ENVIRONMENTAL PROTECTION AGENCY

ASSISTANCE LISTING 66.458 CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

I. PROGRAM OBJECTIVES

Capitalization grants are awarded to states to create and maintain Clean Water State Revolving Funds (CWSRFs) to (1) enable states to encourage construction of wastewater treatment facilities to meet the enforceable requirements of the Clean Water Act (Act); (2) increase the emphasis on nonpoint source pollution control and protection of estuaries; and (3) establish permanent financing institutions in each state to provide continuing sources of financing to maintain water quality.

II. PROGRAM PROCEDURES

The CWSRF program is established in each state by capitalization grants from the Environmental Protection Agency (EPA). The CWSRF provides loans and other types of financial assistance to qualified communities and local agencies. The CWSRF is a permanent revolving fund to provide loans and other assistance. Since the enabling legislation was enacted in 1987, capitalization grants have been available to states in most years. EPA implements the CWSRF in a manner that preserves a high degree of flexibility for states in operating their revolving funds in accordance with each state’s unique needs and circumstances.

States are required to provide an amount equal to 20 percent of the capitalization grant as state matching funds to receive a grant. On November 15, 2022 the Bipartisan Infrastructure Law (BIL) (P.L. 117-58), also known as the Infrastructure Investment and Jobs Act, was signed into law providing additional funding for the CWSRF with appropriations from 2022 through 2026. In addition to providing general supplemental funding for CWSRF eligible activities, the law also provided targeted funding for addressing emerging contaminants. For CWSRF Bipartisan Infrastructure Law grants, state match varies by grant and year. Additional information regarding BIL and a full listing of the state match requirements for CWSRF BIL grants can be found in pages 13 to 16 at https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.

Capitalization grant applications must include (1) an Intended Use Plan (IUP), which lists proposed projects eligible for financing from CWSRF loans; (2) an identification of the source of the matching amount; (3) a proposed payment schedule; and (4) certain certifications and demonstrations. States may transfer an amount up to 33 percent of its Drinking Water State Revolving Fund (DWSRF) (Assistance Listing 66.468) capitalization grant to the CWSRF or an equivalent amount from the CWSRF to the DWSRF program.

On June 6, 2019, the “Additional Supplemental Appropriations for Disaster Relief Act, 2019,” or ASADRA (Pub. L. No. 116-20), was signed into law. The law provided funds to Alabama, Alaska, California, Georgia, Florida, North Carolina, and South Carolina CWSRF programs for drinking water facilities impacted by Hurricanes Florence and Michael, Typhoon Yutu, and calendar year 2018 wildfires and earthquakes.
Source of Governing Requirements

The CWSRF program is authorized under Title VI of the Clean Water Act (33 USC 1381 et seq.) (Act), the “Additional Supplemental Appropriations for Disaster Relief Act, 2019”, or ASADRA (Pub. L. No. 116-20), and the Bipartisan Infrastructure Law or BIL (P.L. 117-58). The implementing regulations are found in 40 CFR Part 35, Subpart K.

Availability of Other Program Information

General information about the program is available on the EPA Clean Water State Revolving Fund home page (https://www.epa.gov/cwsrf).

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.

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A. Activities Allowed or Unallowed

1. Financial Assistance

   a. The CWSRF may provide financial assistance (1) to municipalities, inter-municipal, interstate, or state agencies for the construction of publicly owned treatment works, as defined in section 212 of the Act that are on the state’s project priority list; (2) for implementing nonpoint source
management programs under section 319 of the Act; (3) for developing and implementing estuary management plans under section 320 of the Act (33 USC 1383(c)); (4) for the construction, repair or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage; (5) for measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water; (6) to any municipality, or intermunicipal, interstate, or state agency for measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse; (7) for the development and implementation of watershed projects meeting the criteria set forth in section 122 of the Act; (8) to any municipality, or intermunicipal, interstate, or state agency for measures to reduce the energy consumption needs for publicly owned treatment works; (9) for reusing or recycling wastewater, stormwater, or subsurface drainage water; (10) for measures to increase the security of publicly owned treatment works; (11) to any qualified nonprofit entity, as determined by the EPA Administrator, to provide assistance to owners and operators of small and medium publicly owned treatment works to plan, develop, and obtain financing for eligible projects under this subsection, including planning, design, and associated preconstruction activities; and, to assist such treatment works in achieving compliance with the Act; and (12) to any qualified nonprofit entity, as determined by the Administrator, to provide assistance to an eligible individual (as defined in subsection (j)).

(1) For the repair or replacement of existing individual household decentralized wastewater treatment systems; or

(2) In a case in which an eligible individual resides in a household that could be cost-effectively connected to an available publicly owned treatment works, for the connection of the applicable household to such treatment works.

b. The allowable types of financial assistance under Assistance Listing 66.458 (33 USC 1383(d)) are:

(1) Making loans for eligible projects;

(2) Buying or refinancing of debt obligations of municipal, intermunicipal, and interstate agencies incurred after March 7, 1985;

(3) Guaranteeing or purchasing insurance for local debt obligations;

(4) Using as a source of revenue or security for CWSRF debt obligations (providing that the net proceeds of the sale of such bonds are deposited in the CWSRF);
(5) Guaranteeing loan guarantees for similar revolving funds established by municipalities or intermunicipal agencies;

(6) To earn interest on fund accounts; and

(7) For the reasonable costs of administering the fund and conducting activities under this subchapter, except that such amounts shall not exceed 4 percent of all grant awards to such fund under this subchapter, $400,000 per year, or one-fifth percent per year of the current valuation of the fund, whichever amount is greatest, plus the amount of any fees collected by the state for such purpose regardless of the source.

c. Funds awarded as BIL ASADRA capitalization grants may only be used for eligible projects whose purpose is to reduce flood or fire damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or natural disaster at treatment works as defined by section 212 of the Clean Water Act.

d. Funds awarded as BIL Emerging Contaminants capitalization grants may only be used for project that address emerging contaminants. Additional information on this restriction is available on pages 15 to 16 and 36 to 37 at https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf

2. CWSRF funds may be used by states for the reasonable costs of administering and managing the CWSRF (33 USC 1383(d)(7)).

See III.G.3.a, “Matching, Level of Effort, Earmarking – Earmarking.”

3. CWSRF funds may be used by states to provide additional subsidization in the form of principal forgiveness, grants, and negative interest loans to eligible entities receiving CWSRF assistance.

Unless otherwise allowed by statute, additional subsidy may be provided to (a) implement a process, material, technique, or technology to address water or energy-efficiency goals; (b) mitigate stormwater runoff; (c) encourage sustainable project planning, design, and construction; or (d) a municipality that meets the state’s affordability criteria or seeks additional subsidization to benefit individual ratepayers in the residential user rate class who would otherwise experience significant financial hardship (33 USC 1383(i)(1)). See III.G.3.b, “Matching, Level of Effort, Earmarking – Earmarking.”

4. States may provide funding to nonprofit organizations (as defined in section 104(w)) or state, regional, interstate, or municipal entities to provide technical
May 2024

assistance to rural, small, and tribal publicly owned treatment works (within the meaning of section 104(b)(8)(B)) in the state.

This funding can be used for the purpose of hiring staff, nonprofit organizations, or regional, interstate, or municipal entities to assist rural, small, and tribal publicly owned treatment works. The form of that assistance is flexible and could include, but is not limited to, community outreach, technical evaluation of wastewater solutions, preparation of applications, preliminary engineering reports, and financial documents necessary for receiving SRF assistance. See III.G.3.c, “Matching, Level of Effort, Earmarking – Earmarking.”

B. Allowable Cost/Cost Principals

The cost principles of 2 CFR 200 Subpart E are applicable (as appropriate) to this award. If the state does not have a previously established indirect cost rate, the state will prepare and submit its indirect cost rate proposal in accordance with 2 CFR 200 Appendix VII. For CWSRF programmatic eligibilities, state CWSRF programs are required to follow 33 USC 1383(c) for assistance eligibilities.

C. Cash Management

The state may draw cash from EPA through the Automated Standard Application for Payments (ASAP) system for:

1. **Loans** – when the CWSRF receives a request from a loan recipient, based on incurred costs, including pre-building and building costs.

2. **Refinance or Purchase of Municipal Debt** – generally, when at a rate no greater than equal amounts over the maximum number of quarters that payments can be made, and up to the amount committed to the refinancing or purchase of the local debt.

3. **Purchase of Insurance** – when insurance premiums are due.

4. **Guarantees and Security for Bonds** – immediately, in the event of imminent default in debt service payments on the guaranteed/secured debt; otherwise, up to an amount dedicated for the guarantee or security based on incurred construction costs.

5. **Administrative Expenses** – cash can be drawn based on a schedule that coincides with the rate at which administrative expenses will be incurred (40 CFR section 35.3160).

On 11/29/2022, EPA issued a permanent regulatory exception that eliminated the requirement for states to draw SRF disbursement requests at a proportional federal to state ratio. It also eliminated the cap on federal funds that can be drawn for refinance projects in the first eight quarters after EPA awards a capitalization grant to the state.
G. Matching, Level of Effort, Earmarking

1. Matching

States are required to deposit into the CWSRF from state monies, an amount equal to 20 percent of each grant payment. If the state provides a match more than the required amount, the excess balance may be banked toward subsequent match requirements. States generally report the total amount of their matching for a capitalization grant in an annual CWSRF report to EPA. The match is required to be made on or before the time that EPA funds are drawn (40 CFR section 35.3135(b)).

For CWSRF Bipartisan Infrastructure Law grants, state match varies by grant and year. Additional information regarding state match requirements for CWSRF BIL grants is available on pages 13 to 16 at https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.

2. Level of Effort

Not Applicable

3. Earmarking

a. CWSRF Administration: The maximum amount allowable for administering and managing the CWSRF is an amount equal to 4 percent of the cumulative amount of capitalization grant awards received (less any amounts used in previous years to cover administrative expenses), $400,000, or one-fifth percent of the current valuation of the fund, whichever is the greatest. The valuation of the fund is defined as the Total Net Position in the most recent year’s audited financial statements of the CWSRF. When the administrative expense of the CWSRF exceeds the largest of these amounts, the excess must be paid from sources outside the CWSRF (40 CFR section 35.3120(g)).

b. CWSRF Additional Subsidy: Information regarding the amount and eligible use of additional subsidy is provided below by capitalization grant. An accompanying table is also included.

ASADRA: Not less than 20 percent and not more than 30 percent of the capitalization grant amount may be used to provide subsidy in the form of grants, principal forgiveness, or negative interest loans for projects eligible for funding under the ASADRA capitalization grant.
FY 2020, FY 2021 and FY 2022: These appropriations (Pub. L. No. 116-94, Pub. L. No. 116-260, 6 and Pub. L. No. 117-103) require that an amount equal to 10 percent of the capitalization grant be used for additional subsidy. This additional subsidy can go to any CWSRF borrower; however, only when such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients that were incurred after the date of enactment of the appropriation.

These grants are also impacted by section 603(i) of the Clean Water Act. Originally this statutory provision allowed states to provide further additional subsidy if the amount appropriated for capitalization grants to all states in the fiscal year exceeds $1,000,000,000. As a result, for the FY 2020 and FY 2021 capitalization grants, a state may provide up to 30% for additional subsidy. This optional amount is in addition to the 10% required by the annual appropriation acts. This subsidy can be provided in the form of grants, principal forgiveness, or negative interest as specified in III.A.3, “Activities Allowed or Unallowed.”

The Bipartisan Infrastructure Law slightly revised section 603(i) of the Clean Water Act. Starting with the FY 2022 capitalization grants, if the amount appropriated for capitalization grants to all states in a fiscal year exceeds $1,000,000,000, the state must provide an amount that is not less than 10% but not more than 30% as additional subsidy. This amount is in addition to the 10% required by the annual appropriation acts. This subsidy can be provided in the form of grants, principal forgiveness, negative interest, other loan forgiveness, and through buying, refinancing, or restructuring debt as specified in III.A.3, “Activities Allowed or Unallowed.”

FY 2022 BIL General Supplemental: States must provide an amount equal to 49% of capitalization grant. This subsidy can be provided in the form of grants and principal forgiveness as specified in III.A.3, “Activities Allowed or Unallowed.”

FY 2022 BIL Emerging Contaminants: States must provide an amount equal to 100% of capitalization grant as additional subsidy in the form of grants or principal forgiveness. This subsidy can be provided in the form of grants and principal forgiveness for projects that address emerging contaminants.
**Additional Subsidy Chart by Appropriation**

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<td>An amount that is not less than 10 percent and not more than 40 percent of the capitalization grant amount.</td>
<td>An amount that is not less than 10 percent and not more than 40% of the capitalization grant amount.</td>
<td>Not less than 20 percent and not more than 40% of the capitalization grant amount.</td>
<td><strong>General Supplemental:</strong> An amount equal to 49% of the capitalization grant amount. <strong>Emerging Contaminants:</strong> 100% of the capitalization grant.</td>
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Additionally, the Water Infrastructure Fund Transfer Act (WIFTA) amendment allows states to transfer up to 5 percent of their total allotment of CWSRF capitalization grants as of 10/4/2020, to the DWSRF for threats to public health as a result of heightened exposure to lead. These funds are to be provided as subsidy in the form of principal forgiveness, grants, or negative interest.

**c. CWSRF Technical Assistance:** The maximum amount of CWSRF money that may be used to provide technical assistance consistent with section 603(k) of the Clean Water Act is an amount equal to 2% of all grant awards received by a CWSRF after November 15, 2021. If a state does not utilize the full amount of the technical assistance funds allowed under a capitalization grant, they may reserve the right to utilize the unused portion at a later date.

**d. Green Project Reserve:** To the extent that there are sufficient eligible project applications, no less than 10 percent of appropriated funds shall be used for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities (Pub. L. No. 116-94, Pub. L. No. 116-260, and Pub. L. No. 117-103).

**H. Period of Performance**

Grant payments from a capitalization grant shall begin in the quarter in which the grant is awarded and end no later than eight quarters after the grant is awarded, not to exceed 12 quarters from the date of allotment of grant funds to the states (40 CFR section 35.3155(c)).
IV. OTHER INFORMATION

The audit focus is on a state’s CWSRF program rather than individual capitalization grants awarded to states by EPA.

The remainder of this section discusses certain CWSRF considerations relative to reporting on the Schedule of Expenditures of Federal Awards (SEFA).

Subrecipient Reporting of CWSRF Loans

CWSRF amounts are awarded by EPA to states as grants. The states then make subawards in the form of loans to its subrecipients. Therefore, in determining the amount of federal funds expended to be reported on the SEFA, subrecipients receiving CWSRF loans should include project expenditures incurred under these loans during the audit period as provided in 2 CFR section 200.502(a). These are subawards—not direct federal loans—and, therefore, neither 2 CFR sections 200.502(b) nor (d) apply when calculating the amount of federal funds expended.

It also is important to appropriately identify these CWSRF loans as subawards because of the impact on which federal agency is the cognizant or oversight agency.

Equivalency Loans Reporting

Equivalency loans are funded with an amount equal to the capitalization grant and reported in the OMB Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System. These loans are considered to be federal loans. To achieve consistency in meeting program requirements and eliminate the possibility of over-reporting information under FFATA, equivalency loans must meet all equivalency requirements: federal cross-cutters, single audit, architectural and engineering (A/E) procurement, disadvantage business enterprise (DBE), and signage.

While any of the sources of funds in the CWSRF may be used for equivalency loans, it should be understood that these funds would be considered federal funds once they are deemed equivalency dollars and that all disbursements for equivalency loans must be entered into the SEFA. The SEFA should reflect equivalency dollars rather than actual cash draws from the Treasury to the state. Additionally, the SEFA will differ from the SF-425 form.
ENVIRONMENTAL PROTECTION AGENCY

ASSISTANCE LISTING 66.468 CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUND

I. PROGRAM OBJECTIVES

Capitalization grants are awarded to states to create and maintain Drinking Water State Revolving Funds (DWSRF) programs. States can use capitalization grant funds to establish a revolving loan fund to assist public water systems finance the costs of infrastructure needed to achieve or maintain compliance with Safe Drinking Water Act (SDWA) requirements and protect the public health objectives of the Act.

II. PROGRAM PROCEDURES

The DWSRF program is established in each state by capitalization grants from the Environmental Protection Agency (EPA) and state match equaling 20 percent of the EPA capitalization grants. For DWSRF Infrastructure Investment, and Jobs Act (IIJA) Grants, state match varies by grant and year. For the DWSRF, there is an annual appropriation and 3 IIJA appropriations for each state. A full listing of the state match requirements for DWSRF IIJA grants can be found in attachment 1 (page 9 of 56) at https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.

EPA implements the DWSRF program in a manner that preserves flexibility for states in operating their program in accordance with their unique needs and circumstances. States have the flexibility to set aside some of their capitalization grants for other related activities. States may also transfer an amount up to 33 percent of its DWSRF capitalization grant to the Clean Water State Revolving Fund (CWSRF) (Assistance Listing 66.458) or an equivalent amount from the CWSRF to the DWSRF program. A state may transfer capitalization grant dollars, state match, investment earnings, or principal and interest repayments.

Capitalization grant agreements include (1) an application; (2) an Intended Use Plan (IUP), which describes how the state intends to use funds made available to it, including a list of proposed projects eligible for financing and a description of the financial status of the program; (3) a proposed payment schedule; (4) certain certifications and demonstrations which can be included in an optional operating agreement; and (5) workplans containing a least a general description of the use of set-aside funds.

The state must annually provide an IUP which describes how the state will use available DWSRF program funds for the year to meet the objectives of the SDWA and further the goal of protecting public health. The IUP explains how all of the funds available to the DWSRF program (including bond proceeds, interest earnings, loan repayments, federal capitalization grants, state match, etc.) will be expended.

The Disaster Relief Appropriations Act (Pub. L. No. 113-2) provided funds for awards to the states of New York and New Jersey for drinking water facilities impacted by Hurricane Sandy.
EPA awarded these funds under Assistance Listing 66.483. Those funds are subject to all of the compliance requirements that apply to Assistance Listing 66.468 except as indicated in III, “Compliance Requirements,” in this program supplement.

On June 6, 2019, Pub. L. No. 116-20, the “Additional Supplemental Appropriations for Disaster Relief Act, 2019,” or ASADRA, was signed into law. The law provided funds to Alabama, Alaska, California, Georgia, Florida, North Carolina, and South Carolina DWSRF programs for drinking water facilities impacted by Hurricanes Florence and Michael, Typhoon Yutu, and calendar year 2018 wildfires and earthquakes. On November 15, 2022 the Bipartisan Infrastructure Law (BIL) (P.L. 117-58) was signed into law providing additional funding for the DWSRF with appropriations from 2022 through 2026. In addition to a new grant funding base program activities, the law added two additional grants with one focused on funding Per and Polyfluoroalkyl Substances (PFAS) and emerging contaminants and one focused on Lead Service Line removal.

Source of Governing Requirements

This program is authorized under Section 1452 of the Public Health Service Act (Title XIV), commonly known as the SDWA (42 USC 300j-12) and the Disaster Relief Appropriations Act, 2013 (Pub. L. No. 113-2) and the Bipartisan Infrastructure Law (BIL) (P.L. 117-58). The implementing regulations for the program can be found at 40 CFR Part 35, Subpart L.

Availability of Other Program Information

Other general information about the program is available on the EPA Drinking Water State Revolving Fund home page (https://www.epa.gov/dwsrf).

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.
A. Activities Allowed or Unallowed

1. Activities Allowed

   a. A state DWSRF program may provide the following financial assistance to publicly or privately owned community water systems and nonprofit non-community water systems for eligible drinking water infrastructure projects (40 CFR sections 35.3520 and 35.3525):

   (1) Making loans for eligible projects (40 CFR section 35.3520(b)).

   (2) Purchasing or refinancing existing debt obligations of municipal, intermunicipal and interstate agencies entered into on or after July 1, 1993. Purchase of local debt would have the expectation that the seller would repay the debt at the agreed upon terms.

   (3) Guarantee of or purchasing insurance for local debt obligations.

   (4) Providing a source of revenue or security for DWSRF debt obligations, provided that the net proceeds of the sale of such debt obligations are deposited in the DWSRF.

   (5) Funds awarded (all manner of assistance, both a loan or grant to a local entity) under Assistance Listing 66.483 may be used only for projects to reduce flood damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or a natural disaster (Pub. L. No. 113-2, Division A, Title X, 127 Stat. 31).

   (6) For DWSRF IIJA Emerging contaminant grants, assistance is limited to addressing contaminants on the contaminant candidate list and PFAs. For the DWSRF IIJA Lead Service Line grants, assistance is limited to activities directly connected to the identification, planning, design, and replacement of lead service lines. This can be found on page 19 of 56 of Compliance Supplement 2024 4-66.468-3.
b. A state may set aside DWSRF funds for the following designated activities (40 CFR section 35.3535):

(1) Administrative expenses (including technical assistance).

(2) Technical assistance to small water systems that regularly serve 10,000 or fewer persons (40 CFR section 35.3505).

(3) State program management.

(4) Local assistance and other state programs.

2. Activities Unallowed

As per 40 CFR 35.3520(d) through (f), a state DWSRF program may not provide assistance for:

a. Dams or reservoirs, water rights, laboratory fees for monitoring, system operation and maintenance, or projects that are primarily fire protection. Water rights are listed as ineligible in DWSRF regulations, but a class deviation for water rights was signed in November of 2019. “Deviation from 40 CFR section 35.3520(e)(2)” DWSRF Class Deviation for Water Rights--Dec 2019 (epa.gov). This allows the use of DWSRF funds for Water rights if it addresses a public health objective of the Safe Drinking Water Act. EPA has the authority to allow deviations from EPA regulations that are not disallowed by law. In this case the Safe Drinking Water Act.

b. Expansion projects pursued solely in anticipation of future growth.

B. Allowable Cost/Cost Principals

The cost principles of 2 CFR 200 Subpart E are applicable as appropriate, to this award. If the state does not have a previously established indirect cost rate, the state will prepare and submit its indirect cost rate proposal in accordance with 2 CFR 200 Appendix VII.

For DWSRF programmatic eligibilities, state DWSRF programs are required to follow 40 CFR 35.3520 for assistance eligibilities from the loan fund and 40 CFR 35.3535 for DWSRF set-aside eligibilities.

C. Cash Management

The state may draw cash through the Automated Standard Application for Payments (ASAP) system (40 CFR sections 35.3560 and 35.3565). States and Auditors should be aware of the November 18th, 2022 permanent regulatory exemption from 40 CFR 35.3560(f) and (g) and 40 CFR 35.3565(b). These regulations specify the rate at which
states can draw federal funds in relation to state contribution. Further, the regulations slow the rate at which federal funds can be drawn for refinancing projects in the SRFs. In plain language, this regulatory exception:

- Eliminates the requirement for states to draw SRF disbursement requests at a proportional federal to state ratio.
- Eliminates the cap on federal funds that can be drawn for refinance projects in the first eight quarters after EPA awards a capitalization grant to the state.

This exemption can be found at [https://www.epa.gov/system/files/documents/2022-12/Approval%20of%20Class%20Exception%20from%20the%20Clean%20Water%20and%20Drinking%20Water%20State%20Revolving%20Fund%20Cash%20Draw%20Rules.pdf](https://www.epa.gov/system/files/documents/2022-12/Approval%20of%20Class%20Exception%20from%20the%20Clean%20Water%20and%20Drinking%20Water%20State%20Revolving%20Fund%20Cash%20Draw%20Rules.pdf).

Types of assistance that can be provided include

1. **Loans** – when the DWSRF receives a request from a loan recipient, based on incurred costs, including pre-building and building costs.

2. **Refinance or Purchase of Municipal Debt** – generally, at a rate not greater than equal amounts over the maximum number of quarters that payments can be made, and up to the amount committed to the refinancing or purchase of the local debt. A state may immediately draw cash for up to the greater of $2 million or 5 percent of each fiscal year’s capitalization grant to refinance costs.

3. **Purchase of Insurance** – when insurance premiums are due.

4. **Guarantees and Security for Bonds** – immediately, in the event of imminent default in debt service payments on the guaranteed/secured debt; otherwise, up to the amount dedicated for the guarantee or security based on actual construction cost.

5. **Set-Asides** – generally, on an incurred cost basis after workplans have been approved by EPA (40 CFR section 35.3560(e)).

**G. Matching, Level of Effort, Earmarking**

1. **Matching**
   a. States are required to deposit into the DWSRF from state monies an amount equal to 20 percent of each grant payment. The match is required to be made on or before the time that EPA funds are drawn. When a letter of credit (LOC) mechanism or similar financial arrangement is used for the state match, payments to the LOC account must be made proportionally on the same schedule as payments for the capitalization grant. Monies from this state match LOC must be drawn into the DWSRF as monies are drawn on the federal automated clearinghouse account. A state may issue general obligation or revenue bonds to derive the state
match. If the state provides a match in excess of the required amount, the excess balance may be banked toward subsequent match requirements (40 CFR section 35.3550(g)). For grants under IIJA, the state match requirement can vary depending on the grant and the year. For the IIJA DWSRF Supplemental Grant, state match is 10% for years 2022 and 2023 and 20% for years 2024 through 2026. For the IIJA DWSRF Emerging Contaminants Grant, the grant does not require state match. For the IIJA DWSRF Lead Service Line Removal Grant, the grant also does not require state match. For a full list of match requirements, please see page 16 for IIJA General Supplemental, page 17 for IIJA Emerging Contaminants, and page 19 for IIJA Lead Service Line Replacement - https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.

2. **Level of Effort**

   Not Applicable

3. **Earmarking**

   a. The allotment can be earmarked for set-aside activities as follows:

   (1) *Administrative Expenses* – Not to exceed the higher of 4 percent of the allotment, $400,000, or one-fifth of a percent of the fund’s annual net position.

   (2) *Technical Assistance to Small Systems* – Not to exceed 2 percent of the cumulative allotment (40 CFR section 35.3535(c)).

   (3) *State Program Management* – Not to exceed 10 percent of the cumulative allotment (40 CFR section 35.3535(d)). The cumulative allotment amount will be in state records as their total grants awarded. EPA will have a record of this as well.

   (4) *Local Assistance and Other State Programs* – Not to exceed 15 percent of the capitalization grant and no more than 10 percent of the grant is used on any one of the defined activities (40 CFR section 35.3535(e)).

   b. For 2018 and previous grants, state cannot use more than 30 percent of any particular fiscal year’s capitalization grant to provide subsidies in the form of principal forgiveness or negative interest rate loans to communities meeting the state’s definition of disadvantaged, or communities the state expects to become disadvantaged as a result of the project (40 CFR section 35.3525(b)). Starting with the 2019 grants, states are required to use between 6 percent and 35 percent of their grant for disadvantaged assistance subsidy, as per the amendments from the American Water Infrastructure Act of 2018. For the 2022 through 2026
IIJA grants, the amount of additional subsidy required and allowed varies by grant, and can be found in page 16 for IIJA General Supplemental, page 17 for IIJA Emerging Contaminants, and page 19 for IIJA Lead Service Line Replacement: https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.

c. EPA’s DWSRF appropriations include the following requirements:

(1) The Disaster Relief Appropriations Act (Pub. L. No. 113-2, Division A, Title X, 127 Stat. 31), FY 2019 appropriation and the FY 2020 appropriation each have requirements to provide subsidy in amounts found in the table below. This subsidy can be provided in the form of grants, principal forgiveness, or negative interest.

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<th>FY 2019</th>
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| “20 percent of the capitalization grant amount mandatory additional subsidy, available to all DWSRF-eligible recipients, and an additional 6 to 35 percent additional subsidy available only to state-defined disadvantaged communities.” | 14 percent of the capitalization grant amount mandatory additional subsidy, available to all DWSRF-eligible recipients, and an additional 6 to 35 percent additional subsidy available only to state-defined disadvantaged communities. Additionally, the Water Infrastructure Fund Transfer Act (WIFTA) allows states until 10/4/20 to transfer up to 5 percent of their cumulative allotment of CWSRF capitalization grants to the DWSRF for threats to public health as a result of heightened exposure to lead. These funds are to be provided as subsidy in the form of principal forgiveness, grants, or negative interest. | 14 percent of the capitalization grant amount mandatory additional subsidy, available to all DWSRF-eligible recipients, and an additional 6 to 35 percent additional subsidy available only to state-defined disadvantaged communities. Additionally, the Water Infrastructure Fund Transfer Act (WIFTA) allows states until 10/4/20 to transfer up to 5 percent of their cumulative allotment of CWSRF capitalization grants to the DWSRF for threats to public health as a result of heightened exposure to lead. These funds are to be provided as subsidy in the form of principal forgiveness, grants, or negative interest.” For the ASADRA funds, states are required to use between 20 percent and 30 percent as subsidy in the form of principal forgiveness, grants, or negative interest. 14 percent of the capitalization grant amount as additional subsidy available to all DWSRF eligible recipients, and an additional 6 to 35 percent additional subsidy available only to state defined disadvantaged communities. Additionally, the Water Infrastructure Fund Transfer Act (WIFTA) allows states until 10/4/20 to transfer up to 5 percent of their cumulative CWSRF capitalization grant to the DWSRF for threats to public health as a result of heightened exposure to lead. These funds are to be provided as...
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<td>subsidy in the form of principal forgiveness, grants, or negative interest. For <strong>IIJA Base Supplemental Appropriation</strong> states are required to provide 49% of the grant as subsidy in the form of forgiveness of principal or grants. <strong>For IIJA Emerging Contaminants</strong> states are required to provide 100% of the grant as subsidy in the form of forgiveness or principal or grants. 25% of the subsidy is to go to state defined disadvantaged communities or communities serving 25,000 or few people. <strong>For IIJA Lead Service Line Replacement</strong> states are required to provide 49% of the grant as subsidy in the form of forgiveness of principal or grants.</td>
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(2) The decision to maintain a category of projects for green infrastructure, water and energy efficiency, and other environmentally innovative activities is at the state’s discretion (Pub. L. No. 113-76, Pub. L. No. 113-235, and Pub. L. No. 114-113).

**H. Period of Performance**

1. Grant payments from a capitalization grant, which increase the ceiling of funds from which a state may draw cash for eligible costs, shall begin no earlier than the quarter in which the grant is awarded, and generally end no later than eight quarters after the grant is awarded, not to exceed twelve quarters from the date of allotment of grant funds to the states. States must enter into binding commitments for an amount equal to each capitalization grant payment and accompanying state match that is deposited into the Fund within one year after the receipt of each grant payment. This does not apply to funds drawn for set-aside activities. States disburse, or liquidate, grant funds for projects in accordance with construction schedules. Funds are disbursed for set-aside activities in accordance with costs being incurred under approved workplans (40 CFR sections 35.3550(e) and 35.3560).

2. Funds made available for disaster relief activities under Assistance Listing 66.483 are available until expended (Pub. L. No 113-2, Division A, Title X, 127 Stat. 31).

**IV. OTHER INFORMATION**

The audit focus is on a state’s DWSRF program rather than individual capitalization grants awarded to states by EPA.
The remainder of this section discusses certain DWSRF considerations relative to reporting on the Schedule of Expenditures of Federal Awards (SEFA)

**Subrecipient Reporting of DWSRF Loans**

DWSRF amounts are awarded by EPA to states as grants. The states then make subawards in the form of loans to their subrecipients. Therefore, in determining the amount of federal funds expended to be reported on the SEFA, subrecipients receiving DWSRF loans should include project expenditures incurred under these loans during the audit period as provided in 2 CFR section 200.502(a). These are subawards—not direct federal loans—and, therefore, neither 2 CFR sections 200.502(b) nor (d) apply when calculating the amount of federal funds expended.

It also is important to appropriately identify these DWSRF loans as subawards because of the impact on which federal agency is the cognizant or oversight agency.

**Equivalency Loans Reporting**

To achieve consistency in meeting program requirements and eliminate the possibility of over-reporting information under the Federal Funding Accountability and Transparency Act (FFATA), state DWSRF programs must use the same group of loans for the purpose of meeting federal cross-cutting, single audit, procurement, and Transparency Act reporting requirements (as per 40 CFR 35.3575). Equivalency projects/loans are funded with an amount equal to the capitalization grant. DWSRF set-aside activities are also considered federal expenditures.

Auditors should be mindful that set-aside spending will not always trigger FFATA reporting based on the thresholds for reporting under the law. In addition, for states using the loan authority under the set-aside funds, it is possible those expenditures are repayment dollars from previous loans and should not be considered federal funds. The state should make subawardees aware if this is the case. Auditors should consult with the state to make that determination.

While any of the sources of funds in the DWSRF may be used for equivalency projects/loans, it should be understood that these funds would be considered federal funds once they are deemed equivalency dollars and that all disbursements for equivalency projects/loans must be entered into the SEFA. The SEFA should reflect equivalency dollars rather than actual cash draws from the Treasury to the state. Additionally, the SEFA will differ from the SF-425 form.
ENVIRONMENTAL PROTECTION AGENCY

ASSISTANCE LISTING 66.957 GREENHOUSE GAS REDUCTION FUND: NATIONAL CLEAN INVESTMENT FUND

I. PROGRAM OBJECTIVES

The National Clean Investment Fund (NCIF) is one of three grant programs under the Greenhouse Gas Reduction Fund (GGRF). The NCIF will advance the three GGRF program objectives of reducing emissions of greenhouse gases and other air pollutants; delivering benefits to American communities, particularly low-income and disadvantaged communities; and mobilizing financing and private capital.

II. PROGRAM PROCEDURES

The Inflation Reduction Act amends the Clean Air Act to include Section 134 (42 USC 7434), which authorizes the Environmental Protection Agency (EPA) to make competitive grants under the National Clean Investment Fund. The NCIF is administered under the EPA’s Office of the Greenhouse Gas Reduction Fund (OGGRF). The NCIF provides two to three one-time competitive grant awards to eligible recipients, defined in 42 USC 7434(c)(1). Each grant award is made to an eligible recipient that submitted an individual application (wherein subrecipients were not named in the application for grant funding) or a coalition application (wherein subrecipients were named in the application for grant funding and designated as “coalition members”). Coalition members may be either eligible recipients or other types of organizations eligible for subawards under the EPA Subaward Policy (see Section IV, Other Information).

Eligible recipients (and their subrecipient coalition members (“coalition members”), if applicable) use the initial grant award to provide financial assistance to qualified projects. Both recipients and coalition members may provide financial assistance to qualified projects as well as engage in predevelopment, market-building, and program administration activities to help them provide financial assistance to qualified projects. Financial assistance constitutes financial products, including debt, equity, hybrids, and credit enhancements (but not subgrants). Qualified projects are projects, activities, and technologies that are defined in 42 USC 7434(c)(3) (i.e., either reducing or avoiding greenhouse gas emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector or assisting communities in their efforts to reduce or avoid greenhouse gas emissions and other forms of air pollution). While some forms of financial assistance to qualified projects may be provided directly to entities deploying qualified projects, other forms of financial assistance may be provided to entities (such as community lenders) such that those entities can provide financial assistance to qualified projects.

Each recipient’s program must provide financial assistance to qualified projects in each of the ten EPA regions (https://www.epa.gov/aboutepa/regional-and-geographic-offices), as well as expend at least 40% of grant funds for the purposes of providing financial assistance in “low-income and disadvantaged communities.”
Source of Governing Requirements

The National Clean Investment Fund is funded by two separate appropriations to make competitive grants to eligible recipients: $11.97 billion from 42 USC 7434(a)(2) and $2 billion from 42 USC 7434(a)(3).

The National Clean Investment Fund implements the statute’s use of funds for direct investments under 42 USC 7434(b)(1), which directs recipients of funds for direct investments to (A) provide financial assistance to qualified projects at the national, regional, state, and local levels; (B) prioritize investment in qualified projects that would otherwise lack access to financing; and (C) retain, manage, recycle, and monetize all repayments and other revenue received from fees, interest, repaid loans, and any other financial assistance provided using the grant funds to ensure continued operability.

EPA has determined that awards and subawards made under the NCIF program to provide financial assistance to qualified projects are considered revolving loan fund programs for the purposes of 2 CFR sections 1500.8(b) and (d) as well as applicable provisions of 2 CFR part 200 and 40 CFR part 33. These revolving loan fund programs include loans as well as other forms of financial assistance to qualified projects that may generate program income (see Section IV, Other Information)

Availability of Other Program Information

Additional information on the NCIF program is available on the NCIF page of the EPA website at: https://www.epa.gov/greenhouse-gas-reduction-fund/national-clean-investment-fund.

The Office of the Greenhouse Gas Reduction Fund is available at ggrf@epa.gov to provide further details on governing requirements.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status Discussion in Part 1 for additional information.
A. Activities Allowed or Unallowed

Recipients and coalition members under this program may use grant funds to provide financial assistance to qualified projects, as well as to engage in predevelopment, market-building, and program administration activities to help them provide financial assistance to qualified projects. Testing of compliance with this requirement focuses on whether funds were used only for such activities. These allowable activities are further defined below.

1. Financial assistance to qualified projects

42 USC 7434(b)(1) of the Clean Air Act directs that recipients use funds for “financial assistance to qualified projects.”

Financial assistance constitutes financial products, including debt (such as loans, partially forgivable loans, forgivable loans, zero-interest and below-market interest loans, loans paired with interest rate buydowns, secured and unsecured loans, lines of credit, subordinated debt, warehouse lending, loan purchasing programs, and other debt instruments), equity (such as equity project finance investments, private equity investments, and other equity instruments), hybrids (such as mezzanine debt, preferred equity, and other hybrid instruments), and credit enhancements (such as loan guarantees, loan guarantee funds, loan loss reserves, and other credit enhancement instruments). For this program, subgrants are not eligible as financial assistance.Recipient and coalition member expenditures for financial assistance are in the form of Subawards, Participant support costs, and acquisitions of Intangible property for a financial assistance purpose, as defined in 2 CFR section 200.1, with the characterization dependent on the nature of the financial assistance.

Under 42 USC 7434(c)(3), a qualified project is any project, activity, or technology that (A) reduces or avoids greenhouse gas emissions or other forms of air pollution in partnership with, and by leveraging investment from, the private

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sector; or (B) assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution.

2. **Predevelopment activities**

Under 2 CFR section 200.403 and other applicable provisions of 2 CFR part 200, Subpart E, costs are allowable under federal awards so long as they are necessary and reasonable for the performance of the grant award. For this program, consistent with these regulations, costs for predevelopment activities are allowable, with such activities (1) improving the likelihood of the recipient or coalition member financing qualified projects, (2) tied directly to qualified projects the recipient or coalition member intends to finance, and (3) being necessary and reasonable for the deployment of financial assistance to qualified projects. Predevelopment activities include (but are not limited to) site and building assessments (e.g., energy audits); financial and technological feasibility studies (e.g., solar resource studies); design and engineering support; and permitting support.

3. **Market-building activities**

Under 2 CFR section 200.403 and other applicable provisions of 2 CFR part 200, Subpart E, costs are allowable under federal awards so long as they are necessary and reasonable for the performance of the grant award. For this program, consistent with these regulations, costs for market-building activities are allowable, with such activities (1) building the market for financeable qualified projects, (2) not tied directly to qualified projects the recipient or coalition member intends to finance, and (3) being necessary and reasonable for the deployment of financial assistance to qualified projects. Market-building activities include activities to generate market-wide demand for qualified projects, including (but not limited to) marketing, customer education and engagement, community outreach, contractor engagement, workforce development, and other non-financial market-building activities. Market-building activities also include activities to build a more supportive financial market for financing qualified projects, including (but not limited to) standardization of documentation, development of new financial products, and other financial market-building activities.

4. **Program administration activities**

Under 2 CFR section 200.403 and other applicable provisions of 2 CFR part 200, Subpart E, costs are allowable under federal awards so long as they are necessary and reasonable for the performance of the grant award. For this program, consistent with these regulations, costs for program administration activities are allowable, with such activities supporting administration of the grant program. Program administration activities include (but are not limited to) conducting due diligence and underwriting financial transactions; establishing and convening
advisory councils; conducting program performance and other reporting activities (e.g., expenditures for personnel and equipment to procure technology infrastructure and expertise for data analysis, performance, and evaluation); and supporting, monitoring, overseeing, and auditing subrecipients, contractors, and program beneficiaries.

The following are unallowable activities for this program:

a. Financial assistance to qualified projects in the form of subgrants;

b. Activities that support projects, activities, or technologies that will be deployed outside the boundaries of the ten EPA regions (https://www.epa.gov/aboutepa/regional-and-geographic-offices).

Additionally, coalition members may not provide subgrants to other entities for those entities to provide financial assistance to qualified projects. However, coalition members may still provide subgrants to other entities for those entities to carry out predevelopment, market-building, and program administration activities to the extent permitted in 2 CFR section 200.331 and Appendix A of the EPA Subaward Policy (https://www.epa.gov/sites/default/files/2020-11/documents/gpi-16-01-subaward-policy_app-a.pdf).

B. Allowable Costs/Cost Principles

All costs must meet the requirements for allowability under 2 CFR part 200, Subpart E, including 2 CFR section 200.403 to ensure costs incurred are necessary and reasonable for the performance of the NCIF grants, as well as applicable provisions of 2 CFR part 1500. In particular, recipients and subrecipients must expend funds on entertainment only as allowed under 2 CFR section 200.438. Further, recipients and subrecipients must provide employees, officers, directors, and consultants with compensation charged to the NCIF grant award only as allowed under 2 CFR section 200.430.

I. Procurement, Suspension, and Debarment

For this program, acquisitions of Intangible property (including equity investments and loan purchases) are a type of financial assistance, one of three characterizations of financial assistance that recipients and subrecipients may provide to qualified projects and are contracts subject to the competitive procurement requirements in 2 CFR parts 200 and 1500. All procurement activity, including acquisitions of Intangible property for a financial assistance purpose, must comply with the conflict-of-interest provisions of 2 CFR section 200.318(c) and the competition requirements of 2 CFR section 200.320, in addition to the limitations on consultant fees in 2 CFR section 1500.10.
J. Program Income

Recipients and subrecipients are required to retain program income earned during the period of performance, in accordance with 42 USC 7434(b)(1)(C) and 2 CFR sections 1500.8(b) and (d) (which “flow down” to subrecipients as provided in 2 CFR section 200.332 and EPA General Terms and Conditions on “Establishing and Managing Subawards”). Consistent with 2 CFR section 200.1, program income means gross income earned by a recipient or subrecipient that is directly generated by a supported activity or earned as a result of the grant award. For this program, this includes but is not limited to loan and other origination fees, interest payments, principal repayments, dividends from equity investments, interest from short-term securities (e.g., cash deposits), asset sales, and other sources of program income. EPA-specific rules on program income are provided at 2 CFR sections 1500.8(b) and (d), and EPA-specific coverage of allowable fundraising costs is provided under 2 CFR section 200.442. Additional guidance for 2 CFR 200.442 may be found in Item 4 of the EPA Guidance on Selected Items of Cost for Recipients (https://www.epa.gov/sites/default/files/2018-05/documents/recipient_guidance_selected_items_of_cost_final.pdf).

In accordance with 2 CFR section 1500.8(d) as supplemented by the terms and conditions, recipients and subrecipients are only authorized to use program income once the grant award is fully drawn down, notwithstanding the regulations at 2 CFR section 200.305(b)(5). 2 CFR section 1500.8(d) provides that “Recipients may also keep program income at the end of the assistance agreement as long as they use these funds to continue to operate the revolving loan fund or some other authorized purpose as outlined in their closeout agreement.”

L. Reporting

Recipients are subject to program performance, financial, and administrative reporting requirements. Further details regarding reporting requirements are forthcoming in the terms and conditions.

1. Financial Reporting
   a. SF-270, Request for Advance or Reimbursement – Not Applicable
   b. SF-271, Outlay Report and Request for Reimbursement for Construction Programs – Not Applicable
   c. SF-425, Federal Financial Report – Applicable. Submission at least annually and no more frequently than quarterly depending on the terms of NCIF grants. Additionally, pursuant to 2 CFR section 200.334, recipients are required to retain financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to the grant award for a period of three years from the date of submission of the final expenditure report.
2. **Performance Reporting**  
Not Applicable.

3. **Special Reporting**  
Not Applicable.

4. **Special Reporting for Federal Funding Accountability and Transparency Act**  
Not Applicable.

M. **Subrecipient Monitoring**

Recipients (as well as subrecipients that make additional subawards, such as coalition members) are subject to the subrecipient monitoring requirements in 2 CFR section 200.332. These requirements apply to subrecipients that are provided subawards in the form of subgrants to carry out a portion of the grant’s allowable activities (including coalition members), which are providing financial assistance to qualified projects as well as engaging in predevelopment, market-building, and program administration activities to help provide financial assistance to qualified projects. 2 CFR part 200 as well as the EPA Subaward Policy (https://www.epa.gov/sites/default/files/2020-11/documents/gpi-16-01-subaward-policy.pdf) both apply to these subrecipients.

IV. **OTHER INFORMATION**

The definitions below are intended to provide further details on the flow of funds under the NCIF program. OGGRF expects that all subrecipients under this program that otherwise qualify for the Single Audit under 2 CFR section 500.501 et. seq will also be subject to this compliance supplement. Please consult with EPA prior to auditing, as definitions under the regulations may be updated for this program.

**Coalition Member:** “Coalition member” means an entity that is named on the application to receive a subgrant from the recipient in order to carry out part of the award received by the recipient. A subgrant made to a coalition member is not considered a subaward from the capitalization of a revolving loan fund for the purposes 2 CFR 1500.8(d) and, as a result, the EPA Subaward Policy applies to such a subgrant. Further, as provided in 2 CFR 200.332, a coalition member is a subrecipient accountable to the recipient for proper use of EPA funding.

**Subaward:** 2 CFR 200.1 defines a subaward as “an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity.” Since subawards may come in other forms (i.e., loans), the term “subgrant” denotes a subaward in the form of a grant.

**Subrecipient:** Consistent with 2 CFR 200.1, “subrecipient” means an entity that receives a subaward from a pass-through entity to carry out part of a Federal award but does not include an entity that is a program beneficiary of such an award. A subrecipient is distinct from a program beneficiary, which is referenced in 2 CFR 1500.1. In this program, there are three types of subrecipients: (1) a subrecipient that receives a subgrant that will be used, either in whole or in
Part, to provide financial assistance to qualified projects; (2) a subrecipient that receives a subgrant that will be used exclusively for predevelopment, market-building, and/or program administration activities; and (3) a subrecipient that receives financial assistance to a qualified project in the form of a subaward.

**Participant support costs:** 2 CFR 200.1 defines participant support costs as “direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.” EPA regulations at 2 CFR 1500.1(a)(1) expand the definition of participant support costs to include “subsidies, rebates, and other payments to program beneficiaries to encourage participation in statutorily authorized environmental stewardship programs,” which includes the Greenhouse Gas Reduction Fund. In this program, participant support costs are primarily a form of financial assistance to qualified projects. See EPA Guidance on Participant Support Costs, available at: [https://www.epa.gov/sites/default/files/2020-11/documents/epa-guidance-on-participant-support-costs.pdf](https://www.epa.gov/sites/default/files/2020-11/documents/epa-guidance-on-participant-support-costs.pdf).

**Participant support cost requirements:** EPA has unique regulatory provisions allowing grantees and their subrecipients to use GGRF funds for “[s]ubsidies, rebates, and other payments provided to program beneficiaries to encourage participation in statutorily authorized programs to encourage environmental stewardship”, such as GGRF. C.F.R. § 1500.1(a)(2). GGRF expects that some CCIA recipients and subrecipients will use these mechanisms to distribute GGRF funds. Most federal requirements do not flow down to program beneficiaries. However, the GGRF program will establish detailed requirements (enforced through the award agreement’s terms and conditions) for participant support cost eligibility, funds accounting, transaction documentation, and reporting. These terms and conditions can provide that the requirements flow down to subrecipients who use GGRF funds for rebates, subsidies, or other payments to program beneficiaries.
ENVIRONMENTAL PROTECTION AGENCY
ASSISTANCE LISTING 66.959 GREENHOUSE GAS REDUCTION FUND: SECTION
134(a)(1) – ZERO-EMISSIONS TECHNOLOGIES GRANT PROGRAM

I. PROGRAM OBJECTIVES

The Zero-Emissions Technologies Grant Program (herein “Solar for All”) is one of three grant programs under the Greenhouse Gas Reduction Fund (GGRF). Solar for All will advance the GGRF program objectives of reducing emissions of greenhouse gases and other air pollutants; delivering benefits to American communities, particularly low-income and disadvantaged communities; and mobilizing financing and private capital.

II. PROGRAM PROCEDURES

The Inflation Reduction Act amended the Clean Air Act to include Section 134 (42 USC 7434), which authorizes the Environmental Protection Agency (EPA) to make competitive grants under the Solar for All competition. The Solar for All program is administered under the EPA’s Office of the Greenhouse Gas Reduction Fund (OGGRF). To advance these objectives, Solar for All provides up to 60 cooperative agreements to states, tribal governments, municipalities, and eligible nonprofit recipients to enable low-income and disadvantaged communities to deploy and benefit from residential rooftop and residential-serving community solar projects.

EPA anticipates that subrecipients will carry out a significant portion of the award activities under Solar for All. Recipients can subaward funds to subrecipients, including coalition members named in the application and unnamed subrecipients conducting the same activities as coalition members.

Recipients and subrecipients will use grant funds to expand existing or develop new Solar for All programs to deploy financial and technical assistance to enable low-income and disadvantaged communities to deploy and benefit from residential distributed solar energy. A Solar for All program is a program that ensures low-income households have access to residential rooftop and residential-serving community solar energy, often through providing financial support and other incentives. Programs may also include solar project-deployment technical assistance to enable low-income and disadvantaged communities to overcome the non-financial barriers to distributed residential solar deployment.

Recipients and subrecipients will ensure households benefiting from the program receive the benefits of residential distributed solar by providing customers household savings, community ownership, energy resilience, and other meaningful benefits. All financial and technical assistance funded through Solar for All must enable low-income and disadvantaged communities to deploy and benefit from solar and storage. Solar for All will fund multi-year programs that subsidize many projects while laying the groundwork to transform distributed residential solar generation markets in low-income and disadvantaged communities.

Recipients and subrecipients may provide financial assistance to rooftop residential solar and residential-serving community solar. Recipients and subrecipients may provide financial
assistance to associated storage and enabling upgrades as necessary to enable the deployment and maximize the benefits of rooftop residential solar and residential-serving community solar. Financial assistance constitutes grants, rebates, and financial products, including debt and credit enhancements. Both recipients and subrecipients may provide technical assistance to enable low-income and disadvantaged communities to deploy and benefit from residential distributed solar. Technical assistance for the purposes of Solar for All is defined as “project-deployment technical assistance” and is services and tools provided by grantees to communities and energy stakeholders to overcome non-financial barriers to solar deployment.

Source of Governing Requirements

42 U.S.C. 7434 authorizes the EPA to make competitive grants under the Solar for All competition with appropriations funded by 42 USC 7434(a)(1), called Zero Emissions Technologies.

The Office of the Greenhouse Gas Reduction Fund is available at ggrf@epa.gov to provide further details on governing requirements.

Availability of Other Program Information

Additional information on the Solar for All program is available on the Solar for All page of the Environmental Protection website at: https://www.epa.gov/greenhouse-gas-reduction-fund/solar-all.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.
### A. Activities Allowed or Unallowed

Recipient and subrecipients under this program may use grant funds to engage in the following activities:

1. **Financial Assistance**

   Financial assistance is defined as subgrants, rebates, subsidies, other incentive payments, debt (including loans, partially forgivable loans, forgivable loans, soft loans, subordinate debt), and other financial products consistent with the definition of Federal financial assistance in 2 CFR section 200.1 and Participant Support Costs in 2 CFR section 1500.1. Solar for All financial assistance is intended to enable low-income and disadvantaged communities (which encompasses four categories of communities: (a) communities identified as disadvantaged by the Climate and Economic Justice Screening Tool (CEJST); (b) a limited number of additional communities identified as disadvantaged by the EJScreen mapping tool; (c) geographically dispersed low-income households; and (d) properties providing affordable housing; further definition of these terms is included in the grant’s terms and conditions) to deploy and benefit from solar, storage, and enabling upgrades.

   A community or household benefits from Eligible Zero-Emissions Technologies when the community or household either:

   - Receives solar-generated electricity directly (e.g., a rooftop solar system delivering power directly to a single-family home);

   - Is subscribed to part of a community solar system and receives a monetary credit for their share of the electricity generated from the community solar system (e.g., a credit on their electricity bill); or

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- Benefits indirectly from a solar PV system through a financial or non-financial benefit funded by the financial benefits of the solar PV system, for households that cannot receive solar-generated electricity directly nor direct financial benefits from residential-rooftop and residential-serving community solar (e.g., multifamily buildings that are master-metered such that residents do not receive individual electricity bills). The U.S. Department of Housing and Urban Development has published guidance with a list of example indirect financial and non-financial benefits from solar in a May memo with the subject “Treatment of Solar Benefits for Residents in Master-metered Buildings,” section “Treatment of Certain Benefits in Annual Income Calculation” (https://www.hud.gov/sites/dfiles/Housing/documents/MF_Memo_re_Community_Solar_Credits_in_MM_Buildings.pdf).

Recipients and subrecipients can provide financial assistance to Eligible Zero-Emissions Technologies. Pursuant to 42 USC 7434(c)(4) and the terms and conditions, these technologies include rooftop residential solar and residential-serving community solar projects, which can include associated storage and enabling upgrades.

2. *Project-Deployment Technical Assistance*

42 USC 7434(a)(1) provides that funds for this competition be used for “technical assistance.” Technical assistance is defined as “project-deployment technical assistance” and is services and tools provided by grantees to communities and energy stakeholders to overcome non-financial barriers to solar deployment. Examples of these services and tools include workforce training, customer outreach and education, project deployment assistance such as siting, permitting, and interconnection support (including procurement of services and tools from National Labs), and coordination with utilities for the purposes of project deployment. Participant support costs for trainees in workforce development programs may be allowable with prior approval by the EPA award official pursuant to the EPA Guidance on Participant Support Costs. Additionally, providing financial products to communities and businesses, such as credit enhancements, working capital, and predevelopment grants to enable low-income and disadvantaged communities to deploy and benefit from distributed residential solar, is an eligible activity classified as project-deployment technical assistance for the purposes of this program.

3. *Program Administration Activities*

Consistent with 2 CFR section 200.403, program administration activities are allowable under federal awards provided they are necessary and reasonable for the performance of the award—in this program, for the provision of financial assistance and project-deployment technical assistance. Expenditures for program administration activities could include those for program performance, financial
and administrative reporting, and compliance, including but not limited to activities to support, monitor, oversee, and audit subrecipients, contractors, and program beneficiaries. Program administration activities include procuring services and tools that support the grantee in program design (e.g., technical assistance from the Department of Energy National Laboratories to support the grantee directly for program design). These program administration activities include but are not limited to the following:

a. Activities that support advisory councils to meet the GGRF program objectives. Advisory councils are groups of individuals who are not employees of the grantee or a subgrantee that provide strategic and policy advice to the organization; refer to Item 2 of EPA’s Selected Items of Cost Guidance (https://www.epa.gov/sites/default/files/2018-05/documents/recipient_guidance_selected_items_of_cost_final.pdf) for additional information on the allowability of costs for Advisory councils.

b. Activities that support reporting and compliance, including those to support, monitor, oversee, and audit subrecipients, contractors, and program beneficiaries.

c. Activities that support program evaluation activities including the personnel and equipment needed for data infrastructure and expertise in data analysis, performance, and evaluation.

d. Activities that support fund-raising and preparation of proposals for funding from private foundations, federal agencies, and states may be allowable with prior EPA approval if the funds acquired will be used to meet the statutory objectives of the Solar for All grant program. Additional information is available in Items 4 and 6.b. of EPA’s Selected Items of Cost Guidance (https://www.epa.gov/sites/default/files/2018-05/documents/recipient_guidance_selected_items_of_cost_final.pdf).

4. Unallowable Activities

The following are unallowable activities for recipients and subrecipients:

a. Activities that are unallowable under 2 CFR part 200, Subpart E and under applicable provisions of 2 CFR part 1500 (i.e., consultant fees in excess of those allowable under 2 CFR section 1500.10);

b. Activities for cost sharing, as defined in 2 CFR section 200.306, absent authorization in a Federal statute; or

c. Activities to acquire “intangible property,” as defined in 2 CFR section 200.1, including equity investments, such as purchases of ownership interests in companies.
B. Allowable Costs/Cost Principles

All costs must meet the requirements for allowability under 2 CFR part 200, Subpart E, including 2 CFR section 200.403 to ensure costs incurred are necessary and reasonable for the performance of the Solar for All grants, as well as applicable provisions of 2 CFR part 1500. In particular, recipients and subrecipients must expend funds on entertainment only as allowed under 2 CFR section 200.438. Further, recipients and subrecipients must provide employees, officers, directors, and consultants with compensation charged to the Solar For All grant award only as allowed under 2 CFR section 200.430.


C. Cash Management

States draw down funds based on the standards specified in their Cash Management Improvement Act agreements with the U.S. Treasury or the Treasury regulations at 31 CFR part 205 and Treasury Financial Manual (TFM) 4A–2000,“Overall Disbursing Rules for All Federal Agencies”as provided in 2 CFR 200.305(a). Non-state recipients are subject to the “Proper Payment Draw Down”, refer to Item 5 of General Term and Conditions in EPA’s General Terms and Conditions for Assistance Agreements (https://www.epa.gov/system/files/documents/2023-09/fy_2023_epa_general_terms_and_conditions_effective_october_1_2023_or_later.pdf) which interpret 2 CFR 200.305(b). Non-state recipients may only draw down funds to meet their immediate cash needs and must disburse substantially all of the drawn down funds within five business days to pay employees, contractors, subrecipients or other allowable costs.

I. Procurement, Suspension, and Debarment

Recipients and subrecipients, including states, must comply with 2 CFR section 1500.10 which limits the salary rate (excluding overhead) paid to individual consultants retained by recipients, and their contractors or subcontractors to the maximum daily rate for level 4 of the Executive Schedule unless a greater amount is authorized by law. (These non-Federal entities may, however, pay consultants more than this amount with non-EPA funds.) The limitation applies to consultation services of designated individuals with specialized skills who are paid at a daily or hourly rate. This rate does not include transportation and subsistence costs for travel performed; recipients will pay these in accordance with their normal travel reimbursement practices.
L. Reporting

Recipients are subject to program performance, financial, and administrative reporting requirements. Further details regarding reporting requirements are forthcoming in the terms and conditions.

1. Financial Reporting
   a. SF-270, Request for Advance or Reimbursement – Not Applicable
   b. SF-271, Outlay Report and Request for Reimbursement for Construction Programs – Not Applicable
   c. SF-425, Federal Financial Report – Applicable. Submission at least annually and no more frequently than quarterly depending on the terms of Solar for All grants. Additionally, pursuant to 2 CFR section 200.334, recipients are required to retain financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to the grant award for a period of three years from the date of submission of the final expenditure report.

2. Performance Reporting
   Not Applicable.

3. Special Reporting
   Not Applicable.

4. Special Reporting for Federal Funding Accountability and Transparency Act
   Not Applicable.

M. Subrecipient Monitoring

Recipients, as well as subrecipients providing subawards, are subject to the subrecipient monitoring requirements in 2 CFR section 200.332. Subrecipients are entities that are provided subawards in the form of subgrants to carry out a portion of the grant’s allowable activities (including coalition members), as discussed above. 2 CFR part 200 and the EPA Subaward Policy (https://www.epa.gov/sites/default/files/2020-11/documents/gpi-16-01-subaward-policy.pdf) apply to these subrecipients.

IV. OTHER INFORMATION

The definitions below are intended to provide further details on the flow of funds under the Solar For All program. OGGRF expects that all subrecipients under this program that otherwise qualify for the Single Audit under 2 CFR section 500.501 et. seq will also be subject to this compliance supplement.

The definitions of low-income and disadvantaged communities, what it means for a community to benefit from solar, storage, and enabling upgrades, and “Eligible Zero-Emissions Technology” is defined below.
The definition of low-income and disadvantaged communities will be provided in the terms and conditions of the grant awards. The definition of each of the four categories are defined as follows:

a. **CEJST-Identified Disadvantaged Communities:** The CEJST ([https://screeningtool.geoplatform.gov/en](https://screeningtool.geoplatform.gov/en)) is a publicly available mapping tool developed by the White House Council on Environmental Quality. GGRF’s definition of “disadvantaged communities” includes all communities identified as disadvantaged through the CEJST.

b. **EJScreen-Identified Disadvantaged Communities:** EJScreen ([https://ejscreen.epa.gov/mapper/](https://ejscreen.epa.gov/mapper/)) is a publicly available, place-based environmental justice screening and mapping tool developed by the EPA. GGRF’s definition of “disadvantaged communities” includes (1) the limited supplemental set of census block groups that are at or above the 90th percentile for any of EJScreen’s supplemental indexes when compared to the nation or state or (2) geographic areas within Tribal lands as included in EJScreen. The EJ Supplemental Indexes cover 12 environmental indicators: Particulate Matter 2.5, Ozone, Diesel Particulate Matter, Air Toxics Cancer Risk, Air Toxics Respiratory Hazard Index, Traffic Proximity, Lead Paint, RMP Facility Proximity, Hazardous Waste Proximity, Superfund Proximity, Underground Storage Tanks, and Wastewater Discharge. Within EJScreen, the EJ Supplemental Indexes can be found on the “Maps” tab by clicking the “Threshold Map.”

c. **Geographically Dispersed Low-Income Households:** GGRF’s definition of “geographically dispersed low-income households” includes low-income individuals and households that fall within either of the two categories listed below.

- Individuals and households with incomes at or below the greater of:  
  - For Metropolitan Areas: (1) 80% Area Median Income (AMI) and (2) 200% of the Federal Poverty Level  
  - For Non-Metropolitan Areas: (1) 80% AMI; (2) 80% Statewide Non-Metropolitan Area AMI; and (3) 200% of the Federal Poverty Level

- Individuals and households currently approved for assistance from or participation in at least one of the following income-based or income-verified federal assistance programs, with an award letter within the last 12 months:
  - U.S. Department of Agriculture’s (USDA) Supplemental Nutrition Assistance Program ([https://www.fns.usda.gov/snap/supplemental-nutrition-assistance-program](https://www.fns.usda.gov/snap/supplemental-nutrition-assistance-program));
d. **Properties Providing Affordable Housing:** GGRF’s definition of “properties providing affordable housing” includes properties serving low-income individuals and households defined as properties that fall within either of the two categories listed below.

- Multifamily housing with rents not exceeding 30% of 80% AMI for at least half of residential units and with an active affordability covenant from one of the following federal or state housing assistance programs: (1) Low-Income Housing Tax Credit; (2) a housing assistance program administered by the U.S. Department of Housing and Urban Development (HUD), including Public Housing, Section 8 Project-Based Rental Assistance, Section 202 Housing for the Elderly, Section 811 Housing for Disabled, Housing Trust Fund, Home Investment Partnership Program Affordable Rental and Homeowner Units, Permanent Supportive Housing, and other programs focused on the goal of ending homelessness funded under HUD’s Continuum of Care Program; (3) a housing assistance program administered by USDA under Title V of the Housing Act of 1949, including under Sections 514 and 515; (4) a housing assistance program administered by a tribally-designated housing entity, as defined in Section 4(21) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 USC 4103(22); or (5) any other housing assistance program designated by the EPA Administrator Naturally-occurring (unsubsidized) affordable housing with rents not exceeding 30% of 80% AMI for at least half of residential units.

- Naturally-occurring (unsubsidized) affordable housing with rents not exceeding 30% of 80% AMI for at least half of residential units.
ENVIRONMENTAL PROTECTION AGENCY

ASSISTANCE LISTING 66.960 GREENHOUSE GAS REDUCTION FUND: CLEAN COMMUNITIES INVESTMENT ACCELERATOR

I. PROGRAM OBJECTIVES

The Clean Communities Investment Accelerator (CCIA) is one of three grant programs under the Greenhouse Gas Reduction Fund (GGRF). The CCIA will advance the three GGRF program objectives of reducing emissions of greenhouse gases and other air pollutants; delivering benefits to American communities, particularly low-income and disadvantaged communities; and mobilizing financing and private capital.

II. PROGRAM PROCEDURES

The Inflation Reduction Act amends the Clean Air Act to include Section 134 (42 USC § 7434), which authorizes the Environmental Protection Agency (EPA) to make competitive grants under the Clean Communities Investment Accelerator. The CCIA is administered under the EPA’s Office of the Greenhouse Gas Reduction Fund (OGGRF). The CCIA provides two to seven one-time competitive grant awards to eligible recipients to provide funding and technical assistance to public, quasi-public, not-for-profit, and nonprofit entities that provide financial assistance to qualified projects, which EPA has termed as “community lenders.” Community lenders use the funding and technical assistance to provide financial assistance to “qualified projects” within three “priority project categories” in “low-income and disadvantaged communities;” projects that meet these requirements are called “CCIA-eligible projects.”

Eligible recipients (and their subrecipient coalition members (“coalition members”), if applicable) use the initial grant award to provide capitalization funding, technical assistance subawards, and technical assistance services to community lenders. Recipients and coalition members provide capitalization funding of up to $10 million (with some limited exceptions to exceed this cap, as included in the grant agreements) per community lender in the form of either a Subaward or Participant support costs, which the community lender can use to provide financial assistance to CCIA-eligible projects. Recipients and coalition members also provide technical assistance subawards of up to $1 million (with some limited exceptions to exceed this cap, as included in the grant agreements) per community lender in the form of a Subaward, which the community lender can use to build their capacity to provide financial assistance to CCIA-eligible projects. In addition to transferring funds through capitalization funding and technical assistance subawards, recipients and coalition members provide in-kind technical assistance services to community lenders to build their capacity to provide financial assistance to CCIA-eligible projects. Community lenders that receive capitalization funding subawards or technical assistance subawards are subrecipients with a different set of allowable activities than recipients and coalition members, as noted Section III.A, “Activities Allowed or Unallowed.”

Each recipient’s program must have the capacity to provide funding and technical assistance to community lenders in each of the ten EPA regions (https://www.epa.gov/aboutepa/regional-and-
geographic-offices), as well as expend 100% of grant funds for the purposes of providing financial and technical assistance in low-income and disadvantaged communities.

Source of Governing Requirements

The Clean Communities Investment Accelerator is funded by $6 billion from 42 USC 7434(a)(3).

The Clean Communities Investment Accelerator implements the statute’s use of funds for indirect investments under 42 USC 7434(b)(2). 42 USC 7434(b)(2) directs recipients of funds for indirect investments to provide funding and technical assistance to establish new or support existing public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level or in the District of Columbia, including community- and low-income-focused lenders and capital providers.

EPA has determined that capitalization funding subawards made to community lenders under the CCIA program are considered revolving loan fund programs for the purposes of 2 CFR sections 1500.8(b) and (d) as well as applicable provisions of 2 CFR part 200 and 40 CFR part 33. These revolving loan fund programs include loans as well as other forms of financial assistance to qualified projects that may generate income (see Section IV, Other Information).

Availability of Other Program Information

Additional information on the CCIA program is available on the CCIA page of the EPA website at: https://www.epa.gov/greenhouse-gas-reduction-fund/clean-communities-investment-accelerator.

The Office of the Greenhouse Gas Reduction Fund is available at ggrf@epa.gov to provide further details on governing requirements.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.
A. Activities Allowed or Unallowed

This program currently has two categories of entities that are most likely to be subject to the Single Audit: (i) recipients and coalition members and (ii) subrecipient community lenders. Each of these two categories of entities has different activities allowed or unallowed, as further defined below.

Recipients and Coalition Members

Under this program, recipients and coalition members may use grant funds to provide capitalization funding, technical assistance subawards, and technical assistance services to community lenders such that those community lenders can provide financial assistance to CCIA-eligible projects. In addition, recipients and coalition members may use grant funds to engage in program administration activities that support their provision of capitalization funding, technical assistance subawards, and technical assistance services.

1. Capitalization funding

42 USC 7434(b)(2) directs that recipients provide funding to community lenders. Consistent with 42 USC 7434(b)(2), recipients and coalition members provide “capitalization funding” to existing community lenders for the sole purpose of providing financial assistance to CCIA-eligible projects. In general, a community lender may receive a maximum of $10 million in total capitalization funding from all recipients and coalition members under this program; however, under limited exceptions, a community lender may receive total capitalization funding in excess of the $10 million cap, provided that the framework for those exceptions is specified in the terms and conditions or a post-award request for an exception is granted under procedures described by the terms and conditions. Recipients and coalition members may deliver capitalization funding through either (a) subgrants and/or (b) subsidies.

a. Subgrant: When a recipient or coalition member provides capitalization funding to a community lender in the form of a subgrant, the subgrant is
characterized as a *Subaward* and the community lender is characterized as a *Subrecipient*, as defined in 2 CFR section 200.1. The community lender must use the subgrant exclusively as capital to provide financial assistance for CCIA-eligible projects.

b. **Subsidies:** A community lender is characterized as a *Program beneficiary* if the community lender has received capitalization funding in the form of transaction-level subsidies or other payments from a recipient or coalition member under 2 CFR section 1500.1(b) and the EPA Guidance on Participant Support Costs ([https://www.epa.gov/sites/default/files/2020-11/documents/epa-guidance-on-participant-support-costs.pdf](https://www.epa.gov/sites/default/files/2020-11/documents/epa-guidance-on-participant-support-costs.pdf)). The recipient or coalition member must provide the subsidies exclusively to subsidize a community lender’s financial assistance for CCIA-eligible projects. For example, a recipient or coalition member may make a one-time commitment to a community lender to contribute a certain percentage of capital for the community lender’s transactions (such as loan originations) that meet the definition of financial assistance for CCIA-eligible projects (capped at $10 million in total subsidies).

EPA regulations at 2 CFR 1500.1(a)(1) expand the definition of participant support costs to include “subsidies, rebates and other payments to program beneficiaries to encourage participation in statutorily authorized environmental stewardship programs, which include the GGRF. In this program, participant costs are primarily a form of financial assistance to qualified projects.

2. **Technical Assistance Subawards**

42 USC 7434(b)(2) directs that recipients provide technical assistance to community lenders. Consistent with 42 USC 7434(b)(2), recipients and coalition members provide “technical assistance subawards” to build the capacity of existing community lenders so that they can provide financial assistance to CCIA-eligible projects (including but not limited to financial assistance provided with capitalization funding). Recipients and coalition members provide these subawards in the form of subgrants, to the extent permitted in 2 CFR section 200.331 and the EPA Subaward Policy. Community lenders use technical assistance subawards for activities consistent with 2 CFR section 200.331 and the EPA Subaward Policy ([https://www.epa.gov/sites/default/files/2020-11/documents/gpi-16-01-subaward-policy.pdf](https://www.epa.gov/sites/default/files/2020-11/documents/gpi-16-01-subaward-policy.pdf)). A community lender may only receive a technical assistance subaward if it has already been selected by a recipient or coalition member for capitalization funding under this program. In general, a community lender may receive a maximum of $1 million in total technical assistance subawards from all recipients and coalition members under this program; however, under limited exceptions, a community lender may receive total technical assistance subawards in excess of the $1 million cap, provided that the framework for those exceptions is specified in the terms and conditions of the program.
conditions or a post-award request for an exception is granted under procedures described by the terms and conditions.

3. **Technical Assistance Services**

42 USC 7434(b)(2) directs that recipients provide technical assistance to community lenders. Consistent with 42 USC 7434(b)(2), recipients and coalition members provide “technical assistance services” to establish new and build the capacity of existing community lenders so that they can provide financial assistance to CCIA-eligible projects. Technical assistance services include targeted support activities for individual community lenders, such as providing training, market analysis, technical support, and structuring expertise as well as financial market-building activities spanning multiple community lenders, such as developing standardized project performance criteria, underwriting guidance, documentation, and product features. A community lender does not need to have been selected by a recipient or coalition member for capitalization funding under this program to be eligible for technical assistance services.

4. **Program Administration Activities**

Under 2 CFR section 200.403 and other applicable provisions of 2 CFR part 200, Subpart E, costs are allowable under federal awards so long as they are necessary and reasonable for the performance of the grant award. Program administration activities include (but are not limited to) managing processes to distribute capitalization funding and technical assistance subawards; establishing and convening advisory councils; conducting program performance and other reporting activities (e.g., expenditures for personnel and equipment to procure technology infrastructure and expertise for data analysis, performance, and evaluation); and supporting, monitoring, overseeing, and auditing subrecipients, contractors, and program beneficiaries. The following are unallowable activities for recipients and coalition members under this program:

a. Activities that support projects, activities, or technologies that fail to meet any of the three criteria for CCIA-eligible projects, see below;

b. Activities that support projects, activities, or technologies that will be deployed outside the boundaries of the ten EPA regions (https://www.epa.gov/aboutepa/regional-and-geographic-offices); or

Additionally, recipients and coalition members may not provide capitalization funding or technical assistance subawards between one another.
Subrecipient Community Lenders

Unlike a traditional grant award program, not all subrecipients have the same set of allowable activities as recipients and coalition members. In particular, subrecipient community lenders have a different set of allowable activities for their capitalization funding subawards and technical assistance subawards. The scope of allowable activities for the subrecipient community lenders varies according to whether the community lender is using funds from a capitalization funding subaward or a technical assistance subaward, as described below.

Under this program, subrecipient community lenders will receive one or two types of subawards: capitalization funding subawards or technical assistance subawards. Community lenders must use the capitalization funding subawards to provide financial assistance to CCIA-eligible projects and the technical assistance subawards to build their capacity to provide financial assistance to CCIA-eligible projects. Note that community lenders receive capitalization funding in the form of subsidies are not subrecipients solely due to their capitalization funding, although they would be subrecipients if they receive technical assistance subawards.

1. Use of Capitalization Funding Subaward

Community lenders must use capitalization funding to provide financial assistance to CCIA-eligible projects.

Financial assistance constitutes financial products, including debt (such as loans, partially forgivable loans, forgivable loans, zero-interest and below-market interest loans, loans paired with interest rate buydowns, secured and unsecured loans, lines of credit, subordinated debt, warehouse lending, loan purchasing programs, and other debt instruments), equity (such as equity project finance investments, private equity investments, and other equity instruments), hybrids (such as mezzanine debt, preferred equity, and other hybrid instruments), and credit enhancements (such as loan guarantees, loan guarantee funds, loan loss reserves, and other credit enhancement instruments).

IRA funds can be used to purchase/refinance debt that was acquired before the law was enacted, provided that such assistance is not provided as additional subsidy. Such a "project" must meet all current CCIA and IRA requirements, including Davis Bacon and AIS/BABA. A recipient may request an AIS or BABA waiver, but there is no guarantee of approval.

CCIA-eligible projects are projects, activities, or technologies that meet the following three requirements, pursuant to 42 USC 7434(b)(2) and the terms and conditions:

a. Must be a “qualified project.” Further definition of this term is included in the grant’s terms and conditions.
b. Must be within a “priority project category,” which includes distributed energy generation and storage, net-zero emissions buildings, and zero-emissions transportation. Further definition of these terms is included in the grant’s terms and conditions.

c. Must be in a “low-income and disadvantaged community,” which encompasses four categories of communities: (a) communities identified as disadvantaged by the Climate and Economic Justice Screening Tool (CEJST); (b) a limited number of additional communities identified as disadvantaged by the Environmental Justice Mapping and Screening tool; (c) geographically dispersed low-income households; and (d) properties providing affordable housing. Further definition of these terms is included in the grant’s terms and conditions.

The definition of low-income and disadvantaged communities will be provided in the terms and conditions of the grant awards. The definition of each of the four categories are defined as follows:

a. **CEJST-Identified Disadvantaged Communities:** The CEJST ([https://screeningtool.geoplatform.gov/en](https://screeningtool.geoplatform.gov/en)) is a publicly-available mapping tool developed by the White House Council on Environmental Quality. GGRF’s definition of “disadvantaged communities” includes all communities identified as disadvantaged through the CEJST.

b. **EJScreen-Identified Disadvantaged Communities:** EJScreen ([https://ejscreen.epa.gov/mapper/](https://ejscreen.epa.gov/mapper/)) is a publicly-available, place-based environmental justice screening and mapping tool developed by the EPA. GGRF’s definition of “disadvantaged communities” includes (1) the limited supplemental set of census block groups that are at or above the 90th percentile for any of EJScreen’s supplemental indexes when compared to the nation or state or (2) geographic areas within Tribal lands as included in EJScreen. The EJ Supplemental Indexes cover 12 environmental indicators: Particulate Matter 2.5, Ozone, Diesel Particulate Matter, Air Toxics Cancer Risk, Air Toxics Respiratory Hazard Index, Traffic Proximity, Lead Paint, RMP Facility Proximity, Hazardous Waste Proximity, Superfund Proximity, Underground Storage Tanks, and Wastewater Discharge. Within EJScreen, the EJ Supplemental Indexes can be found on the “Maps” tab by clicking the “Threshold Map.”
c. **Geographically Dispersed Low-Income Households:** GGRF’s definition of “geographically dispersed low-income households” includes low-income individuals and households that fall within either of the two categories listed below.

- Individuals and households with incomes at or below the greater of:
  - *For Metropolitan Areas:* (1) 80% Area Median Income (AMI) and (2) 200% of the Federal Poverty Level
  - *For Non-Metropolitan Areas:* (1) 80% AMI; (2) 80% Statewide Non-Metropolitan Area AMI; and (3) 200% of the Federal Poverty Level

- Individuals and households currently approved for assistance from or participation in at least one of the following income-based or income-verified federal assistance programs, with an award letter within the last 12 months:
  7. any other verified government or non-profit program serving Asset Limited, Income Constrained, Employed (ALICE) individuals or households designated by the EPA Administrator.

d. **Properties Providing Affordable Housing:** GGRF’s definition of “properties providing affordable housing” includes properties serving low-income individuals and households defined as properties that fall within either of the two categories listed below.

- Multifamily housing with rents not exceeding 30% of 80% AMI for at least half of residential units and with an active affordability covenant from one of the following federal or state housing
assistance programs: (1) Low-Income Housing Tax Credit; (2) a housing assistance program administered by the U.S. Department of Housing and Urban Development (HUD), including Public Housing, Section 8 Project-Based Rental Assistance, Section 202 Housing for the Elderly, Section 811 Housing for Disabled, Housing Trust Fund, Home Investment Partnership Program Affordable Rental and Homeowner Units, Permanent Supportive Housing, and other programs focused on the goal of ending homelessness funded under HUD’s Continuum of Care Program; (3) a housing assistance program administered by USDA under Title V of the Housing Act of 1949, including under Sections 514 and 515; (4) a housing assistance program administered by a tribally-designated housing entity, as defined in Section 4(21) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. § 4103(22); or (5) any other housing assistance program designated by the EPA Administrator.

- Naturally-occurring (unsubsidized) affordable housing with rents not exceeding 30% of 80% AMI for at least half of residential units.

2. Use of Technical Assistance Subaward

Community lenders must use technical assistance subawards to build their capacity to provide financial assistance to CCIA-eligible projects. These capacity-building activities include (but are not limited to) procuring training, market analysis, and technical support; hiring staff; developing new financial products; supporting predevelopment activities, such as site and building assessments (e.g., energy audits), financial and technological feasibility studies (e.g., solar resource studies), design and engineering support, and permitting support; and other activities. These capacity-building activities may also include making additional subawards to other organizations, consistent with the EPA Subaward Policy.

The following are unallowable activities for subrecipient community lenders under this program:

a. Activities to support projects, activities, or technologies that fail to meet any of the three criteria for CCIA-eligible projects, see above;

b. Activities that support projects, activities, or technologies that will be deployed outside the boundaries of the ten EPA regions.

B. Allowable Cost/Cost Principles

All costs must meet the requirements for allowability under 2 CFR part 200, Subpart E, including 2 CFR section 200.403 to ensure costs incurred are necessary and reasonable.
for the performance of the NCIF grants, as well as applicable provisions of 2 CFR part 1500. In particular, recipients and subrecipients must expend funds on entertainment only as allowed under 2 CFR section 200.438. Further, recipients and subrecipients must provide employees, officers, directors, and consultants with compensation charged to the NCIF grant award only as allowed under 2 CFR section 200.430.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

1. **Matching**
   Not Applicable.

2. **Level of Effort**
   Not Applicable.

3. **Earmarking**
   Recipients must pass-through a minimum of 80% of the grant award to community lenders through capitalization funding as well as a minimum of 90% of the grant award to community lenders through both capitalization funding and technical assistance subawards (defined as the direct costs of funds passed through as well as any associated indirect costs), pursuant to the terms and conditions.

J. PROGRAM INCOME

Consistent with 2 CFR section 200.1, program income means gross income earned by a recipient or subrecipient that is directly generated by a supported activity or earned as a result of the grant award. This includes gross income earned by a community lender from capitalization funding provided in the form of a subgrant. For this program, program income includes but is not limited to loan and other origination fees, interest payments, principal repayments, dividends from equity investments, interest from short-term securities (e.g., cash deposits), asset sales, and other sources of program income. EPA-specific rules on program income are provided at 2 CFR sections 1500.8(b) and (d), and EPA-specific coverage of allowable fundraising costs is provided under 2 CFR section 200.442 (with additional details in Item 4 of the EPA Guidance on Selected Items of Cost for Recipients (https://www.epa.gov/sites/default/files/2018-05/documents/recipient_guidance_selected_items_of_cost_final.pdf).

In accordance with 2 CFR section 1500.8(d) as supplemented by the terms and conditions, recipients and subrecipients are only authorized to use program income once the grant award is fully drawn down, notwithstanding the regulations at 2 CFR section 200.305(b)(5). 2 CFR section 1500.8(d) provides that “recipients may also keep program income at the end of the assistance agreement as long as they use these funds to continue to operate the revolving loan fund or some other authorized purpose as outlined in their closeout agreement.”
L. Reporting

Recipients are subject to program performance, financial, and administrative reporting requirements. Further details regarding reporting requirements are forthcoming in the terms and conditions.

1. Financial Reporting
   a. SF-270, Request for Advance or Reimbursement – Not Applicable
   b. SF-271, Outlay Report and Request for Reimbursement for Construction Programs – Not Applicable
   c. SF-425, Federal Financial Report – Applicable. Submission at least annually and no more frequently than quarterly depending on the terms of CCIA grants. Additionally, pursuant to 2 CFR section 200.334, recipients are required to retain financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to the grant award for a period of three years from the date of submission of the final expenditure report.

2. Performance Reporting
   Not Applicable.

3. Special Reporting
   Not Applicable.

4. Special Reporting for Federal Funding Accountability and Transparency Act
   Not Applicable.

M. Subrecipient Monitoring

Recipients (as well as subrecipients that make additional subawards) are subject to the subrecipient monitoring requirements in 2 CFR section 200.332. These requirements apply to coalition members that provide subawards to community lenders, and these requirements also apply to subrecipient community lenders to the extent they provide subawards from their capitalization funding and/or technical assistance subawards.

1. Coalition members are provided subawards in the form of subgrants to carry out a portion of the grant’s allowable activities, which are providing capitalization funding, technical assistance subawards, and technical assistance services to community lenders as well as engaging in program administration activities. 2 CFR part 200 as well as the EPA Subaward Policy (https://www.epa.gov/sites/default/files/2020-11/documents/gpi-16-01-subaward-policy.pdf) both apply to these subrecipients.
2. Subrecipient community lenders receive capitalization funding and/or technical assistance subawards so that they can then provide financial assistance to CCIA-eligible projects. The capitalization funding must be used for the sole purpose of providing financial assistance to CCIA-eligible projects. The technical assistance subaward must be used to build capacity to provide financial assistance to CCIA-eligible projects. Please refer to Section III.A, “Activities Allowed or Unallowed,” for further instructions regarding subrecipient community lenders.

IV. OTHER INFORMATION

The definitions below are intended to provide further details on the flow of funds under the CCIA program. OGGRF expects that all subrecipients under this program that otherwise qualify for the Single Audit under 2 CFR section 500.501 et. seq will also be subject to this compliance supplement.

Coalition Member: “Coalition member” means an entity that is named on the application to receive a subgrant from the recipient in order to carry out part of the award received by the recipient. The EPA Subaward Policy applies to such a subgrant. Further, as provided in 2 CFR 200.332, a coalition member is a subrecipient accountable to the recipient for proper use of EPA funding.

Subaward: 2 CFR 200.1 defines a subaward as “an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity.” Since subawards may come in other forms (i.e., loans), the term “subgrant” denotes a subaward in the form of a grant.

Subrecipient: Consistent with 2 CFR 200.1, “subrecipient” means an entity that receives a subaward from a pass-through entity to carry out part of a Federal award received by the pass-through entity. In this program, there are three types of subrecipients: (1) a subrecipient that receives a subgrant that will be used to provide capitalization funding, technical assistance subawards, and/or technical assistance services to community lenders as well as support program administration activities; (2) a subrecipient community lender that receives capitalization funding in the form of a subgrant; (3) a subrecipient community lender that receives a technical assistance subawards; and (4) a subrecipient that receives financial assistance from a subrecipient community lender to a CCIA-eligible project in the form of a subaward.

Program Beneficiary: “Program beneficiary” means an entity (either an individual or an organization) that receives financial assistance from the recipient or a subrecipient as an end-user, except when such financial assistance is characterized as an acquisition of intangible property. Expenditures for financial assistance to program beneficiaries are in the form of Participant support costs, as defined in 2 CFR 1500.1. A program beneficiary is distinct from a subrecipient, as defined in 2 CFR 200.1.
Participant support costs: 2 CFR 200.1 defines participant support costs as “direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.” EPA regulations at 2 CFR 1500.1(a)(1) expand the definition of participant support costs to include “subsidies, rebates, and other payments to program beneficiaries to encourage participation in statutorily authorized environmental stewardship programs,” which includes the Greenhouse Gas Reduction Fund. In this program, participant support costs are primarily a form of financial assistance to qualified projects. See EPA Guidance on Participant Support Costs, available at: https://www.epa.gov/sites/default/files/2020-11/documents/epa-guidance-on-participant-support-costs.pdf.

Participant support cost requirements: EPA has unique regulatory provisions allowing grantees and their subrecipients to use GGRF funds for “[s]ubsidies, rebates, and other payments provided to program beneficiaries to encourage participation in statutorily authorized programs to encourage environmental stewardship”, such as GGRF. C.F.R. § 1500.1(a)(2). GGRF expects that some CCIA recipients and subrecipients will use these mechanisms to distribute GGRF funds. Most federal requirements do not flow down to program beneficiaries. However, the GGRF program will establish detailed requirements (enforced through the award agreement’s terms and conditions) for participant support cost eligibility, funds accounting, transaction documentation, and reporting. These terms and conditions can provide that the requirements flow down to subrecipients who use GGRF funds for rebates, subsidies, or other payments to program beneficiaries.