

**REGULATIONS OF THE
CAPE COD AND ISLAND WATER PROTECTION FUND
MANAGEMENT BOARD**

[DRAFT]

1.0 Introduction and Purpose.

The Cape Cod and Islands Water Protection Fund Management Board adopts these regulations pursuant to its authority under M.G.L. c. 29C, §§ 19 and 20. The Board¹ was established by the Enabling Act, which added two sections – §§ 19 and 20 – to M.G.L. c. 29C. The Enabling Act creates the Water Protection Fund and makes the Board responsible for determining the method for allocating subsidies from the fund, including an equitable distribution among participating municipalities consistent with revenue deposited from each municipality into the fund. The Board also is responsible for ensuring that the Water Protection Fund is spent only for the purposes set forth in M.G.L. c. 29C, § 19.

The Board's regulations govern the manner in which the Board awards a subsidy to a water pollution abatement project, as defined in M.G.L. c. 29C and the Department of Environmental Protection's regulation at 310 CMR 44.03. The Board's regulations are to be construed and applied in conjunction with the Clean Water State Revolving Fund (SRF) Program established by M.G.L. c. 29C and 310 CMR 44.00 (DEP Selection, Approval and Regulation of Water Pollution Abatement Projects Receiving Financing Assistance from the State Revolving Fund).

The Board can only use the Water Protection Fund to award subsidies to Participating Local Government Units, *i.e.*, Local Government Units who are members of the Water Protection Fund under the Enabling Act. These subsidies are in addition to, not in place of, any financial assistance awarded under the SRF Program. The Water Protection Fund can be expended only with the Board's approval and only for projects that have obtained all other approvals required by M.G.L. c. 29C.

A broad array of projects are eligible for financing under the SRF Program and thus for subsidies from the Water Protection Fund. These projects include, but are not limited to, the use of innovative strategies and alternative septic system technologies, the completion and update of water quality and wastewater management plans, the construction of sewer collection systems and wastewater treatment plants, and the implementation of drainage improvements and water treatment programs to improve water quality in fresh water ponds and marine

¹ Capitalized terms in Section 1.0 (Introduction and Purposes) have the meaning set forth in Section 2.0 (Definitions).

resources. The Board may keep “Information Releases” regarding the Projects that have been awarded Subsidies to help guide future projects.

2.0 **Definitions.**

As used in these regulations, capitalized terms have the meanings set forth below. Where a definition is followed by a citation to 310 CMR 44.03, the definition is substantially the same as set forth in 310 CMR 44.03. Capitalized but undefined terms shall have the meaning set forth in M.G.L. c. 29C.

“Board” means the Cape Cod and Island Water Protection Fund Management Board established by the Enabling Act.

“Calendar Year Allocation” means the amount of the Water Protection Fund that, for a given calendar year, is conditionally committed to (a) Subsidies for Qualified Projects first appearing on the Intended Use Plan Project Listing published in the same calendar year as the year in which the Board makes conditional commitments to subsidize these Qualified Projects, (b) Pre-existing Projects considered in that same calendar year.

“Cape Cod Commission” means the commission established pursuant to Chapter 716 of the Acts of 1989, as amended by Chapter 2 of the Acts of 1990, as further amended from time to time, which shall provide administrative and technical support to the Board.

“Clean Water Act,” or “CWA” means the Federal Water Pollution Control Act, Public Law 92-500, 33 USC § 1251, *et seq.* (310 CMR 44.03)

“Clean Water Trust” or “Trust” means the Massachusetts Clean Water Trust established by M.G.L. c. 29C.

“Department” means the Massachusetts Department of Environmental Protection. (310 CMR 44.03)

“Eligibility Notice” means a written notice from the Board, acting through the Cape Cod Commission, informing a Participating Local Government Unit that a Qualified Project or Pre-existing Project is eligible for a Subsidy.

“Enabling Act” means Chapter 337 of the Acts of 2018, as amended by Chapter 5 of the Acts of 2019, codified in M.G.L. c. 29C, §§ 19 and 20.

“EPA” means the United States Environmental Protection Agency. (310 CMR 44.03)

“Intended Use Plan” means the annual plan submitted by the Trust to EPA pursuant to § 606(c) of the CWA which identifies the intended use of the amounts available to the Water Pollution Abatement Revolving Fund as determined by the

Trust and derived from the federal capitalization grant, state match amounts, loan repayments, investment earnings and any other moneys deposited by the Trust available to fund projects eligible for funding under Title VI of the CWA. The Intended Use Plan includes a project listing, a description of short and long term goals for the use of the funds, information on the activities to be supported, assurances for meeting certain Title VI requirements, and the criteria and method for the distribution of funds. (310 CMR 44.03)

“Intended Use Plan Project Listing” means a listing of those projects identified by the Department for inclusion on the fundable portion of the Project Priority List pursuant to 310 CMR 45.05(2). (310 CMR 44.03)

“Loan Agreement” means an agreement entered into between the Trust and a Local Governmental Unit pertaining to a loan or local governmental obligations. (310 CMR 44.03)

“Loan Commitment” means a written commitment by the Trust to make a loan to a Local Governmental Unit to finance a project approved by the Department on terms consistent with the Department's Project Approval Certificate. (310 CMR 44.03)

“Local Government Unit” or “Local Governmental Unit” means any town, city, district, commission, agency, authority, board or other instrumentality of the commonwealth or of any of its political subdivisions, including any regional local government unit defined in M.G.L. c. 29C, which is responsible for the ownership or operation of a Water Pollution Abatement Project and is authorized by a bond act to finance all or any part of the costs thereof through the issuance of bonds. (310 CMR 44.03)

“Participating Local Government Unit” means a Local Government Unit that is or is part of a municipality that is a member of the Water Protection Fund pursuant to M.G.L. c. 29C, §§ 19 and 20.

“Pre-existing Debt” means debt incurred prior to the enactment of the Enabling Act in connection with a Project apart from the Trust by a Participating Local Government Unit that is or is part of the towns of Nantucket, Edgartown, Tisbury, Oak Bluffs, Falmouth, Chatham and Provincetown, or is or is part of the city of Barnstable.

“Pre-existing Project” means a project financed through Pre-existing Debt.

“Project Approval Certificate” means the certificate issued by the Department to the Trust certifying that a project is approved for financing by the Trust and that the costs of the project are eligible for financial assistance pursuant to M.G.L. c. 29C, § 6. (310 CMR 44.03)

“Project Approvals” mean all approvals required for a Qualified Project by M.G.L. c. 29C, including the Loan Commitment, Loan Agreement, Project Approval Certificate, and Project Regulatory Agreement.

“Project Priority List” means the annual list of projects prioritized to receive financial assistance pursuant to 310 CMR 44.00, as described in more detail in 310 CMR 44.05.

“Project Regulatory Agreement” means an agreement between the Department and a Local Governmental Unit, executed and delivered to the Trust on or prior to the date of a loan from the Trust to the Local Governmental Unit to finance a Project approved by the Department, which includes a disbursement schedule, procedures for approval and payment of requisitions, conditions related to the borrower’s compliance with the Department’s regulations and other federal and state statutes and regulations applicable to the construction and operation of the Project, and provision for the Department’s supervision of the Project in accordance with 310 CMR 44.00. (310 CMR 44.03)

“Qualified Project” means a Water Pollution Abatement Project undertaken by a Participating Local Government Unit and identified on the Intended Use Plan Project Listing after the enactment of the Enabling Act.

“Section” means a section of these regulations unless followed by an express reference to a different law.

“State Revolving Fund (SRF) Program” means the financial assistance program for Water Pollution Abatement Projects and drinking water projects as set forth in M.G.L. c. 29.

“Subsidy” means a grant awarded by the Board to a Qualified Project or a Pre-existing Project to be paid using funds in the Water Protection Fund.

“Term of Any Financial Assistance Award” means the period of time during which the Participating Local Government Unit pays off its debt to the Trust.

“Uncommitted Funds” mean the available funds for the current year within the Water Protection Fund that are not committed to be (a) ~~be~~ paid to a Participating Local Government Unit for a Qualified Project or Pre-existing Project previously approved for a Subsidy from the Water Protection Fund or (b) restricted as reserve, as established by Section 8.1.

“Water Pollution Abatement Project” or “Project” means any abatement facilities, including without limitation rehabilitation of abatement facilities to remove, curtail or otherwise mitigate infiltrations and inflow, collection system, treatment works and treatment facilities as defined in M.G.L. c. 21, § 26A, and any eligible facilities for implementation of a nonpoint source pollution control management

program or estuary conservation and management plan pursuant to the CWA. (310 CMR 44.03)

“Water Protection Fund” means the Cape Cod and Islands Water Protection Fund established by M.G.L. c. 29C, § 19.

“Withdrawal Notice” means a written notice from a Participating Local Government Unit withdrawing its Qualified Project or Pre-existing Project from consideration for a Subsidy from the Water Protection Fund.

3.0 Form of Subsidy.

- 3.1. Grants Only. All Subsidies shall take the form of grants. The Board shall not use the Water Protection Fund to make loans to Participating Local Government Units for Qualified Projects or Pre-existing Projects.
- 3.2. Terms of Subsidy. Subsidy shall be provided as a grant for a Qualified Project allocated in equal annual installments over four years commencing from the Board’s vote to allocate the Subsidy according to the Project Regulatory Agreement and only for projects that have obtained all other Project Approvals required by M.G.L. c. 29C. The Subsidy process requires two steps, as commencing as identified described in Sections 5.0 and 6.0. At its annual meeting, or at a subsequent meeting called by the Chair, below at which time the Board, based on the estimated project costs identified in the published Intended Use Plan for that given year, shall make a preliminary percentage subsidy commitment to all Qualified Projects, provided that the same percentage subsidy shall be provided to all Qualified Projects with a project cost greater than \$1 million equally in a given year. Projects with a project cost less than \$1 million shall receive twice the annual percentage applied to projects over \$1 million. The final allocation shall be approved by a vote of the Board using the percentage Subsidy commitment established based on the project costs identified in the Intended Use Plan multiplied by the total cost of a Qualified Project set forth in the Project Regulatory Agreement. The annual portion of the Subsidy shall be transferred from the Water Protection Fund to the Trust upon final approval by the Board and the Trust shall hold such amount in a segregated fund. The Trust shall apply such Subsidy to fund portions of a Qualified Project in lieu of making a permanent loan to the Participating Local Government Unit for such amount or shall be used to reduced the amount of any interim or permanent loan made by the Trust for such Qualified Project.

4.0 Qualifications for Subsidy.

- 4.1. Application. Consideration for a Subsidy does not require a formal application. The Board will rely on the expertise of the Department and

the Trust and their evaluations of a proposed Project under the SRF Program.

- 4.2. Water Protection Funding Qualification. When a Qualified Project first appears on the Intended Use Plan Project Listing, it shall automatically be eligible for a Subsidy, except as set forth in this section. Within 30 days of the Department's publication of the Intended Use Plan, the Board, through the Cape Cod Commission, shall send an Eligibility Notice to all Participating Local Government Units with a Qualified Project on the Intended Use Plan Project Listing. The Participating Local Governmental Unit may opt out of consideration for a Subsidy by sending the Board a Withdrawal Notice within 30 days of receiving the Eligibility Notice. Unless the Board receives a Withdrawal Notice, the Qualified Project shall remain eligible for a Subsidy so long as it meets the requirements set forth in Section 6.0.

5.0 Board Meetings to Determine Subsidy Allocation.

- 5.1 Annual Meeting. The Board shall meet no less than once annually to allocate Subsidies. The annual meeting will be held within 60 days of the Department's publication of the Intended Use Plan Project Listing. Additional meetings will be held within 30 days of execution of the final Project Regulatory Agreement to adopt final allocations. The Board's Chair, in his or her discretion, may schedule additional meetings as needed for additional reasons that require action by the Board.
- 5.2 Commitments of Subsidies. At the annual meeting, or at a subsequent meeting called by the Chair, the Board shall make a contingent commitment to award a Subsidy for each Qualified Project first appearing on the Intended Use Plan Project Listing in that calendar year, unless the Board has received a Withdrawal Notice within the time frame required by Section 4.2. The commitment shall be contingent on the Qualified Project satisfying the requirements set forth in Section 6.0.
- 5.3 Amount of Subsidy Awarded for Qualified Projects. The Subsidy for each Qualified Project shall be stated as a percentage equally applied to all projects receiving initial subsidy determinations, as described in Section 3.2, and established at the time of the Departments publication of the Intended Use Plan for a given year. The final Subsidy dollar amount shall be based on a calculation of the percentage established above times the total cost of a Qualified Project set forth in the Project Regulatory Agreement. The Subsidy amount (the Subsidy percentage times the total Project cost as established in the Project Regulatory Agreement) shall be set at the time of the award, and shall not be adjusted except to the extent the Project no longer qualifies as set forth in Section 7.3 or it is

~~determined there is insufficient funding as set forth in Section 7.2.² For example, if the total Project costs approved by the Project Regulatory Agreement is \$10 million and the Subsidy approved by the Board is 25%, the total Subsidy shall be \$2,500,000, applied in four annual installments of \$625,000.~~

5.4 Subsidies for Pre-existing Projects.

5.4.1. Participating Local Government Units Only. The Board shall not award a Subsidy for a Pre-Existing Project unless (a) there are still amounts outstanding with respect to Pre-existing Debt at the time the Board considers making a commitment to grant a Subsidy; and (b) the obligor on such Pre-existing Debt is a Participating Local Government Unit.

5.4.2. Timing of Commitment. At its first Board meeting to approve Subsidies, the Board also shall consider Subsidies for Pre-existing Projects for Participating Local Government Units. For eligible towns or cities that become Participating Local Government Units after such meeting, the Board shall consider Subsidies for the applicable Pre-existing Projects in the first calendar year after such eligible Local Government Unit becomes a Participating Local Government Unit. The Board, through the Cape Cod Commission, shall notify Participating Local Government Units with Pre-existing Projects of their eligibility for a Subsidy at the same time and in the same manner as set forth in Section 4.2, and the Participating Local Government Unit likewise shall send a Withdrawal Notice within the time required by Section 4.2 if it does not wish to be considered for a Subsidy. At the written request of the Participating Local Government Unit, the Board, in its complete discretion, may defer consideration of a Subsidy for a Pre-existing Project to a subsequent calendar year.

5.4.3. Amount of Subsidy. The Board shall consider Subsidies for Pre-existing Projects on equal footing with Qualified Projects appearing on the Intended Use Plan Project Listing in the same calendar year. Subsidies for Pre-existing Projects shall be determined in the same manner as set forth in Section 5.3, provided that the Subsidy amount shall be a percentage of the outstanding loan amount at the time of the approval by the Board, as opposed to the total original project costs.

² For example, if the total Project costs approved by the Project Regulatory Agreement is \$10 million and the Subsidy approved by the Board is 25%, the total Subsidy shall be \$2,500,000, applied in four annual installments of \$625,000.

- 5.4.4. Nature of Commitment. Commitments made for Subsidies for Pre-existing Projects shall not be contingent on final approval under Section 6.1, but shall be subject to the funding condition set forth in Section 7.2 and the calculations required for Section 8.2. Payment of subsidies for Pre-existing Projects shall commence in the calendar year in which the Board commits to the Subsidy.

6.0 Subsidy Commitment and Approval.

- 6.1. Contingent Commitment. For Qualified Projects eligible for an equal percentage Subsidy, as determined annually by the Board, the Board shall issue a contingent commitment in the first calendar year in which the Project appears on the Intended Use Plan Project Listing, unless the Board has received a Notice of Withdrawal for the Project. A contingent commitment means that the Subsidy is contingent upon the receipt of an executed Project Regulatory Agreement for the Project.
- 6.2. Final Approval. For a Qualified Project receiving a contingent commitment, the Board shall issue a final approval upon receipt of a fully executed Project Regulatory Agreement by the Cape Cod Commission. Final approval shall be granted by the Board based upon the project cost as appearing in the final Project Regulatory Agreement entered into by the Trust and the Participating Local Government Unit.

7.0 Conditions for Subsidy; Breach of Conditions.

- 7.1 No Agreement. The Board shall not require a Participating Local Government Unit to enter into an agreement with the Board. By accepting a Subsidy payment, the Participating Local Government Unit agrees that the terms of the Subsidy are governed by these regulations, as they may be amended from time to time, for the entire duration of the Trust loan.
- 7.2 Funding Condition. Each contingent commitment and each Subsidy is a commitment of future revenues from the Water Protection Fund solely to the extent available. The Board retains discretion to discontinue, reduce or suspend Subsidies if the Uncommitted Funds are insufficient to meet the total Subsidy commitments – both ongoing obligations for Subsidies awarded in prior years and new awards. When deciding to discontinue, reduce or suspend Subsidies, the Board shall treat all Qualified Projects and Pre-existing Projects as equally as practicable.
- 7.3 Breach of Conditions of Project Approvals. The Board will suspend or discontinue a Subsidy if the Participating Local Government Unit has breached any of the conditions of the Project Regulatory Agreement or Loan Agreement in a manner that causes the Trust to call back the loan, suspend the Participating Local Government Unit's ability to draw down

the loan funds, or require that the Participating Local Government Unit repay any loan funds previously provided. The Board shall compel a Participating Local Government Unit to pay back any Subsidy already provided. The Board may, in its discretion, reinstate the Subsidy if the Participating Local Government cures its breach of the Project Regulatory Agreement or Loan Agreement in a manner that causes the Trust to reinstate the loan.

8.0 Management of Use of Water Protection Fund.

- 8.1 Reserve. In the first calendar year in which the Board makes contingent commitments to subsidize Projects, the Board may establish a reserve from uncommitted funds in an amount that the Board, in its complete discretion and with assistance from a qualified financial consultant, determines is sufficient to ensure that the Water Protection Fund does not become insolvent due to variability in annual deposits to the Water Protection Fund. In each calendar year, prior to determining the Calendar Year Allocation, the Board, in its complete discretion, shall decide whether to restrict and/or utilize funds from the reserve.
- 8.2 Calendar Year Allocation. Each calendar year, the Board shall consider the amount of deposits into the Water Protection Fund and the amounts required to maintain sufficient reserves per Section 8.1 to determine and establish the amount of any Uncommitted Funds. The Board has complete discretion to determine the portion of the Water Protection Fund that comprises Uncommitted Funds, including discretion to withdraw funds from reserve so that they are deemed Uncommitted Funds. The Uncommitted Funds that the Board, in its discretion, determines are available in a given calendar year shall be the Calendar Year Allocation to be awarded to Participating Local Government Units for Qualified Projects first appearing on the Intended Use Plan Project Listing for that year and to Pre-existing Projects. The Board will monitor revenues and subsidies amongst member communities over the life of the fund and provide this information in the annual report. The Board may evaluate and amend these regulations from time to time.

9.0 Withdrawal from Water Protection Fund.

- 9.1 Withdrawal of Eligible Local Government Unit. If a Participating Local Government Unit obtains final approval of a Subsidy for a Qualified Project or is granted a Subsidy for a Pre-existing Project, it may not withdraw from the Water Protection Fund ~~for a period commencing with the date on which the Board makes the first Subsidy payment and continuing through the date on which the Participating Local Government Unit pays off its loan under the SRF Program during the Term of Any Financial Assistance Award.~~

- 9.2 Reentry to the Water Protection Fund. A Local Government Unit that has withdrawn from the Water Protection Fund may rejoin the Water Protection Fund at any time after satisfying the requirements of M.G.L. c. 29C, §§ 19 and 20. In accordance with M.G.L. c. 29C, § 19, the Board shall not grant any subsidies to a Local Government Unit that returns to the Water Protection Fund (thus becoming a Participating Local Government Unit) for a period of two years from the date on which the legislative body of the Local Government Unit voted to return to the Water Protection Fund.

Tabled for Future Discussion and Potential Amendment of Regulations: The board, subject to a memorandum of understanding with the department of environmental protection, may direct the comptroller to transfer a specified amount not to exceed 10 per cent of the annual revenue deposited into the fund to the department for the department to contract with a regional planning agency, institution of higher education or non-profit corporation to evaluate and report on the efficacy of adaptive management measures to reduce nitrogen pollution of coastal waterways undertaken pursuant to an area wide wastewater management plan or a suitable equivalent plan, to monitor the water quality and watersheds of areas subject to the study and to support further assessment and water quality modeling to further refine area wide wastewater management plans or suitable equivalent plans in Barnstable and Nantucket counties and the county of Dukes County. *See M.G.L. c. 29C, § 19.*