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Section 22a-475 through 483
(Revised through January 1, 2009)

Sec. 22a-475. Clean Water Fund: Definitions. As used in this section and sections 22a-476 to 22a-483, inclusive, the following terms shall have the following meanings unless the context clearly indicates a different meaning or intent:

- (1) "Bond anticipation note" means a note issued by a municipality in anticipation of the receipt of the proceeds of a project loan obligation or a grant account loan obligation.
- (2) "Clean Water Fund" means the fund created under section 22a-477.
- (3) "Combined sewer projects" means any project undertaken to mitigate pollution due to combined sewer and storm drain systems, including, but not limited to, components of regional water pollution control facilities undertaken to prevent the overflow of untreated wastes due to collection system inflow, provided the state share of the cost of such components is less than the state share of the estimated cost of eliminating such inflow by means of physical separation at the sources of such inflow.
- (4) "Commissioner" means the Commissioner of Environmental Protection.
- (5) "Department" means the Department of Environmental Protection.
- (6) "Disadvantaged communities" means the service area of a public water system that meets affordability criteria established by the Office of Policy and Management in accordance with applicable federal regulations.
- (7) "Drinking water federal revolving loan account" means the drinking water federal revolving loan account of the Clean Water Fund created under section 22a-477.
- (8) "Drinking water state account" means the drinking water state account of the Clean Water Fund created under section 22a-477.
- (9) "Eligible drinking water project" means the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of all or a portion of a public water system approved by the Commissioner of Public Health, in consultation with the Commissioner of Environmental Protection, under sections 22a-475 to 22a-483, inclusive.
- (10) "Eligible project" means an eligible drinking water project or an eligible water quality project, as applicable.
- (11) "Eligible water quality project" means the planning, design, development, construction, repair, extension, improvement, remodeling, alteration, rehabilitation, reconstruction or acquisition of a water pollution control facility approved by the commissioner under sections 22a-475 to 22a-483, inclusive.
- (12) "Eligible project costs" means the total costs of an eligible project which are determined by the commissioner to be necessary and reasonable. The total costs of a project may include the costs of all labor, materials, machinery and equipment, lands, property rights and easements, interest on project loan obligations and bond anticipation notes, including costs of issuance approved by the commissioner, plans and specifications, surveys or estimates of costs and revenues, engineering and legal services, auditing and administrative expenses, and all other expenses approved by the commissioner which are incident to all or part of an eligible project.

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

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

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

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

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

(18) "Intended use plan" means a document if required, prepared by the Commissioner of Public Health, in consultation with the commissioner, in accordance with section 22a-478.

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

(20) "Pollution abatement facility" means any equipment, plant, treatment works, structure, machinery, apparatus or land, or any combination thereof, which is acquired, used, constructed or operated for the storage, collection, reduction, recycling, reclamation, disposal, separation or treatment of water or wastes, or for the final disposal of residues resulting from the treatment of water or wastes, and includes, but is not limited to: Pumping and ventilating stations, facilities, plants and works; outfall sewers, interceptor sewers and collector sewers; and other real or personal property and appurtenances incident to their use or operation.

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

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

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

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

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

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

(27) "Project funding agreement" means a written agreement between the state, acting by and through the Commissioner of Public Health and the commissioner, in consultation with the Department of Public Utility Control when the recipient is a water company, as defined in section 16-1, and a recipient with respect to a project grant, a grant account loan and a project loan as provided under sections 22a-475 to 22a-483, inclusive, and containing such terms and conditions as may be approved by the commissioner.

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

(29) "Public water system" means a public water system, as defined for purposes of the federal Safe Drinking Water Act, as amended or superseded.

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

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

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

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

(34) "Water pollution control state account" means the water pollution control state account of the Clean Water Fund created under section 22a-477.

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

(36) "Long Island Sound clean-up account" means the Long Island Sound clean-up account created under section 22a-477.

Sec. 22a-476. Legislative finding. It is hereby found and declared that the establishment of a municipal water quality financial assistance program to provide funds for grants for projects to improve Long Island Sound and to establish a low interest revolving loan fund and grant assistance fund to finance one hundred per cent of eligible project costs is necessary to ensure a continuing source of funds to finance the future needs of the state and is a matter of state-wide concern affecting the health, safety and welfare

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of the inhabitants of the state and the quality of the environment of the state, including the purity and adequacy of its drinking water, and that the establishment of such a program to encourage and support the planning, development and construction of water pollution control facilities and of necessary improvements to eligible public water systems serves an essential public purpose. It is further found and declared that, since the federal Water Quality Act of 1987 restructures the federal grant program for municipal water pollution control projects as a program in which grant proceeds must be used to provide financial assistance in a manner which promotes preservation of the corpus of such proceeds for continuing reapplication to the purposes for which the grants were provided, since financial assistance for municipal water pollution control projects can be more effectively provided through state participation in the federal program of capitalization grants to states as set forth in Section 212 of said act and compliance with requirements for eligibility to receive capitalization grants under such program, and since the act also permits states to use a revolving fund and its chief assets as a basis for issuing bonds for further revolving fund activity, and under such an arrangement a state is able to leverage outstanding loans made from an initial set of capitalization grants and make available significant amounts of money much sooner than would otherwise have been possible, it is in the interests of the state to make use of this mechanism. It is further found and declared that the federal government intends to establish a similar revolving fund program, funded in part with federal capitalization grants, which may be established and operated by states as part of the Clean Water Fund program, in order to provide financial assistance to develop and implement drinking water projects, and that therefore it is in the interests of the state to participate in such program. It is further found and declared that it is in the best interests of the state to plan to authorize, in addition to any other funds contemplated, the following amounts for the Long Island Sound clean-up account: Not less than five million dollars in 1991, not less than sixteen million dollars in 1992, not less than twenty million dollars in 1993, not less than sixteen million dollars in 1994, not less than twelve million dollars in 1995, not less than thirty-four million dollars in 1996, and not less than seven million dollars in 1997.

Sec. 22a-477. Clean Water Fund. (a) There is established and created a fund to be known as the "Clean Water Fund". There is established and created within the Clean Water Fund a water pollution control federal revolving loan account, a water pollution control state account, a Long Island Sound clean-up account, a drinking water federal revolving loan account, a drinking water state account and a river restoration account, which accounts shall be held separate and apart from each other.

(b) There shall be deposited in the water pollution control federal revolving loan account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) federal capitalization grants and awards or other federal assistance received by the state pursuant to Title VI of the federal Water Pollution Control Act; (3) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof; (4) payments received from any municipality in repayment of a project loan made with moneys on deposit in the water pollution control federal revolving loan account; (5) interest or other income earned on the investment of moneys in the water pollution control federal revolving loan account; (6) any additional moneys made available from any sources, public or private, for the purposes for which the water pollution control federal revolving loan account has been established and for the purpose of deposit therein; and (7) on and after July 1, 1990, and annually thereafter, any moneys forfeited to the state by any person for a violation of a permit which results in a discharge into a municipal sewage treatment system, as determined by the commissioner, which are in excess of the total moneys forfeited to the state for such violations for the fiscal year ending June 30, 1990.

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

(d) There shall be deposited in the water pollution control state account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof; (3) interest or other income earned on the investment of moneys in the water pollution control state account; (4) payments received from any municipality as repayment for a grant account loan made with moneys on deposit in the water pollution control state account; and (5) any additional moneys made available from any sources, public or private, for the purposes for which the water pollution control state account has been established other than moneys on deposit in the federal receipts subaccount of the water pollution control federal revolving loan account.

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

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

(g) Amounts in the water pollution control federal revolving loan account of the Clean Water Fund shall be available to the commissioner to provide financial assistance (1) to any municipality for construction of eligible water quality projects, and (2) for any other purpose authorized by Title VI of the federal Water Pollution Control Act. In providing such financial assistance to municipalities, amounts in such account may be used only: (A) By the commissioner to make loans to municipalities at an interest rate of

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two per cent per annum, provided such loans shall not exceed a term of twenty years and shall have principal and interest payments commencing not later than one year after scheduled completion of the project, and provided the loan recipient will establish a dedicated source of revenue for repayment of the loan; (B) by the commissioner to guarantee, or purchase insurance for, local obligations, where such action would improve credit market access or reduce interest rates; (C) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the state if the proceeds of the sale of such bonds have been deposited in such account; (D) to be invested by the Treasurer of the state and earn interest on moneys in such account; (E) by the commissioner to pay for the reasonable costs of administering such account and conducting activities under Title VI of the federal Water Pollution Control Act.

(h) Amounts in the water pollution control state account of the Clean Water Fund shall be available: (1) To be invested by the Treasurer of the state to earn interest on moneys in such account; (2) for the commissioner to make grants to municipalities in the amounts and in the manner set forth in a project funding agreement; (3) for the commissioner to make loans to municipalities in amounts and in the manner set forth in a project funding agreement for planning and developing eligible projects prior to construction and permanent financing; (4) for the commissioner to make loans to municipalities, for terms not exceeding twenty years, for an eligible water quality project; (5) for the commissioner to pay the costs of environmental studies and surveys to determine water pollution control needs and priorities and to pay the expenses of the department in administering the program; (6) for the payment of costs for administration and management of the Clean Water Fund; (7) provided such amounts are not required for the purposes of such fund, for the Treasurer of the state to pay debt service on bonds of the state issued to fund the Clean Water Fund, or for the purchase or redemption of such bonds; (8) for the commissioner to make grants to municipalities for the development and installation of structural improvements to secondary clarifier operations including, but not limited to, flow distribution mechanisms, baffle-type devices, feed well design and sludge withdrawal mechanisms. Grants under this subdivision shall be for one hundred per cent of the construction cost and not more than three million dollars from the fund shall be used for such grants; (9) for the commissioner to pay the costs for the establishment, administration and management of the nitrogen credit exchange program described in section 22a-524, including, but not limited to, the purchase of equivalent nitrogen credits from publicly-owned treatment works in the event that the account of state funds established pursuant to section 22a-524 is exhausted; and (10) for any other purpose of the Clean Water Fund and the program relating thereto.

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

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

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(k) Amounts in the Long Island Sound clean-up account shall be available: (1) To be invested by the Treasurer of the state to earn interest on moneys in such account; (2) for the commissioner to make grants to municipalities who undertake the construction of combined sewer projects which are found by the commissioner to impact Long Island Sound or which are part of a system under construction by a municipality prior to July 1, 1990, to mitigate effects of inflow on treatment processes and on Long Island Sound, provided such grants shall be fifty per cent of the eligible water quality project costs of such project and be made in accordance with the provisions of section 22a-478; (3) for the commissioner to make grants to municipalities for eligible water quality projects for which the commissioner has required nutrient removal to protect Long Island Sound provided the amount of the grant shall be twenty per cent of the eligible water quality costs and be made in accordance with the provisions of said section 22a-478; (4) for the commissioner to make grants to agencies, institutions or persons to conduct research related to Long Island Sound in accordance with procedures established by the commissioner; (5) for the commissioner to provide funds for (A) sediment, dredging and disposal activities for Long Island Sound, including necessary studies, (B) physical improvements to coves, embayments, coastal wetlands and salt marshes in physical proximity to Long Island Sound and (C) harbor water quality programs to enhance the sediment and water quality of harbors, coves, embayments and wetlands of Long Island Sound; (6) for the commissioner to provide funds for the restoration and rehabilitation of tidal coves, embayments and salt marshes degraded by physical modification, development or the effect of pollution, following a feasibility assessment which shall form the basis for the commissioner's determination of eligible restoration practices; (7) for the commissioner to provide funds for laboratory development to aid analysis of water quality samples collected as part of the Long Island Sound ambient monitoring program; (8) for the commissioner to make grants to municipalities for each municipally-owned wastewater treatment facility which discharges into coastal waters, for interim improvements to remove total nitrogen from such discharges in a manner which ensures that the total nitrogen load does not exceed the amount discharged during 1990, provided such grants shall be one hundred per cent of the eligible project costs of such projects; and (9) for the commissioner to provide grants on a competitive basis for demonstration projects to reduce nonpoint source pollution of Long Island Sound, following establishment by the commissioner of criteria for the awarding of such grants. The funds authorized for deposit in the Long Island Sound clean-up account pursuant to section 22a-483 shall, in addition to any use under subdivision (1) of this subsection, be expended in accordance with the following minimums: (i) For the purposes of subdivision (2) of this subsection, not less than twenty million five hundred thousand dollars; (ii) for the purposes of subdivision (4) of this subsection, not less than one million dollars; (iii) for the purposes of subdivision (6) of this subsection, not less than three million dollars; (iv) for the purposes of subdivision (7) of this subsection, not less than five hundred thousand dollars; and (v) for the purposes of subdivision (8) of this subsection, not less than fifteen million dollars.

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

(m) Amounts in the river restoration account shall be available: (1) To be invested by the Treasurer of the state to earn interest on moneys in such account; (2) for the payment of costs incurred by the Department of Environmental Protection for the administration and management of the rivers protection programs of the department; (3) for the commissioner to provide assistance to river committees established by municipalities for purposes of protection of rivers; (4) for the commissioner to make grants to

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municipalities or such river committees for the physical improvement and restoration of rivers degraded by modification, development or the effects of pollution, including but not limited to actions to (A) restore water quality, (B) provide minimum stream flows, or (C) restore or enhance the recreational, economic or environmental value of rivers and riverfront land; and (5) for the payment of costs incurred by the department of environmental protection for the physical improvement and restoration of rivers degraded by modification, development or the effects of pollution, including but not limited to actions to (A) restore water quality, (B) provide minimum stream flows, or (C) restore or enhance the recreational, economic or environmental value of rivers and riverfront lands by, for example, planting vegetation, removing physical impediments to river access, stabilizing stream banks, deepening stream channels, installing fish ladders and removing sediment; and (6) for the commissioner to make grants to provide matching funds for riparian zone restoration projects funded under the federal Agricultural Conservation Program pursuant to 16 USC Section 590g et seq. Amounts in the river restoration fund shall not be used for acquisition of land or interests in land, for construction or maintenance of parking lots, or for construction or maintenance of boat ramps or other structures, with the exception of restoration or repair of historic river-related structures.

(n) (1) The commissioner shall maintain a priority list of eligible river restoration projects and shall establish a system setting the priority for making project grants. In establishing such priority list and ranking system, the commissioner shall consider all factors he deems relevant, including but not limited to, the following: (A) The public health and safety; (B) protection of environmental resources; (C) attainment of state water quality goals and standards; (D) funds expended on water quality improvements; (E) consistency with basin planning; and (F) state and federal statutes and regulations. In dispersing funds from the Rivers Restoration Account, the commissioner shall give priority to providing matching funds for riparian zone restoration projects funded under the federal Agricultural Conservation Program pursuant to 16 USC Section 590g et seq., and regulations adopted thereunder. The priority list of eligible river restoration projects shall include a description of each project and its purpose, and an explanation of the manner in which priorities were established.

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

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

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

(o) There shall be deposited in the drinking water federal revolving loan account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) federal capitalization grants and federal capitalization awards received by the state pursuant to the federal Safe Drinking Water Act or other related federal acts; (3) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof; (4) payments received from any recipient in repayment of a project loan made with moneys on deposit in the drinking water federal revolving loan account; (5) interest or other income earned on the investment of moneys in the drinking water federal revolving loan account; and (6) any additional moneys made available from any sources, public or

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private, for the purposes for which the drinking water federal revolving loan account has been established and for the purpose of deposit therein.

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

(q) There shall be deposited in the drinking water state account of the Clean Water Fund: (1) The proceeds of notes, bonds or other obligations issued by the state for the purpose of deposit therein and use in accordance with the permissible uses thereof; (2) funds appropriated by the General Assembly for the purpose of deposit therein and use in accordance with the permissible uses thereof; (3) interest or other income earned on the investment of moneys in the drinking water state account; (4) payments received from any recipient as repayment for a project loan made with moneys on deposit in the drinking water state account; and (5) any additional moneys made available from any sources, public or private, for the purposes for which the drinking water state account has been established other than moneys on deposit in the federal receipts subaccount of the drinking water federal revolving loan account.

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

(s) Amounts in the drinking water federal revolving loan account of the Clean Water Fund shall be available to the commissioner to provide financial assistance (1) to any recipient for construction of eligible drinking water projects and approved by the Department of Public Health, and (2) for any other purpose authorized by the federal Safe Drinking Water Act or other related federal acts. In providing such financial assistance to recipients, amounts in such account may be used only: (A) By the commissioner to make loans to recipients at an interest rate not exceeding one-half the rate of the average net interest cost as determined by the last previous similar bond issue by the state of Connecticut as determined by the State Bond Commission in accordance with subsection (t) of section 3-20, provided such loans shall not exceed a term of twenty years, or such longer period as may be permitted by applicable federal law, and shall have principal and interest payments commencing not later than one year after scheduled completion of the project, and provided the loan recipient shall establish a dedicated source of revenue for repayment of the loan, except to the extent that the priority list of eligible drinking water projects allows for the making of project loans to disadvantaged communities upon different terms, including reduced interest rates or an extended term, if permitted by federal law; (B) by the commissioner to guarantee, or purchase insurance for, local obligations, where such action would improve credit market access or reduce interest rates; (C) as a source of revenue or security for the payment of principal and interest on revenue or

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general obligation bonds issued by the state if the proceeds of the sale of such bonds have been deposited in such account; (D) to be invested by the State Treasurer and earn interest on moneys in such account; (E) by the Commissioner of Environmental Protection and the Department of Public Health to pay for the reasonable costs of administering such account and conducting activities under the federal Safe Drinking Water Act or other related federal acts.

(t) Amounts in the drinking water state account of the Clean Water Fund shall be available: (1) To be invested by the State Treasurer to earn interest on moneys in such account; (2) for the Commissioner of Environmental Protection to make grants to recipients in a manner provided under the federal Safe Drinking Water Act in the amounts and in the manner set forth in a project funding agreement; (3) with the concurrence of the Commissioner of Public Health for the Commissioner of Environmental Protection to make loans to recipients in amounts and in the manner set forth in a project funding agreement for planning and developing eligible drinking water projects prior to construction and permanent financing; (4) with the concurrence of the Commissioner of Public Health for the Commissioner of Environmental Protection to make loans to recipients, for terms not exceeding twenty years, for an eligible drinking water project; (5) with the concurrence of the Commissioner of Public Health for the Commissioner of Environmental Protection to pay the costs of studies and surveys to determine drinking water needs and priorities and to pay the expenses of the Department of Environmental Protection and the Department of Public Health in undertaking such studies and surveys and in administering the program; (6) for the payment of costs as agreed to by the Department of Public Health after consultation with the Secretary of the Office of Policy and Management for administration and management of the drinking water programs within the Clean Water Fund; (7) provided such amounts are not required for the purposes of such fund, for the State Treasurer to pay debt service on bonds of the state issued to fund the drinking water programs within the Clean Water Fund, or for the purchase or redemption of such bonds; and (8) for any other purpose of the drinking water programs within the Clean Water Fund and the program relating thereto.

Sec. 22a-478. Eligible water quality projects. Eligible drinking water projects. Project grants. Grant account loans. (a) The commissioner shall maintain a priority list of eligible water quality projects and shall establish a system setting the priority for making project grants, grant account loans and project loans. In establishing such priority list and ranking system, the commissioner shall consider all factors he deems relevant, including but not limited to the following: (1) The public health and safety; (2) protection of environmental resources; (3) population affected; (4) attainment of state water quality goals and standards; (5) consistency with the state plan of conservation and development; (6) state and federal regulations; and (7) the formation in municipalities of local housing partnerships pursuant to the provisions of section 8-336f. The priority list of eligible water quality projects shall include a description of each project and its purpose, impact, cost and construction schedule, and an explanation of the manner in which priorities were established. The commissioner shall adopt an interim priority list of eligible water quality projects for the purpose of making project grants, grant account loans and project loans prior to adoption of final regulations, which priority list shall be the priority list currently in effect under subsection (c) of section 22a-439.

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

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

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

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

(3) A construction contract eligible for financing awarded by a municipality on or after July 1, 1999, as a project undertaken for nitrogen removal shall receive a project grant of thirty per cent of the cost of the project associated with nitrogen removal, a twenty per cent grant for the balance of the cost of the project not related to nitrogen removal, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs. Nitrogen removal projects under design or construction on July 1, 1999, and projects that have been constructed but have not received permanent, Clean Water Fund financing, on July 1, 1999, shall be eligible to receive a project grant of thirty per cent of the cost of the project associated with nitrogen removal, a twenty per cent grant for the balance of the cost of the project not related to nitrogen removal, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the eligible water quality project costs.

(4) If supplemental federal grant funds are available for Clean Water Fund projects specifically related to the clean-up of Long Island Sound that are funded on or after July 1, 2003, a distressed municipality, as defined in section 32-9p, may receive a combination of state and federal grants in an amount not to exceed fifty per cent of the cost of the project associated with nitrogen removal, a twenty per cent grant for the balance of the cost of the project not related to nitrogen removal, and a loan for the remainder of the costs of the project, not exceeding one hundred per cent of the allowable water quality project costs.

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

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

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

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

(9) All loans made in accordance with the provisions of this section for an eligible water quality project shall bear an interest rate of two per cent per annum. The commissioner may allow any project fund obligation, grant account loan obligation or interim funding obligation for an eligible water quality project to be repaid by a borrowing municipality prior to maturity without penalty.

(d) Each project loan and grant account loan for an eligible water quality project shall be made pursuant to a project funding agreement between the state, acting by and through the commissioner, and such municipality, and each project loan for an eligible water quality project shall be evidenced by a project loan obligation, each grant account loan for an eligible water quality project shall be evidenced by a grant account loan obligation, or either may be evidenced by an interim funding obligation of such municipality issued in accordance with sections 22a-475 to 22a-483, inclusive. Except as otherwise provided in said sections, each project funding agreement shall contain such terms and conditions, including provisions for default which shall be enforceable against a municipality, as shall be approved by the commissioner. Each project loan obligation, grant account loan obligation or interim funding obligation issued pursuant to a project funding agreement for an eligible water quality project shall bear interest at a rate of two per cent per annum. Except as otherwise provided in sections 22a-475 to 22a-483, inclusive, each project loan obligation, grant account loan obligation and interim funding obligation shall be issued in accordance with the terms and conditions set forth in the project funding agreement. Notwithstanding any other provision of the general statutes, public act or special act to the contrary, each project loan obligation and grant account loan obligation for an eligible water quality project shall mature no later than twenty years from the date of completion of the construction of the project and shall be paid in monthly installments of principal and interest or in monthly installments of principal unless a finding is otherwise made by the Treasurer of the state requiring a different payment schedule. Interest on each project loan obligation and grant account loan obligation for an eligible water quality project shall be payable monthly unless a finding is otherwise made by the Treasurer of the state requiring a different payment schedule. Principal and interest on interim funding obligations issued under a project funding agreement for an eligible water quality project shall be payable at such time or times as provided in the project funding agreement, not exceeding six months after the date of completion of the planning and design phase or the construction phase, as applicable, of the eligible water quality project, as determined by the commissioner, and may be paid from the proceeds of a renewal note or notes or from the proceeds of a project loan obligation or grant account loan obligation. The commissioner may allow any project loan obligation, grant account loan obligation or interim funding obligation for an eligible water quality project to be repaid by the borrowing municipality prior to maturity without penalty.

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) The Department of Public Health shall establish and maintain a priority list of eligible drinking water projects and shall establish a system setting the priority for making project loans to eligible public water systems. In establishing such priority list and ranking system, the Commissioner of Public Health shall consider all factors which he deems relevant, including but not limited to the following: (1) The public health and safety; (2) protection of environmental resources; (3) population affected; (4) risk to human health; (5) public water systems most in need on a per household basis according to applicable state affordability criteria; (6) compliance with the applicable requirements of the federal Safe Drinking Water Act and other related federal acts; (7) applicable state and federal regulations. The priority list of eligible drinking water projects shall include a description of each project and its purpose, impact, cost and construction schedule, and an explanation of the manner in which priorities were established. The Commissioner of Public Health shall adopt an interim priority list of eligible drinking water projects for the purpose of making project loans prior to adoption of final regulations, and in so doing may utilize existing rules and regulations of the department relating to the program. To the extent required by applicable federal law, the Department of Public Health and the Commissioner of Environmental Protection shall prepare any required intended use plan with respect to eligible drinking water projects; (8) consistency with the plan of conservation and development; (9) consistency with the policies delineated in section 22a-380; and (10) consistency with the coordinated water system plan in accordance with subsection (f) of section 25-33d.

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

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

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

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

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

(m) A project loan for an eligible drinking water project shall not be made to a recipient unless: (1) In the case of a project loan for the construction phase, final plans and specifications for such project are approved by the Commissioner of Public Health, and when the recipient is a water company, as defined in section 16-1, with the concurrence of the Department of Public Utility Control, and with the approval of the Commissioner of Environmental Protection for consistency with financial requirements of the general statutes, regulations and resolutions; (2) each recipient undertaking such project provides assurances satisfactory to the Commissioner of Public Health and the Commissioner of Environmental Protection that the recipient shall undertake and complete such project with due diligence and, in the case of a project loan for the construction phase, that it shall own such project and shall operate and maintain the eligible drinking water project for a period and in a manner satisfactory to the Department of Public Health after completion of such project; (3) each recipient undertaking such project has filed with the Commissioner of Public Health all applications and other documents prescribed by the Commissioner of Environmental Protection, the Department of Public Utility Control and the Commissioner of Public Health within time periods prescribed by the Commissioner of Public Health; (4) each recipient undertaking such project has established separate accounts for the receipt and disbursement of the

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proceeds of such project loan and has agreed to maintain project accounts in accordance with generally accepted government accounting standards or uniform system of accounts, as applicable; (5) in any case in which an eligible drinking water project shall be owned or maintained by more than one recipient, the commissioner has received evidence satisfactory to him that all such recipients are legally required to complete their respective portions of such project; (6) each recipient undertaking such project has agreed to comply with such audit requirements as may be imposed by the commissioner; and (7) in the case of a project loan for the construction phase, each recipient shall assure the Commissioner of Environmental Protection, the Department of Public Utility Control, as required, and the Commissioner of Public Health that it has adequate legal, institutional, technical, managerial and financial capability to ensure compliance with the requirements of applicable federal law, except to the extent otherwise permitted by federal law.

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

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

Sec. 22a-479. Municipal approval of project funding agreements and obligations. Municipal bonds.

(a) A municipality may authorize and approve (1) the execution and delivery of project funding agreements, and (2) the issuance and sale of project obligations, grant account loan obligations and interim funding obligations, in accordance with such statutory and charter requirements as govern the authorization and approval of borrowings and the making of contracts generally by the municipality or in accordance with the provisions of subsection (e) of this section. Project loan obligations, grant account loan obligations and interim funding obligations shall be duly executed and accompanied by an approving legal opinion of bond counsel of recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds and shall be subject to the debt limitation provisions of section 7-374; except that project loan obligations, grant account loan obligations and interim funding obligations issued in order to meet the requirements of any abatement order of the commissioner shall not be subject to the debt limitation provisions of section 7-374, provided the municipality files a certificate, signed by its chief fiscal officer, with the commissioner demonstrating to the satisfaction of the commissioner that the municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable.

(b) Each recipient which enters into a project funding agreement shall protect, defend and hold harmless the state, its agencies, departments, agents and employees from and against any and all claims, suits, actions, demands, costs and damages arising from or in connection with the performance or nonperformance by the recipient, or any of its officers, employees or agents, of the recipient's obligations under any project funding agreement as such project funding agreement may be amended or

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supplemented from time to time. Each such recipient may insure against the liability imposed by this subsection through any insurance company organized within or without this state authorized to write such insurance in this state or may elect to act as self-insurer of such liability, provided such indemnity shall not be limited by any such insurance coverage.

(c) Whenever a recipient has entered into a project funding agreement and has authorized the issuance of project loan obligations or grant account loan obligations, it may authorize the issuance of interim funding obligations. Proceeds from the issuance and sale of interim funding obligations shall be used to temporarily finance an eligible project pending receipt of the proceeds of a project loan obligation, a grant account loan obligation or project grant. Such interim funding obligations may be issued and sold to the state for the benefit of the Clean Water Fund or issued and sold to any other lender on such terms and in such manner as shall be determined by a recipient. Such interim funding obligations may be renewed from time to time by the issuance of other notes, provided the final maturity of such notes shall not exceed six months from the date of completion of the planning and design phase or the construction phase, as applicable, of an eligible project, as determined by the commissioner. Such notes and any renewals of a municipality shall not be subject to the requirements and limitations set forth in sections 7-378, 7-378a and 7-264. The provisions of section 7-374 shall apply to such notes and any renewals thereof of a municipality; except that project loan obligations, grant account loan obligations and interim funding obligations issued in order to meet the requirements of an abatement order of the commissioner shall not be subject to the debt limitation provisions of section 7-374, provided the municipality files a certificate, signed by its chief fiscal officer, with the commissioner demonstrating to the satisfaction of the commissioner that the municipality has a plan for levying a system of charges, assessments or other revenues sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable. The officer or agency authorized by law or by vote of the recipient to issue such interim funding obligations shall, within any limitation imposed by such law or vote, determine the date, maturity, interest rate, form, manner of sale and other details of such obligations. Such obligations may bear interest or be sold at a discount and the interest or discount on such obligations, including renewals thereof, and the expense of preparing, issuing and marketing them may be included as a part of the cost of an eligible project. Upon the issuance of a project loan obligation or grant account loan obligation, the proceeds thereof, to the extent required, shall be applied forthwith to the payment of the principal of and interest on all interim funding obligations issued in anticipation thereof and upon receipt of a project grant, the proceeds thereof, to the extent required, shall be applied forthwith to the payment of the principal of and interest on all grant anticipation notes issued in anticipation thereof or, in either case, shall be deposited in trust for such purpose with a bank or trust company, which may be the bank or trust company, if any, at which such obligations are payable.

(d) Project loan obligations, grant account loan obligations, interim funding obligations or any obligation of a municipality that satisfies the requirements of Title VI of the federal Water Pollution Control Act or the federal Safe Drinking Water Act or other related federal act may, as determined by the commissioner, be general obligations of the issuing municipality and in such case each such obligation shall recite that the full faith and credit of the issuing municipality are pledged for the payment of the principal thereof and interest thereon. To the extent a municipality is authorized pursuant to sections 22a-475 to 22a-483, inclusive, to issue project loan obligations or interim funding obligations, such obligations may be secured by a pledge of revenues and other funds derived from its sewer system or public water supply system, as applicable. Each pledge and agreement made for the benefit or security of any of such obligations shall be in effect until the principal of, and interest on, such obligations have been fully paid, or until provision has been made for payment in the manner provided in the resolution authorizing their issuance or in the agreement for the benefit of the holders of such obligations. In any such case, such pledge shall be valid and binding from the time when such pledge is made. Any revenues or other

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receipts, funds or moneys so pledged and thereafter received by the municipality shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act. The lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the municipality, irrespective of whether such parties have notice thereof. Neither the project loan obligation, interim funding obligation, project funding agreement nor any other instrument by which a pledge is created need be recorded. All securities or other investments of moneys of the state permitted or provided for under sections 22a-475 to 22a-483, inclusive, may, upon the determination of the State Treasurer, be purchased and held in fully marketable form, subject to provision for any registration in the name of the state. Securities or other investments at any time purchased, held or owned by the state may, upon the determination of the State Treasurer and upon delivery to the state, be accompanied by such documentation, including approving bond opinion, certification and guaranty as to signatures and certification as to absence of litigation, and such other or further documentation as shall from time to time be required in the municipal bond market or required by the state.

(e) Notwithstanding the provisions of the general statutes, any special act or any municipal charter governing the authorization of bonds, notes or obligations or the appropriation of funds, or governing the application for, and expenditure of, grants or loans, or governing the authorization of contracts or financing agreements or governing the pledging of sewer or water revenues or funds, a municipality may, by resolution approved by its legislative body and by (1) its water pollution control authority or sewer authority, if any, authorize a project loan and project grant agreement between the municipality and the state pursuant to sections 22a-475 to 22a-483, inclusive, and appropriate funds and authorize project loan obligations and interim funding obligations of the municipality paid and secured solely by a pledge of revenues, funds and moneys of the municipality and the water pollution control authority or sewer authority, if any, derived from its sewer system, to pay for and finance the total project costs of an eligible water quality project, pursuant to a project loan and project grant agreement between the municipality and the state pursuant to sections 22a-475 to 22a-483, inclusive, or (2) by its water authority, if any, authorize a project loan and project grant agreement between the municipality and the state pursuant to sections 22a-475 to 22a-483, inclusive, and appropriate funds and authorize project loan obligations and interim funding obligations of the municipality paid and secured solely by a pledge of revenues, funds and moneys of the municipality and the water authority, if any, derived from its public water supply system, to pay for and finance the total project costs of an eligible water quality project, pursuant to a project loan agreement between the municipality and the state pursuant to sections 22a-475 to 22a-483, inclusive. The provisions of chapter 103 shall apply to the obligations authorized by this section, to the extent such section is not inconsistent with this subsection. A project loan and project grant agreement authorized by such resolution may contain covenants and agreements with respect to, and may pledge the revenues, funds and moneys derived from, the sewer system or public water system to secure such project loan obligations and interim funding obligations, including, but not limited to, covenants and agreements with respect to holding or depositing such revenues, funds and moneys in separate accounts and agreements described in section 7-266. As used in this subsection "legislative body" means (A) the board of selectmen in a town that does not have a charter, special act or home rule ordinance relating to its government, (B) the council, board of aldermen, representative town meeting, board of selectmen or other elected legislative body described in a charter, special act or home rule ordinance relating to government in a city, consolidated town and city, consolidated town and borough or a town having a charter, special act, consolidation ordinance or home rule ordinance relating to its government, (C) the board of burgesses or other elected legislative body in a borough, or (D) the district committee or other elected legislative body in a district, metropolitan district or other municipal corporation.

(f) Any recipient which is not a municipality shall execute and deliver project loan obligations and interim financing obligations in accordance with applicable law and in such form and with such requirements as

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may be determined by the commissioner. The Commissioner of Public Health and the Department of Public Utility Control as required by section 16-19e shall review and approve all costs that are necessary and reasonable prior to the award of the project funding agreement. The Department of Public Utility Control, where appropriate, shall include these costs in the recipient's rate structure in accordance with section 16-19e.

Sec. 22a-480. Construction of provisions. No provision of sections 22a-475 to 22a-483, inclusive, shall be construed or deemed to supersede or limit the authority granted the commissioner pursuant to this chapter.

Sec. 22a-481. Projects with prior funding. (a) Eligible water quality projects which have received advances for planning and design pursuant to subsection (b) of section 22a-439 or section 22a-443 shall be eligible for project grants and loans under this program. No interest shall be charged on a grant advance prior to the time it is converted to a project grant and loan.

(b) Contractual obligations of the state to municipalities for grant assistance commitments made prior to July 1, 1986, shall be funded pursuant to sections 22a-439 to 22a-443, inclusive.

Sec. 22a-482. Regulations. The Commissioner of Environmental Protection and the Commissioner of Public Health shall adopt regulations in accordance with the provisions of chapter 54 to carry out the purposes of sections 22a-475 to 22a-483, inclusive. Pending the adoption of regulations concerning the drinking water accounts, as defined in subdivisions (7) and (8) of section 22a-475, the regulations in effect and applicable to the management and operation of the Clean Water Fund shall be utilized by the Commissioner of Public Health and the Commissioner of Environmental Protection in connection with the operation of the drinking water accounts, as defined in subdivisions (7) and (8) of said section 22a-475.

Sec. 22a-483. Bond issue for Clean Water Fund projects. General obligation bonds. Revenue bonds.

(a) For the purposes of sections 22a-475 to 22a-483, inclusive, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts, not exceeding in the aggregate nine hundred sixty-one million thirty thousand dollars, provided ninety million dollars of said authorization shall be effective July 1, 2008.

(b) The proceeds of the sale of any bonds, state bond anticipation notes or state grant anticipation notes issued pursuant to sections 22a-475 to 22a-483, inclusive, shall be deposited in the Clean Water Fund and not less than fifty million dollars of such proceeds shall be deposited in the Long Island Sound clean-up account of said fund.

(c) All provisions of section 3-20, or the exercise of any right or power granted thereby which are not inconsistent with the provisions of sections 22a-475 to 22a-483, inclusive, are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to said sections, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization, which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to sections 22a-475 to 22a-483, inclusive, may be general obligations of the state and in such case the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the

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contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the Treasurer shall pay such principal and interest as the same become due. Such general obligation bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such general obligation bonds. The state, acting by and through the State Bond Commission, is hereby authorized to issue from time to time general obligation bonds in such sums as is appropriate and necessary to meet the state's matching requirement for eligibility pursuant to the federal Water Quality Act of 1987 or the federal Safe Drinking Water Act or other similar federal act, provided such sums shall not exceed the aggregate principal amounts of bonds authorized pursuant to subsection (a) of this section. Whenever such bonds are so authorized, the state's obligations shall be issued on such terms and conditions as shall be determined and established by the Treasurer. Such bonds shall bear such rate of interest as the treasurer shall determine, by reference to such open market indices for obligations having similar terms and characteristics as the Treasurer shall determine relevant, in order to arrive at a taxable rate of interest on the obligations of the state issued and sold to the Clean Water Fund. The Treasurer shall deliver such bonds to the Clean Water Fund upon the receipt of evidence from the Environmental Protection Agency evidencing satisfaction by the state of its federal matching requirement pursuant to the federal Water Quality Act of 1987 or the federal Safe Drinking Water Act or other similar federal act.

(d) Notwithstanding the foregoing, nothing herein shall preclude the State Bond Commission from authorizing the issuance of revenue bonds, in principal amounts not exceeding in the aggregate one billion seven hundred fifty-three million four hundred thousand dollars, provided one hundred eighty million dollars of said authorization shall be effective July 1, 2008, that are not general obligations of the state of Connecticut to which the full faith and credit of the state of Connecticut are pledged for the payment of the principal and interest. Such revenue bonds shall mature at such time or times not exceeding thirty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such revenue bonds. The revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes authorized to be issued under sections 22a-475 to 22a-483, inclusive, shall be special obligations of the state and shall not be payable from nor charged upon any funds other than the revenues or other receipts, funds or moneys pledged therefor as provided in said sections 22a-475 to 22a-483, inclusive, including the repayment of municipal loan obligations; nor shall the state or any political subdivision thereof be subject to any liability thereon except to the extent of such pledged revenues or the receipts, funds or moneys pledged therefor as provided in said sections 22a-475 to 22a-483, inclusive. The issuance of revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes under the provisions of said sections 22a-475 to 22a-483, inclusive, shall not directly or indirectly or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the state or of any political subdivision thereof, except the property mortgaged or otherwise encumbered under the provisions and for the purposes of said sections 22a-475 to 22a-483, inclusive. The substance of such limitation shall be plainly stated on the face of each revenue bond, revenue state bond anticipation note and revenue state grant anticipation note issued pursuant to said sections 22a-475 to 22a-483, inclusive, shall not be subject to any statutory limitation on the indebtedness of the state and such revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes, when issued, shall not be included in computing the aggregate indebtedness of the state in respect to and to the extent of any such limitation. As part of the contract of the state with the owners of such revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes, all amounts necessary for the punctual payment of the debt service requirements with respect to such

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revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes shall be deemed appropriated, but only from the sources pledged pursuant to said sections 22a-475 to 22a-483, inclusive. The proceeds of such revenue bonds or notes may be deposited in the Clean Water Fund for use in accordance with the permitted uses of such fund. Any expense incurred in connection with the carrying out of the provisions of this section, including the costs of issuance of revenue bonds, revenue state bond anticipation notes and revenue state grant anticipation notes may be paid from the accrued interest and premiums or from any other proceeds of the sale of such revenue bonds, revenue state bond anticipation notes or revenue state grant anticipation notes and in the same manner as other obligations of the state. All provisions of subsections (g), (k), (l), (s) and (u) of section 3-20 or the exercise of any right or power granted thereby which are not inconsistent with the provisions of said sections 22a-475 to 22a-483, inclusive, are hereby adopted and shall apply to all revenue bonds, state revenue bond anticipation notes and state revenue grant anticipation notes authorized by the State Bond Commission pursuant to said sections 22a-475 to 22a-483, inclusive. For the purposes of subsection (o) of section 3-20, "bond act" shall be construed to include said sections 22a-475 to 22a-483, inclusive.

(e) Any pledge made by the state pursuant to sections 22a-475 to 22a-483, inclusive, is a statutory pledge and shall be valid and binding from the time when the pledge is made, and any revenues or other receipts, funds or moneys so pledged and thereafter received by the state shall be subject immediately to the lien of such pledge without any physical delivery thereof or further act. The lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the state, irrespective of whether such parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be recorded. Any pledge made by the state pursuant to sections 22a-475 to 22a-483, inclusive, to secure revenue bonds issued to finance eligible water quality projects shall secure only revenue bonds issued for such purpose and any such pledge made by the state to secure revenue bonds issued to finance eligible drinking water projects shall secure only revenue bonds issued for such purpose.

(f) Whenever the General Assembly has authorized the State Bond Commission to authorize bonds of the state for clean water projects and uses and has found that such projects and uses are for any of the purposes set forth in sections 22a-475 to 22a-483, inclusive, and whenever the State Bond Commission finds that the authorization of such bonds will be in the best interests of the state, the State Bond Commission shall authorize the issuance of such bonds from time to time in one or more series and in principal amounts not exceeding the aggregate amount authorized by the General Assembly.

(g) Whenever the state has a written commitment to receive a grant-in-aid or similar form of assistance with respect to a project or program for which the issuance of bonds has been authorized pursuant to sections 22a-475 to 22a-483, inclusive, the Treasurer may issue state grant anticipation notes in anticipation of the issuance of such a grant-in-aid or other assistance provided (1) the total amount of such notes shall not exceed the amount of the grant commitment which has not been paid to the state and (2) all grant payments with respect to such project or program received by the state, to the extent required, shall be applied promptly toward repayment of such temporary notes as the same shall become due and payable, or shall be deposited in trust for such purpose. Notes evidencing such borrowings shall be signed by the manual or facsimile signature of the Treasurer or his deputy. The principal of and interest on any state grant anticipation notes issued pursuant to this subsection may be repaid from the proceeds of renewals thereof, from grants-in-aid or other assistance pledged for the payment thereof, or from the proceeds of a credit facility including, but not limited to, a letter of credit or policy of bond insurance.

(h) Bonds, state bond anticipation notes and state grant anticipation notes issued pursuant to sections 22a-475 to 22a-483, inclusive, are hereby made securities in which public officers and public bodies of the

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state and its political subdivisions, all insurance companies, credit unions, building and loan associations, investment companies, banking associations, trust companies, executors, administrators, trustees and other fiduciaries and pension, profit-sharing and retirement funds may properly and legally invest funds, including capital in their control or belonging to them. Such bonds, state bond anticipation notes and state grant anticipation notes are hereby made securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the state for any purpose for which the deposit of bonds, state bond anticipation notes, state grant anticipation notes or other obligations of the state is now or may hereafter be authorized by law.

(i) The proceedings under which bonds are authorized to be issued may, subject to the provisions of the general statutes, contain any or all of the following: (1) Provisions respecting custody of the proceeds from the sale of the bonds and any bond anticipation notes, including any requirements that such proceeds be held separate from or not be commingled with other funds of the state; (2) provisions for the investment and reinvestment of bond proceeds utilized to pay project costs and for the disposition of any excess bond proceeds or investment earnings thereon; (3) provisions for the execution of reimbursement agreements or similar agreements in connection with credit facilities, including, but not limited to, letters of credit or policies of bond insurance, remarketing agreements and agreements for the purpose of moderating interest rate fluctuations, and of such other agreements entered into pursuant to section 3-20a; (4) provisions for the collection, custody, investment, reinvestment and use of the pledged revenues or other receipts, funds or moneys pledged therefor as provided in sections 22a-475 to 22a-483, inclusive; (5) provisions regarding the establishment and maintenance of reserves, sinking funds and any other funds and accounts as shall be approved by the State Bond Commission in such amounts as may be established by the State Bond Commission, and the regulation and disposition thereof, or the establishment of a reserve fund of the state into which may be deposited any moneys appropriated and made available by the state for such fund, any proceeds of the sale of bonds or notes, to the extent provided in the resolution of the state authorizing the issuance thereof, and any other moneys which may be made available to the state for the purpose of such fund from any source whatever and, in lieu of the deposit of any such moneys, evidence by the state of the satisfaction of a federal matching requirement on the part of the state pursuant to the federal Water Quality Act of 1987 or the federal Safe Drinking Water Act or other related federal act, as applicable, including requirements that any such funds and accounts be held separate from or not be commingled with other funds of the state; (6) covenants for the establishment of pledged revenue coverage requirements for the bonds and state bond anticipation notes; (7) provisions for the issuance of additional bonds on a parity with bonds theretofore issued, including establishment of coverage requirements with respect thereto as herein provided; (8) provisions regarding the rights and remedies available in case of a default to bondowners, noteowners or any trustee under any contract, loan agreement, document, instrument or trust indenture, including the right to appoint a trustee to represent their interests upon occurrence of an event of default, as defined in said proceedings, provided that if any bonds or state bond anticipation notes shall be secured by a trust indenture, the respective owners of such bonds or notes shall have no authority except as set forth in such trust indenture to appoint a separate trustee to represent them; (9) provisions for the payment of rebate amounts; and (10) provisions or covenants of like or different character from the foregoing which are consistent with sections 22a-475 to 22a-483, inclusive, and which the State Bond Commission determines in such proceedings are necessary, convenient or desirable in order to better secure the bonds or state bond anticipation notes, or will tend to make the bonds or state bond anticipation notes more marketable, and which are in the best interests of the state. Any provision which may be included in proceedings authorizing the issuance of bonds hereunder may be included in an indenture of trust duly approved in accordance with sections 22a-475 to 22a-483, inclusive, which secures the bonds and any notes issued in anticipation thereof, and in such case the provisions of such indenture shall be deemed to be a part of such proceedings as though they were expressly included therein.

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(j) Whether or not any bonds, state bond anticipation notes or state grant anticipation notes issued pursuant to sections 22a-475 to 22a-483, inclusive, are of such form and character as to be negotiable instruments under the terms of title 42a, such bonds, state bond anticipation notes and state grant anticipation notes are hereby made negotiable instruments within the meaning of and for all purposes of title 42a, subject only to the provisions of such bonds, state bond anticipation notes and state grant anticipation notes for registration.

(k) The state covenants with the purchasers and all subsequent owners and transferees of bonds, state bond anticipation notes and state grant anticipation notes issued by the state pursuant to sections 22a-475 to 22a-483, inclusive, in consideration of the acceptance of and payment for the bonds, state bond anticipation notes and state grant anticipation notes, that such bonds, state bond anticipation notes and state grant anticipation notes shall be free at all times from taxes levied by any municipality or political subdivision or special district having taxing powers of the state and the principal and interest of any bonds, state bond anticipation notes and grant anticipation notes issued under the provisions of sections 22a-475 to 22a-483, inclusive, their transfer and the income therefrom, including revenues derived from the sale thereof, shall at all times be free from taxation of every kind by the state of Connecticut or under its authority, except for estate or succession taxes. The Treasurer is authorized to include this covenant of the state in any agreement with the owner of any such bonds, state bond anticipation notes or state grant anticipation notes.

(l) Pending the use and application of any bond proceeds, such proceeds may be invested by, or at the direction of the State Treasurer, in obligations listed in section 3-20 or in investment agreements rated within the top rating categories of any nationally recognized rating service or in investment agreements secured by obligations, of or guaranteed by, the United States or agencies or instrumentalities of the United States.

(m) Any revenue bonds issued under the provisions of sections 22a-475 to 22a-483, inclusive, and at any time outstanding may, at any time and from time to time, be refunded by the state by the issuance of its revenue refunding bonds in such amounts as the State Bond Commission may deem necessary, but not to exceed an amount sufficient to refund the principal of the revenue bonds to be so refunded, to pay any unpaid interest thereon and any premiums and commissions necessary to be paid in connection therewith and to pay costs and expenses which the Treasurer may deem necessary or advantageous in connection with the authorization, sale and issuance of refunding bonds. Any such refunding may be effected whether the revenue bonds to be refunded shall have matured or shall thereafter mature. All revenue refunding bonds issued hereunder shall be payable solely from the revenues or other receipts, funds or moneys out of which the revenue bonds to be refunded thereby are payable and shall be subject to and may be secured in accordance with the provisions of this section.

(n) The Treasurer shall have power, out of any funds available therefor, to purchase revenue bonds, state revenue bond anticipation notes and state revenue grant anticipation notes of the state issued pursuant to sections 22a-475 to 22a-483, inclusive. The Treasurer may hold, pledge, cancel or resell such bonds or notes, subject to and in accordance with agreements with bondholders or noteholders, as applicable.