	No	No	Yes <sup>12</sup>	No	No
2022 EC	No	No	No	No	No

<sup>12</sup> See Tables 7a and 7B for GPR requirement details.

***i. Other Items from Programmatic Review***

The state is working on a complete revision of their State Environmental Review Process (SERP) and with a goal of having a more NEPA-like review. New requirements have been added and adopted as they have become necessary, but a holistic revision will provide opportunity to completely update the review process.

During the review, the state indicated some challenges with coordination with external agencies and with the perception of project timelines for state review. In both instances the state noted that they were working on developing clearer expectations and processes to streamline coordination.

The program is concerned about the effect of the CDS program and the potential for future funding level changes. They are also concerned about the lack of qualified engineers in the state, regarding both hiring internally and for consultants working on the projects for municipalities. This concern is shared by the Region, as a lack of engineers is one potential cause of a lagging timeline for project completion as well as excessive workload for SRF staff. EPA encourages the state to continue to recruit and train new staff in the SRF program.

**V. CONCLUSIONS**

Overall, the state is implementing an efficient and effective CWSRF program. EPA commends VT DEC staff for working diligently to meet their commitments under the base program. The increase of funding from BIL appears to be straining the state's processes for ensuring project are moving forward in a timely manner. The state's goals of addressing risks to public health and water quality objectives through the development and implementation of the CWSRF Program appear to have been met while running the program in accordance with pertinent 2 CFR Part 200 administrative requirements for grants to state and local governments.

***a. Follow Up from Last Year's PER***

1. Incorporate a secondary check on the useful life calculation before issuing the loan.  
Status: Resolved: State has added a checklist item in the "Step III CWSRF Loan Checklist" for confirming the useful life calculation before loans are issued
2. Update the Transaction Testing spreadsheets to have them split between the Clean Water and Drinking Water programs to make a clearer subset of information required for review.  
Status: Resolved: Transaction testing is being completed externally to the Region
3. Review the 2020 additional subsidy commitment amount from the OWSRF EPA Data System and notify EPA if that amount is over the maximum allowed for 2020.  
Status: Resolved: The annual report includes updated information showing that the total amount of additional subsidy provided is allowable and OWSRF match. Data in OWSRF was updated to match the Annual Report during PER development.
4. Review the 2016, 2017, 2018, 2020, and 2021 additional subsidy commitment amounts and update the SRF data system (or the 2023 annual report) to reflect the correct

numbers by September 30, 2023. Please include the information in the 2023 Vermont CWSRF Annual Report.

Status: As of 6/30/2023 most years of reporting match between OWSRF and the Annual Report, however as required the data was included in the 2023 Annual Report.

5. Update the 2022 NIMS to reflect the funding and subsidy that was provided to assistance recipients meeting the state's affordability criteria during the 2023 data collection period.

Status: Ongoing, the state is working on updating reporting processes.

6. Beginning with the 2023 data collection, include all funding and additional subsidy in NIMS provided to assistance recipients that meet the state's affordability criteria.

Status: Ongoing, the state is working on updating reporting processes.

***b. Action Items and Recommendations for this Year's Review***

7. **Action Item:** Ensure that progress is being made to meet the binding commitment requirements for the Emerging Contaminant BIL Grants.

8. **Action Item:** Coordinate with EPA to schedule two check-ins in the upcoming fiscal year. The dates should be scheduled by November 1, 2024.

9. **Action Item:** Update the standard Environmental Review checklist to include the Magnusson-Stevens Fisheries Act and Sole Source Aquifer. Please complete this update and notify the project officer of the completion by November 1<sup>st</sup>.

Status: This was completed by the State prior to finalization of the PER

10. **Action Item:** Ensure that project checklists are formatted in a way that the correct information can be entered. Please complete this update and notify the project officer of the completion by November 1<sup>st</sup>.

11. **Action Item:** Ensure that all contracts include the Davis-Bacon language from the capitalization grant term and condition. Note that as the term and condition changes, the language included in contracts should also change. Please ensure that that the template language is updated and notify the project officer of the completion by November 1<sup>st</sup>.

12. **Recommendation:** Develop a process for determining which projects will be equivalency projects earlier in the funding lifetime. Please develop a plan for this and provide the plan to the project officer by November 1<sup>st</sup>.

13. **Action Item:** Include the Telecom Equipment & Services 2 CFR 200.21 and Federal Flood Risk Management Standard (FFRMS) to the list of required crosscutters in the IUP and annual report.

14. **Action Item:** Include a list of the projects that are used to meet equivalency requirements in the Annual Report.

15. **Action Item:** Ensure that the GPR requirements are reported correctly in OWSRF for all future GPR projects. **Note:** For the 2022 grants this correction was made following the review and before the PER was finalized as shown in Table 7.

16. **Action Item:** Ensure that Additional Subsidy is reporting correctly in OWSRF and the Annual Report.
17. **Action Item:** The Annual Report must contain an explanation of the reasons for the delay in the additional subsidy commitments into loan executions and provide a plan that identifies the project(s) that will use the remaining subsidy funds, along with milestones for each project showing the path to an executed agreement. The Annual Report should indicate the amount of additional subsidy from the previous years that must still be committed to projects.
18. **Recommendation:** Add a notation the annual report subsidy table indicating which communities meet the state's affordability criteria.
19. **Recommendation:** Review historic information in OWSRF for additional subsidy to ensure Hardship/DAC reporting is correct. The data can be corrected until October 4, 2024, while the Data Collection period is open.

## VI. ANNUAL REVIEW PARTICIPANTS

**Table 11.** List of Annual Review Participants

<i>Name and Affiliation</i>	<i>Role/Responsibility</i>	<i>Participation</i>			
		<i>Entrance</i>	<i>Program Interview</i>	<i>Financial Interview</i>	<i>Exit</i>
<b><i>EPA Region 1</i></b>					
<i>Katie Marrese</i>	Manager	X	X	X	X
<i>Carrie Garau</i>	Financial Analyst	X	X	X	X
<i>Michael Low</i>	Project Reviewer	X	X	X	X
<i>Noah Mohl</i>	Financial Analyst	X	X	X	X
<i>Clare O'Connor</i>	Project Officer	X	X	X	X
<i>Michael Silano</i>	Project Officer	X	X	X	X
<i>Eric Stack</i>	Project Reviewer	X	X	X	X
<i>Patti Stelmaszczyk</i>	Project Reviewer				X
<b><i>VT DEC</i></b>					
<i>Jason Batchelder</i>	DEC Commissioner				X
<i>Eric Blatt</i>	WID – Director for Engineering	X			
<i>Tom Brown</i>	WID - CWSRF Program Lead	X			X
<i>Lynnette Claudon</i>	WID - Senior Water Infrastructure Program Engineer, Engineering Planning Advance Project Lead, Clean	X	X		X

	Watersheds Needs Survey Coordinator, and Chair Village Water and Wastewater Committee				
Jeff Fehrs	DCE – Engineering Program Manager, CWSRF Program Manager	X	X		X
Bob Fitch	AID – Financial Manager	X		X	X
Amy Galford	WID - Drinking Water SRF Project Developer	X	X	X	X
Emily Hackett	WID- Environmental Engineer		X		
Don Haddox	WID – Construction Engineer		X		X
Neil Kamman	WID – Division Director	X			X
Katherine King	WID - Nonpoint Source Project Developer	X			X
Meagan Koss	SRF Process Analyst				X
Tracy LaFrance	AID- Financial Director	X			X
Hugo Martinez Cazón	WID - Pollution Control Design Engineer	X			X
Kim McKee	AID – Division Director	X		X	X
Padraic Monks	WID - Financial and Loan Programs Manager	X	X		X
Cindy Parks	WID- Construction Engineer	X	X		X
Katie Parrish	WID - Drinking Water SRF Project Developer	X	X		
David Pasco	AID- Financial Director	X		X	X
Mercedes Piñón	AID – Financial Manager	X	X	X	X



Chris Rottler

WID - Water Investment Coordinator	X			X
Winn Wilson				X
Alex Wright	X	X	X	X
Megan Young	X	X		X
DWGPD - Sustainable Infrastructure and Management Program Manage				

Winn Wilson

Alex Wright

Megan Young