



# ATTACHMENT 1 ENVIRONMENTAL PRIORITY POINT SYSTEM



## ENVIRONMENTAL PRIORITY POINT SYSTEM FOR WASTEWATER INFRASTRUCTURE<sup>1</sup>

The Department of Environmental Protection (DEP) has established an Environmental Priority Point System to place proposed wastewater treatment projects in a listing according to their relative priority of environmental impact or benefit. The system contains five (5) basic priorities which relate to the public health hazard created by the wastes or to the use of the waters to which wastes are discharged. In addition to these five basic priorities, there is a subsystem with point values of 0, 6, or 12 points that indicates the intensity of the problem as being either low, medium or high. The subsystem points are added to the priority base points to arrive at the overall Environmental Priority Points for ranking the environmental importance of projects. Additional points will be awarded to projects to further rank them for the distribution of loan subsidization in the form of principal forgiveness. The details on the additional subsidization and awarding of points are described further in the section entitled *2024 CWSRF Wastewater Infrastructure Project Priority Ranking System*.

All five priorities and the subsystems are discussed in detail below.

### Base Points

Priority 1                      **Water Supply Protection**                      30 Points

The project to be funded will eliminate a source of ground or surface water supply contamination. This priority denotes that a potential public health hazard does exist and that without such a project, alternative sources of water would be required, or additional water treatment would be necessary.

Priority 2                      **Lakes Protection**                      25 Points

This priority denotes that the project will eliminate or improve facilities discharging directly or indirectly to lakes and ponds, which creates detrimental impacts on trophic state.

Priority 3                      **Shellfishery Protection**                      20 Points

This priority includes projects that will eliminate sources of contamination to shell fishing areas. The project will eliminate sources of waste that are partially or wholly responsible for a shellfishery area presently being closed.

Priority 4                      **Water Quality Concerns**                      15 Points

This priority denotes that the project will reduce the level of pollutants to waterbodies of present classification or where a proposed project can be expected to raise quality to the next higher classification.

Priority 5                      **Facility Needs**                      10 Points

This category includes all structural deficiencies of collection, transport, and treatment systems. Such things as untreated sewage creating a public health hazard, a project to meet general water quality standards, or a treatment plant not meeting effluent criteria would be in this category.

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<sup>1</sup> Stormwater and Nonpoint Source Planning Points System see Attachment 5 - Requirements and Guidance for Stormwater (SW) and Nonpoint Source (NPS) Plans

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### PRIORITY SUBSYSTEMS

The priorities of water supply and shellfisheries involve other agencies in the state. The Maine Center for Disease Control – Division of Environmental Health is responsible for the water supply program in Maine (Priority 1). The Department of Marine Resources manages shellfishing areas (Priority 3). Accordingly, these agencies have developed the subsystems which relate to the intensity of the problem for these priorities. DEP staff has developed the subsystems for priority 2, 4 and 5. Inland Fish and Wildlife is the agency responsible for the management of inland and anadromous fisheries. DEP receives input from Inland Fish and Wildlife when water quality problems impact these fisheries.

The intensity of the problem (Low, Medium, and High) is identified by the subsystem for that category. The agency having jurisdiction applies the subsystem to each project in their category of responsibility. For example, if a Priority 3 project (Shellfishery Protection) was determined to be a medium intensity problem by the Department of Marine Resources, it would be assigned 26 points on the priority list (3-M). Several projects may be in the same category and assigned equal points. The second regular session of the 113th Legislature included median household income, MHI, as a factor in determining funding priority. Projects with the same point assignment will be ordered by MHI, with the lowest income community receiving the highest priority within that subsystem category.

### ENVIRONMENTAL PRIORITY POINTS ASSIGNMENTS

PRIORITY	PROBLEM INTENSITY		
	LOW	MEDIUM	HIGH
1. Water Supply Protection	30	36	42
2. Lakes Protection	25	31	37
3. Shellfishery Protection	20	26	32
4. Water Quality Concern	15	21	27
5. Facility Needs	10	16	22

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### 1. WATER SUPPLY PROTECTION

Five criteria are used in this subsystem, with each having a point value of 1, 2, or 3 points. The summation of criteria points assigned in criteria 1 – 5 determines the level of intensity (low, medium, or high). The assignment to a level of intensity is arrived at as follows:

<u>Subsystem Points</u>		<u>Criteria Points</u>
Low	(0)	Range (0 – 5)
Medium	(6)	Range (6 – 10)
High	(12)	Range (11 – 15)

CRITERIA	POINTS		
	1	2	3
1. Population Served	< 2,000	2,000 - 10,000	> 10,000
2. Degree of Dependence on Water Source	Alternate Source	Emergency Source	No Other Source
3. Difficulty of Treatment	Proven		Experimental
4. Existing Treatment	Full	Minimal	None
5. Cost of Treatment	< 1% of Revenue	1% - 10% of Revenue	> 10 % of Revenue

### 2. LAKES PROTECTION

#### Subsystem Points

Low	(0)	Facility has minor effect on trophic state of a lake.
Medium	(6)	Existence of marginal trophic quality or increasing trophic conditions.
High	(12)	Conditions exist in a lake which cause non-attainment of class GPA. Class GPA is the sole classification both of great ponds and of natural lakes and ponds less than 10 acres in size.

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### 3. SHELLFISHERY PROTECTION

Four criteria are used in this subsystem, with each having a point value of 1, 2, or 3 points. The summation of criteria points assigned in criteria 1 – 4 determines the level of intensity (low, medium, or high). The assignment to a level of intensity is arrived at as follows:

<u>Subsystem Points</u>	<u>Criteria Points</u>
Low (0)	Range (0 – 4)
Medium (6)	Range (5 – 8)
High (12)	Range (9 – 12)

POINTS			
CRITERIA	1	2	3
1. Shellfish Production	Potential	Limited	Commercial
2. Projected Area Reclassification	Conditionally Restricted	Restricted	Approved or Conditionally Approved
3. Economic Importance	< 10 licenses	10 – 20 licenses	> 20 licenses
4. State & Local Interest	Low Interest	Medium Interest	High Interest

### DEFINITION OF TERMS

#### Shellfish Production

Potential	A shellfish growing area is considered to be a potential growing area when all environmental factors (chemical, physical and biological) exist within levels suitable for the propagation of shellfish, or if historical records indicate the area to be one time productive.
Limited	A shellfish area is considered to have limited harvesting when current or past shellfish availability would yield quantities of less than 1 bushel per tide and/or less than 5 acres in size.
Commercial	A shellfish area is considered to have commercial harvesting when current or past shellfish availability would yield quantities greater than 1 bushel per tide and/or greater than 5 acres in size.

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### Projected Area Reclassification

Conditionally Restricted	If, after abatement, the projected reclassification at best would meet the standards for Depuration and/or Relay Harvesting allowed except during specified conditions (rainfall, sewage treatment plant (STP) bypass or seasonal), then the lowest number of value related points will be given.
Restricted	If, after abatement, the projected area reclassification would meet the standards for Depuration and/or Relay Harvesting, then the next highest value related points will be assigned.
Approved or Conditionally Approved	If, after abatement, the projected area reclassification would meet the standards for open harvesting, harvesting allowed except during specified conditions (rainfall, STP bypass or seasonal), the highest number of value related points will be given.

### Economic Importance

Value related points will be assigned to those areas where the shellfishing resource is considered to have an economic impact on the local economy. The factor utilized in this determination will be the number of commercial harvesters in the town or towns abutting the resource. Consideration should be taken for past, present, and future harvesters.

### State and Local Interest (Shellfish Management Program)

Value related points will be given to those areas where a sincere interest in pollution abatement, shellfish management, aquaculture, or other related interests in the marine resources has been demonstrated.

Low Interest	Municipal program with open license sales and no conservation requirements, limited enforcement.
Medium Interest	Municipal program with conservation requirements.
High Interest	Strong municipal program with active shellfish committee, conservation requirements, and shellfish warden.

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### **4. WATER QUALITY CONCERNS**

#### Subsystem Points

- |        |      |  |
|--------|------|--|
| Low    | (0)  | Water quality standards are achieved; however, the project would help maintain water quality.  |
| Medium | (6)  | Water quality standards are achieved; the project would result in improved habitat, production or other enhancement of the fishery, or other tangible improvements to water quality. |
| High   | (12) | Water quality standards are not achieved for designated class; project would result in improvements to water quality, but not necessarily bring it into compliance.                  |

### **5. FACILITY NEEDS**

#### Subsystem Points

- |        |      |  |
|--------|------|--|
| Low    | (0)  | A project with the base point assignment has a relatively minor problem by comparison with others in this category. A deficiency exists, or the potential for a public health hazard is evident, but the operational impact, if any, is minor and the public health danger is only slight. |
| Medium | (6)  | This sub-priority indicates the existence of a substantial problem that may involve several of the factors in the Facility Needs category. The structural deficiencies cause problems and/or the risk of public health problems is more than slight.                                       |
| High   | (12) | The assignment of this level is made only for those facilities having the most severe structural or operational problems and/or where a public health hazard exists.   |

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**ADDITIONAL POINTS ADDED TO ENVIRONMENTAL PRIORITY POINTS**

Each of the following factors is rated as a percent of the environmental priority points determined in the Environmental Priority Point System. The various factors are summed and added to the environmental priority points for a final priority rating score.

1. “Green” projects (criteria stated in guidance by EPA). Projects assigned to this factor include green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. While these can be freestanding projects, often they may be elements of larger projects. To evaluate green components, the dollar value of green elements will be determined as a percentage of the total project cost. This percentage will be multiplied by a constant value of 0.2 to obtain a percentage increase to the environmental priority points. See Attachment 2 for details on “Green” projects.

increase in points up to: 20%

2. Regulatory requirements. This factor is applied if the project is necessary to meet a regulatory requirement such as a license condition, implementation of required plan or study (e.g. an approved CSO plan or a toxicity reduction plan), or the requirements of a consent agreement or court order.

Required by consent agreement or court order - increase in points: 20%

Other specific regulatory requirement

(e.g. CSO Long-Term Control Plan, Compliance Initiative Letter,

Letter of Warning, Notice of Violation) - increase in points: 10%

3. Expected degree of success in addressing pollution concerns. This factor reflects the Department’s estimate of how effectively the proposed project will address the local environmental problems for which the environmental priority points were assigned under the Environmental Priority Point System. In rating this factor, the Department recognizes that most projects have inherent limitations and water quality problems often have multiple contributing sources.

Added reliability or decreased discharges – increase in points: 5%

Significant added reliability or reduction of a discharge – increase in points: 10%

Elimination of one of several discharges (CSO/OBD) – increase in points: 15%

Elimination of a significant discharge or volume – increase in points: 20%

Elimination of a sole discharge source – increase in points: 25%

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4. Regionalization of work. This factor recognizes that some proposed projects may represent efforts by two or more jurisdictions to solve water quality issues of common concern. Often, such effort can be more efficient and make better use of public resources to find cost-effective regional solutions. In this instance, regionalization means the combining of two or more facilities into one and the elimination of one or more facilities.

Increase in points: 15%

5. Co-funded projects. If an applicant indicates that grant or loan money may be available from other sources (e.g. MDOT, EDA, FEMA, CDBG, State grant, STAG or RD), this has the potential to leverage all available funds with the result of more beneficial projects being done. The Department will consult with the other agencies to determine if grants and/or loans have been applied for the proposed project and the other agencies' intent to fund before assessing these extra points.

Increase in points: 20%

6. Chronic SSO's. Has the collection system had a history of chronic sanitary sewer overflows (SSO) during wet weather events? Has DEP inspector or enforcement staff identified collection SSOs as a remediation priority and has written documentation been given. If Yes, will the proposed project eliminate or reduce the severity of the problem? If elimination cannot be achieved, what will the reduction or impact be?

Added reliability or decreased discharges – increase in points: 5%

Significant added reliability or reduction of a discharge – increase in points: 10%

Elimination of one of several SSOs – increase in points: 15%

Elimination of a multiple SSOs – increase in points: 20%



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### **2024 CLEAN WATER STATE REVOLVING FUND (CWSRF) WASTEWATER INFRASTRUCTURE PROJECT PRIORITY RANKING SYSTEM**

For Federal Fiscal Year (FFY) 2024, the DEP will use a rating system based on the existing Environmental Priority Point System to determine project order for receiving loan principal forgiveness. The primary objective for distributing funds is to focus on projects that will realize the most environmental benefit. However, additional points will be given for green components in projects, legal requirements necessitating a project, the degree of expected environmental success, availability of co-funding with other funding agencies, and benefits that can be derived from regionalization of water quality improvement efforts.

The CWSRF is a well-established program with an existing system for ranking projects based on five environmental priority levels with sub ratings within each. The Environmental Priority Point System results in a point score being assigned that ranges from 10 to 42 points. That point score will be adjusted in consideration of the factors as discussed above. Each adjustment will be in the form of a percent increase to the base point rating. The environmental priority points and the adjustments will be summed to obtain a final number of points that will represent the proposed project's priority score. The priority score will be the order of precedence in establishing the projects for funding and distribution of principal forgiveness for affordability, climate adaptation plans, and fiscal sustainability plans or improvements. The methodology for adjusting the Environmental Priority Points for the factors above is more fully described in the Additional Points Added To Environmental Priority Points section.

#### **2024 PRINCIPAL FORGIVENESS**

To the extent available, the Department will provide loan principal forgiveness to applicants for economic hardship assistance and incentives to encourage development of climate adaptation plans, implementation of or improvements to fiscal sustainability plans, Green Project Reserve, Stormwater, and Nonpoint Source Management plans. The Department has not received the final notification from EPA of the State's 2024 CWSRF capitalization grant allotments. To assist communities that might have a difficulty financing their project and to provide sustainability incentives for wastewater infrastructure, the Department intends to offer additional subsidy, allowed under the 2024 Appropriation Act, to loan recipients in the form of loan principal forgiveness. The additional subsidy will be distributed in accordance with Section 603(i) of the Federal Water Pollution Control Act and EPA's Sustainability Policy for targeting SRF assistance.

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### AFFORDABILITY PRINCIPAL FORGIVENESS

To the extent available, affordability principal forgiveness for 2024 will be available for those applicants' projects that have the most environmental benefit and would experience a significant hardship financing the project if additional subsidies were not provided.

Public Law 113-121, the "Water Resources Reform and Development Act of 2014" (WRRDA), amended section 603(i) of the Federal Water Pollution Control Act (FWPCA), requiring the State to establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project if additional subsidization is not provided. The Department developed affordability criteria utilizing the required minimum criteria of income and unemployment data, and population trends, as well as the additional criteria of poverty rate and the sewer user rate as a percentage of the median household income. The affordability criteria and analysis were provided to the public for comment on August 11, 2015, with a comment period until August 28, 2015. No comments were received, and the affordability criteria became final on August 31, 2015.

The Department's methodology for developing an affordability analysis was to compare the above five criteria for a municipality to the State's average for those criteria, then assess a percentage over the State average that would likely constitute a significant hardship for the municipality to raise the revenue necessary to finance the project.

AFFORDABILITY ANALYSIS			
Municipal Rate	Index		Results
<ul style="list-style-type: none"> <li>• Income</li> <li>• Unemployment Data</li> <li>• Population Trends</li> <li>• Poverty Rate</li> <li>• Sewer Rate (as a % of the median household income)</li> </ul>	$\frac{\text{Municipal Rate}}{\text{State Average Rate}} = \text{points}$ ↓ <i>Affordability Points = sum of points</i>	< 5	Considered to be in a better position to afford a project
		= 5	State average
		> 7	Constitutes significant hardship

In establishing what constitutes a significant hardship in raising the necessary project revenue, the Department established that a municipality's affordability points must exceed the total of the State average points by 40% in order to be eligible for additional subsidization (principal forgiveness). **Therefore, the sum of a municipality's affordability criteria must be a minimum of 7.0 (140% of 5.0) points to be eligible for possible affordability principal forgiveness.** This will allow us to further reach those who have a hardship but are not considered a significant hardship for the CWSRF funds. Details on the affordability criteria and the affordability analysis methodology are presented below.

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### CRITERIA AND METHODOLOGY

#### Poverty Rate

Poverty Rate Index (PRI) is calculated as the ratio of the municipalities poverty rate to the State’s poverty rate.

POVERTY RATE	
<i>Use</i>	- Town poverty data shall be from the U.S. Census Bureau – <a href="http://data.census.gov/cedsci/">http://data.census.gov/cedsci/</a>
<i>Enter</i>	- dp03: selected economic characteristics “Your Town and State”
<i>Select</i>	- Product: 2022 ACS – 5 year Estimates
<i>Use</i>	- ACS 5 – Year Estimates – PERCENTAGE OF FAMILIES AND PEOPLE WHPSE INCOME IN THE PAST 12 MONTHS IS BELOW THE POVERTY LEVEL – All People

$$\text{PRI} = (\text{Municipal Poverty Rate}) \div (\text{State Poverty Rate})$$

#### Income

The income data for the community is the Median Household Income. When available, income data presented to the Department shall be prioritized in this order:

- 1) A State approved system-wide income survey that was finalized within the past three years.
- 2) Census Designated Place (CDP) data, if the sewerred area closely approximates the CDP area; then.
- 3) Town data.

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INCOME	
<i>Use</i>	- Town unemployment data shall be from the U.S. Census Bureau – <a href="http://data.census.gov/cedsci/">http://data.census.gov/cedsci/</a>
<i>Enter</i>	- dp03: selected economic characteristics “Your Town and State”
<i>Select</i>	- Product: 2022 ACS – 5 year Estimates
<i>Use</i>	- ACS 5-Year Estimates-INCOME AND BENEFITS-Total Households-Median Household Income

Income Index (II) is calculated as the ratio of the State’s Median Household Income to the municipality’s Median Household Income.

$$\text{II} = (\text{State Median Household Income}) / (\text{Municipal Median Household Income})$$

(Note: Some projects, such as those for control of non-point sources of pollution, may not have traditionally defined sewer user rates. In those cases, the Department will use the average percentage of all the applicants for 2024 as a means of maintaining equity across the board.)

### Unemployment Rate

UNEMPLOYMENT RATE	
<i>Use</i>	- Town unemployment data shall be from the U.S. Census Bureau – <a href="http://data.census.gov/cedsci/">http://data.census.gov/cedsci/</a>
<i>Enter</i>	- dp03: selected economic characteristics “Your Town and State”
<i>Select</i>	- Product: 2022 ACS – 5 year Estimates
<i>Use</i>	- ACS 5-Year Estimates-EMPLOYMENT STATUS-Population 16 Years and Over-In Labor Force-Unemployed

Unemployment Rate Index (URI) is calculated as the ratio of the municipality’s unemployment rate to the State’s unemployment rate.

$$\text{URI Points} = (\text{Municipal Unemployed Rate}) \div (\text{State Unemployed Rate})$$

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### Population Trend

POPULATION TREND
Data from U.S. Census Bureau – Population Estimates – Use most current information for the population trend over the past 10 years.
Maine Census Data for 2012 and 2022 can be found under Supplemental Materials at <a href="#">SRF Loan Fund, Maine Department of Environmental Protection</a> – <b>Maine Census Data for 2012 and 2022</b>
The most current 10-year population trends (PT) for municipalities are compared to the State’s population trend over the same period.

$$\text{PT as Percent} = \frac{((\text{Current Municipal Population}) - (\text{Municipal Population 10 years prior}))}{(\text{Municipal Population 10 years prior})} \times 100$$

Ranges for the municipalities’ 10-year population trends are established in 5% increments above and below the State’s rate/average (SR) and points assigned as follows:

POPULATION TREND RANGE	POINTS
Greater than 5% above the State Rate: > (SR+5%)	0.0
State Rate to 5% above the State Rate: (SR+5%) to SR	0.5
State Rate to 5% below the State Rate: SR to (SR-5%)	1.0
5% below the State Rate to 10% below the State Rate: (SR-5%) to (SR-10%)	1.5
10% below the State Rate to 15% below the State Rate: (SR-10%) to (SR-15%)	2.0
15% below the State Rate to 20% below the State Rate: (SR-15%) to (SR-20%)	2.5
More than 20% below the State Rate: < (SR-20%)	3.0

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### Sewer User Cost as a Percentage of the Median Household Income (MHI)

Yearly Sewer User Cost data for a typical single-family residence is provided by the municipality using the appropriate CWSRF User Rate Calculator. Financial and user information is entered into the Calculator to generate an estimated Equivalent Dwelling (or Domestic) Unit (EDU) User Rate/Cost.

Median Household Income data is derived as outlined previously under “Income”.

Sewer User Cost as a Percentage of the MHI (UC/MHI) Points are calculated by dividing the municipality’s yearly sewer cost for a typical single-family residence by the municipality’s Median Household Income then multiplying by 100.

$$\text{UC/MHI Points} = (\text{Single Family Residence Yearly Sewer User Cost}) \div (\text{Municipality's MHI}) \times 100$$

### Affordability Principal Forgiveness Percentage

The following formula will be used to determine possible percentage of affordability principal forgiveness for municipalities that have affordability points of **7.0 or more**, i.e. 140% of State average.

$$\text{Affordability Principal Forgiveness Percentage} = (\text{Municipality's Affordability Points})^2$$

This non-linear formula has the effect of providing proportionally greater assistance in the form of principal forgiveness to communities that are more in need of financial assistance and have higher Affordability Points.

The principal forgiveness for 2024 will be available for those applicants’ projects that will realize the most environmental benefit and are dependent upon the project’s environmental ranking compared to other ranked applicant’s projects in the funding year. The Department will offer affordability principal forgiveness to the applicant with the highest environmental ranking that also meets the minimum affordability criteria, then subsequently to applicants with progressively lower rankings until the available affordability principal forgiveness has been committed. The percentage of principal forgiveness that will be offered, within the limits of availability, is defined earlier in this section. **Borrowers that received affordability principal forgiveness from the Department in both previous funding years (2022 & 2023) are not eligible for affordability principal forgiveness in the 2024 funding year.**

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### CLIMATE ADAPTATION PLAN AND FISCAL SUSTAINABILITY PLAN PRINCIPAL FORGIVENESS

To the extent available, the Department is making principal forgiveness available as incentives to encourage the development of climate adaptation plans (CAP) and the implementation or expansion of fiscal sustainability plans (FSP). The Department intends to offer CAP and FSP principal forgiveness to assistance recipients that are financing an infrastructure (construction) project and those recipients that are not financing an infrastructure project but wish to receive funding for a CAP or FSP.

The breakdown of this funding and requirements to receive it are described as follows.

1. **Climate Adaptation Plans (CAP)** – The DEP intends to offer *up to \$25,000 per applicant* in principal forgiveness, to the extent available, for the development of a CAP. The award of principal forgiveness for applicants *with* an infrastructure project will be based on the applicant’s CWSRF Environmental and Affordability ranking. Standalone CAPs will be based on the applicant’s CWSRF Affordability ranking. See *Attachment 1* and *Attachment 3* for more details.

Any unused principal forgiveness in this category will first be used for CAPs without an infrastructure project, then for fiscal sustainability plans with an infrastructure project, then without, and lastly for affordability principal forgiveness, if needed.

2. **Fiscal Sustainability Plans (FSP)** - The Department intends to offer *up to \$50,000 per applicant* in principal forgiveness, to the extent available, for the development and implementation of an FSP or the improvement to an existing plan. An FSP is basically an asset management plan that takes into consideration water and energy conservation efforts. Loan recipients for all wastewater treatment works projects are required to develop and implement an FSP. See *Attachment 4* for details.

The award of principal forgiveness for applicants *with* an infrastructure project will be based on the project’s CWSRF Environmental and Affordability ranking. Standalone FSPs will be based on the applicant’s CWSRF Affordability ranking. This offer is only for new FSPs<sup>2</sup> where the applicant has not received any previous principal forgiveness from the Department for the development of an Asset Management Plan or a Fiscal Sustainability Plan. This incentive offer requires a 100% match from the loan applicant. The applicant’s match can be in the form of additional CWSRF borrowing (only with infrastructure projects), in-kind services, or other funding. The intent of this offer is to not use additional CWSRF borrowing as the match to simplify the loan process at no cost to the borrower. However, if the applicant must borrow their match from the CWSRF, special arrangements may be made. See *Attachment 1* for Affordability ranking details and *Attachment 4* for FSP details.

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<sup>2</sup> Under this section the Department reserves the right to offer FSP principal forgiveness to applicants that are improving an existing Asset Management Plan or FSP and have previously received principal forgiveness, only if the applicant is borrowing CWSRF funds for an infrastructure project and has not yet entered a binding commitment on that loan.

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Any unused principal forgiveness in this category will first be used for FSPs without an infrastructure project, then for CAPs with an infrastructure project, then without, and lastly for affordability principal forgiveness, if needed.

### **DISTRIBUTION OF UNALLOCATED PRINCIPAL FORGIVENESS**

If applicants on this year's final IUP do not commit to a loan for the estimated assistance amount, the Department reserves the right to reallocate any additional uncommitted principal forgiveness to the remaining applicants on the IUP that have not closed on a loan. The distribution of the uncommitted principal forgiveness would be in accordance with the procedures outlined in the previous paragraphs, with the exception that the Department, at its discretion, could remove the maximum limit per borrower for affordability principal forgiveness.

The Department reserves the right to utilize unallocated principal forgiveness from previous years' allocations and utilize them for affordability principal forgiveness on projects that experience unforeseen cost overruns. The method of award would be in accordance with the procedures outlined in the borrower's IUP funding year.