(iv) To the maximum extent practicable, an identification of projects that will receive disadvantaged assistance and the respective amounts.

(b) Transfer process. If a State decides to transfer funds between the DWSRF program and CWSRF program, the IUPs for the DWSRF program and the CWSRF program must describe the process including:

(i) The total amount and type of funds being transferred during the period covered by the IUP;
(ii) The total amount of authority being reserved for future transfer, including the authority reserved from previous years; and
(iii) The impact of the transfer on the amount of funds available to finance projects and set-asides and the long-term impact on the Fund.

(9) Cross-collateralization process. If a State decides to cross-collateralize Fund assets of the DWSRF program and CWSRF program, the IUPs for the DWSRF program and the CWSRF program must describe the process including:

(i) The type of monies which will be used as security;
(ii) How monies will be used in the event of a default; and
(iii) Whether or not monies used for a default in the other program will be repaid, and if they will not be repaid, what will be the cumulative impact on the Funds.

(d) Amending the IUP. The priority lists of projects may be amended during the year under provisions established in the IUP as long as additions or other substantive changes to the lists, except projects funded on an emergency basis, go through a public review process. A State may change the use of funds from what was originally described in the IUP as long as substantive changes go through a public review process.

§ 35.3560 General payment and cash draw rules.

(a) Payment schedule. A State will receive each capitalization grant payment in the form of an increase to the ceiling of funds available through the ACH, made in accordance with a payment schedule negotiated between EPA and the State. A payment schedule that is based on a State’s projection of binding commitments and use of set-aside funds as stated in the IUP must be included in the capitalization grant agreement. Changes to the payment schedule must be made through an amendment to the grant agreement.

(b) Timing of payments. All payments to a State will be made by the earlier of 8 quarters after the capitalization grant is awarded or 12 quarters after funds are allotted to a State.

(c) Funds available for cash draw. Cash draws will be available only up to the amount of payments that have been made to a State.

(d) Estimated cash draw schedule. On a schedule negotiated with EPA, a State must provide EPA with a quarterly schedule of estimated cash draws for the Federal fiscal year. The State must notify EPA when significant changes from the estimated cash draw schedule are anticipated. This schedule must be developed to conform with the procedures applicable to cash draws and must have sufficient detail to allow EPA and the State to jointly develop and maintain a forecast of cash draws.

(e) Cash draw for set-asides. A State may draw cash through the ACH for the full amount of costs incurred for set-aside expenditures based on EPA approved workplans. A State may draw cash in advance to ensure funds are available to meet State payroll expenses. However, cash should be drawn no sooner than necessary to meet immediate payroll disbursement needs.

(f) Cash draw for Fund. A State may draw cash through the ACH for the proportionate Federal share of eligible incurred project costs. A State need not have disbursed funds for incurred project costs prior to drawing cash. A State may not draw cash for a particular project until the State has executed a loan agreement for that project.

(g) Calculation of proportionate Federal share—(1) General. The proportionate Federal share is equal to the Federal monies intended for the Fund (capitalization grant minus set-asides) divided by the total amount of monies intended for the Fund (capitalization grant minus set-asides plus required State match). A State may calculate the proportionate Federal share on a
rolling average basis or on a grant by
grant basis.

(2) State overmatch. (i) The propor-
tionate Federal share does not change
if a State is providing funds in excess of
the required State match.

(ii) Federal monies may be drawn at
a rate that is greater than that deter-
mined by the proportionate Federal
share calculation when a State is given
credit toward its match amount as a
result of funding projects in prior years
(but after July 1, 1993), or for crediting
excess match in the Fund in prior
years and disburse these amounts
prior to drawing cash. If the entire
amount of a State's required match has
been disbursed in advance, the propor-
tionate Federal share of cash draws
would be 100 percent.

§ 35.3565 Specific cash draw rules for
authorized types of assistance from
the Fund.

A State may draw cash for the au-
thorized types of assistance from the
Fund described in § 35.3525 according to
the following rules:

(a) Loans—(1) Eligible project costs. A
State may draw cash based on the pro-
portionate Federal share of incurred
project costs. In the case of incurred
planning and design and associated pre-
project costs, cash may be drawn im-
mediately upon execution of the loan
agreement.

(2) Eligible project reimbursement costs.
A State may draw cash to reimburse
assistance recipients for eligible
project costs at a rate no greater than
equal amounts over the maximum
number of quarters that capitalization
grant payments are made. A State may
immediately draw cash for up to 5 per-
cent of each fiscal year's capitalization
grant or 2 million dollars, whichever is
greater, to reimburse project costs.

(b) Refinance or purchase of local debt
obligations—(1) Completed projects. A
State may draw cash up to the portion
of the capitalization grant committed
to the refinancing or purchase of local
debt obligations of municipal, inter-
municipal, or interstate agencies at a
rate no greater than equal amounts over
the maximum number of quarters that
capitalization grant payments are
made. A State may immediately draw
cash for up to 5 percent of each fiscal
year's capitalization grant or 2 million
dollars, whichever is greater, to refi-
nance or purchase local debt.

(2) Portions of projects not completed. A
State may draw cash based on the pro-
portionate Federal share of incurred
project costs according to the rule for
loans in paragraph (a)(1) of this sec-
tion.

(3) Purchase of incremental disburse-
ment bonds from local governments. A
State may draw cash based on a sched-
ule that coincides with the rate at
which costs are expected to be incurred
for the project.

(c) Purchase insurance for local debt
obligations. A State may draw cash for
the proportionate Federal share of in-
surance premiums as they are due.

(d) Guarantee for local debt obliga-
tions—(1) In the event of default. In the
event of imminent default in debt serv-
ice payments on a guaranteed local
debt, a State may draw cash imme-
diately up to the total amount of the
capitalization grant that is dedicated
for the guarantee. If a balance remains
after the default is satisfied, the State
must negotiate a revised cash draw
schedule for the remaining amount
dedicated for the guarantee.

(2) In the absence of default. A State
may draw cash up to the amount of the
capitalization grant dedicated for the
 guarantee based on actual incurred
project costs. The amount of the cash
draw would be based on the propor-
tionate Federal share of incurred
project costs multiplied by the ratio of
the guarantee reserve to the amount
guaranteed.

(e) Revenue or security for Fund debt
obligations (leveraging)—(1) In the event
of default. In the event of imminent de-
default in debt service payments on a se-
cured debt, a State may draw cash im-
mediately up to the total amount of the
capitalization grant that is dedi-
cated for the security. If a balance re-
 mains after the default is satisfied, the
State must negotiate a revised sched-
ule for the remaining amount dedi-
cated for the security.

(2) In the absence of default. A State
may draw cash up to the amount of the
capitalization grant dedicated for the
security using either of the following
methods: