

State Revolving Funds and Water Infrastructure Financing



State Revolving Funds


- Established by CWA Amendments of 1987 and SDWA Amendments of 1996
- 51 separate state programs
- Low interest loans for water infrastructure
- Borrowers include municipalities, businesses, non-profits, and individuals

A Revolving Fund

- The revolving nature of the SRF means that funds will be available for the foreseeable future.



Overview of SRF Programs

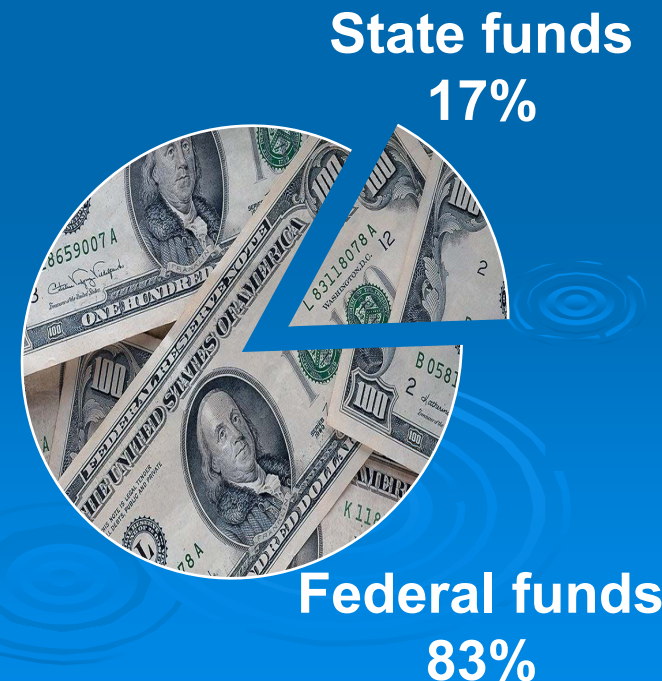
- How are the SRF programs structured?
 - What types of assistance are provided?
 - How can SRF funds be used?
 - What types of projects are funded?
- 
- The background of the slide features a blue gradient with several faint, concentric circular ripples that resemble water droplets, positioned in the lower right and bottom center areas.

How Did the CWSRF Get Started?

- Clean Water Act amendments of 1987 authorized EPA to make grants to states to capitalize state revolving funds
- The CWSRF program fundamentally changed the federal government's approach to providing assistance
 - Change from federal construction grants to loans and other assistance
 - Change from federally operated program to state operated program

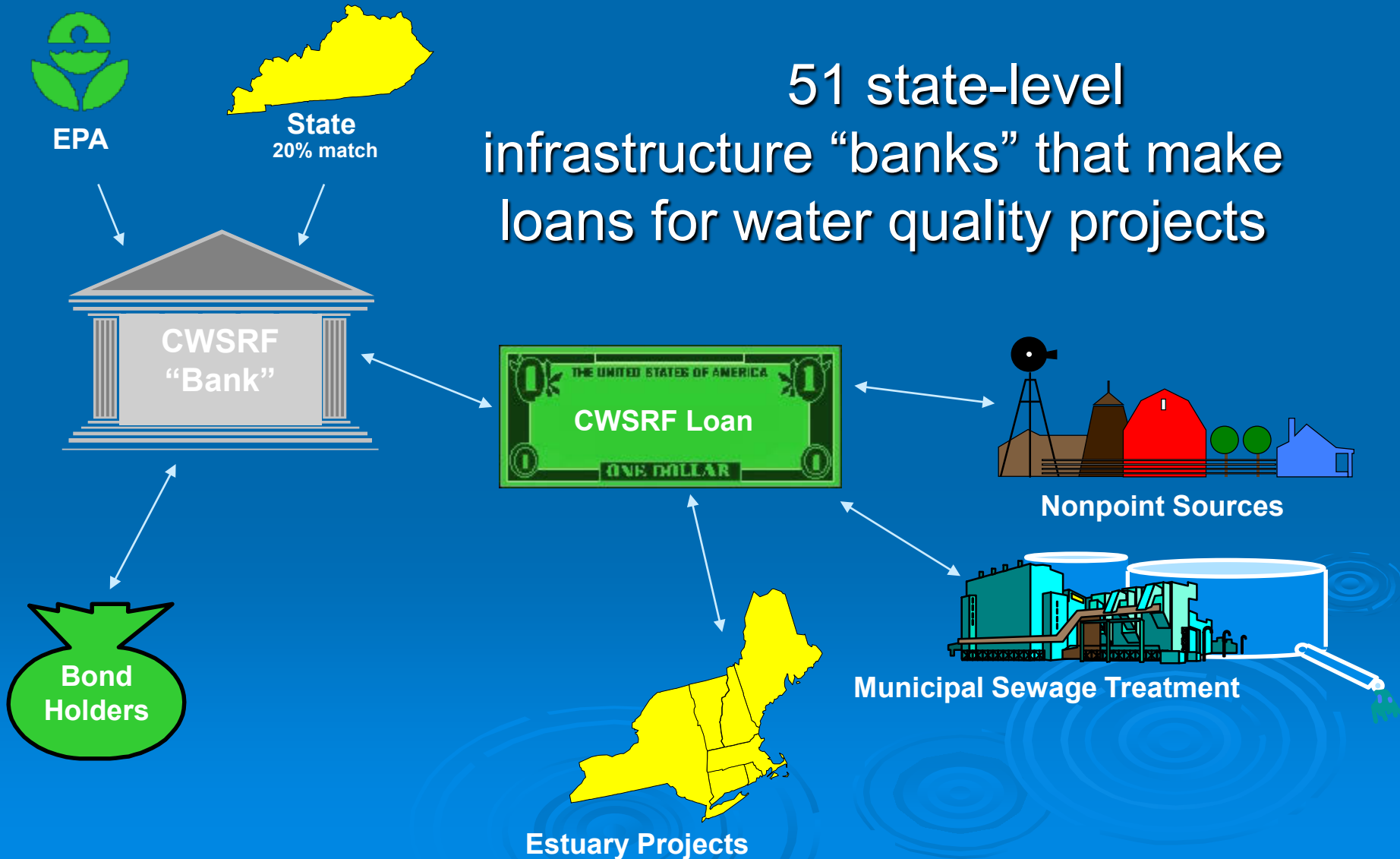
How is the CWSRF Structured?

- Federally and state funded (20% state match)
- State implemented and operated
- Flexibility in assistance provided
 - Type of assistance:
e.g., loans, insurance
 - Loan terms: i.e., interest rate, repayment period, projects funded



CWSRFs: Infrastructure Banks

51 state-level infrastructure “banks” that make loans for water quality projects



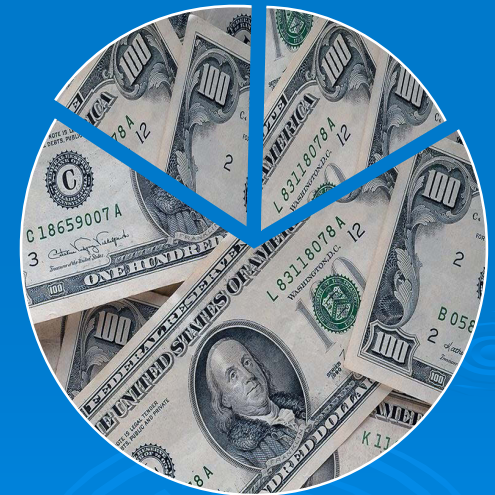
How Did the DWSRF Get Started?

- Program was part of President's economic stimulus package in 1993
- Legislation narrowly defeated in 103rd Congress
- Broad support in Congress for DWSRF with passage of SDWA amendments in 1996

How is the DWSRF Structured?

- Loan portion of the program is similar to CWSRF program
- DWSRF allows for set-asides of up to 31% of capitalization grants

State Match Federal Funds:
Set-Asides



Federal Funds: Loans

How Can SRF Funds be Used?

	<u>CWSRF</u>	<u>DWSRF</u>
Loans	X	X
Disadvantaged community loans		X
Refinancing or purchase of local debt	X	X
Guarantee or purchase of insurance for local debt obligations	X	X
Guarantee SRF debt obligations	X	X
Guarantee loans of “sub-state revolving funds”	X	
Pay SRF administrative expenses	X	*
Earn interest	X	X

* DWSRF set-aside

SRF Loans

- SRF loans funds to public/private entities for eligible projects
- Interest rates may range from zero percent to “market rate”
 - SRF rates typically 3 percent below market rate
 - SRF low-interest loans provide significant subsidy – “grant equivalence”
- Loan repayment term no longer than 20 (DWSRF) or 30 years (CWSRF) (DWSRF loans to 30 years for disadvantaged communities)
 - Some states offer shorter repayment terms

SRF Loans

- Dedicated repayment source must be established
- Repayments need to start one year after project completion
- Considerations/issues:
 - Meeting goals to address water quality/public health and compliance priorities

DWSRF Loans

- At least 15% of fund must be used for loan assistance for small communities (<10,000)
- Disadvantaged communities may be offered negative interest rates, principal forgiveness, and/or a 30-year repayment term
 - No more than 30% of capitalization grant may be used for disadvantaged community loan subsidies
 - State establishes definition of disadvantaged community

What Projects are Eligible

	<u>CW</u>	<u>DW</u>
➤ Public/private community water systems		X
➤ Nonprofit noncommunity water systems		X
➤ Compliance and public health projects	X	X
➤ Restructuring/consolidation		X
➤ Plan/design	X	X
➤ Construction of publicly-owned		
➤ wastewater treatment systems	X	X
➤ Implementation of nonpoint source projects*	X	
➤ Development and implementation		
➤ of estuary projects*	X	

(*public or private)

Dispelling the Myths about the SRF

- Money is not free, but it can be cheap
- Loans can be as cheap as grants
- There are funds available
- Countless ways to structure funding deals
- Limitless repayment options
- Targeting important water quality priorities
- Reaching new and underserved communities
- Flexible, innovative and creative



Low-Cost Loans Mean Real Savings

Compare a low-cost SRF loan to a market rate loan
for a Project Costing \$10,000,000:

<u>Interest Rate</u>	<u>Annual Payments (20 Yrs)</u>	<u>Total Cost Over 20 Yrs</u>
0%	\$500,000	\$10,000,000
3%	\$670,000	\$13,400,000
7%	\$940,000	\$18,900,000



If the market interest rate is 7%,
then a SRF loan ...

- at 0% ... saves \$8,900,000
- at 3% ... saves \$5,500,000

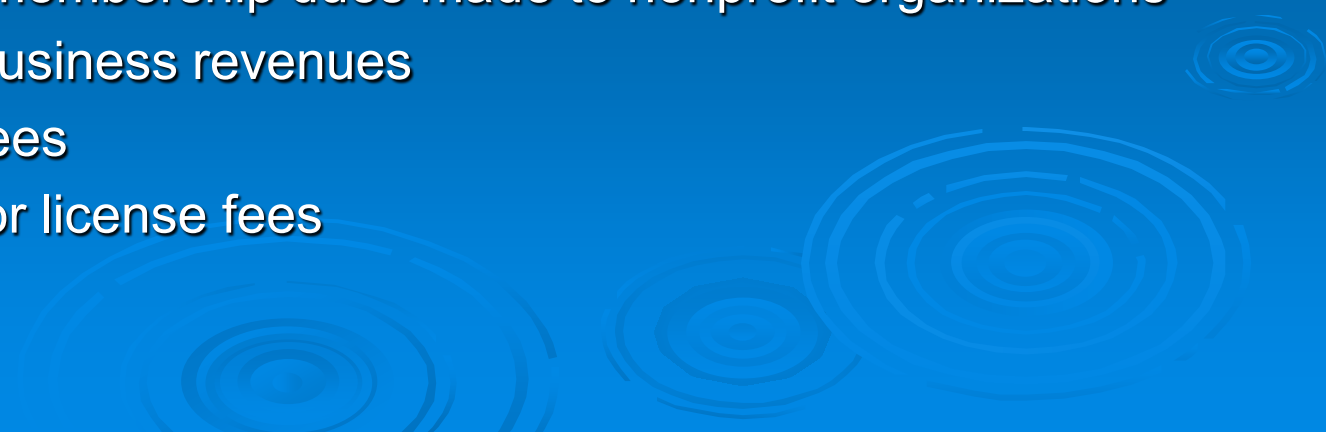
Grant Equivalence

		SRF Rate					
		0%	1%	2%	3%	4%	5%
Market Rate	4%	32%	25%	17%	9%	0%	-
	5%	38%	31%	24%	16%	8%	0%
	6%	43%	36%	30%	23%	16%	8%
	7%	47%	41%	35%	29%	22%	15%
	8%	51%	46%	40%	34%	28%	21%
	9%	54%	49%	44%	39%	33%	27%

For example: For a \$10 million project, when the market rate is 7%:

- a 3% SRF loan is equivalent to a \$2.9 million grant and a \$7.1 million loan at market rate;
- a 0% SRF loan is equivalent to a \$4.7 million grant and a \$5.3 million loan at market rate.

Repayment Can Be Easy

- Repayment may be from other than borrower
 - Repayment sources include:
 - Wastewater system user charge
 - “Flush” fee
 - Stormwater fee
 - Dedicated portion of state, county, town, or special district fees or taxes
 - Community general obligation bond authority
 - Donations or membership dues made to nonprofit organizations
 - Individual or business revenues
 - Homeowner fees
 - Recreational or license fees
 - And more...
- 

How do I access that money?!

Identify the need

Develop a project

Contact the appropriate SRF to be placed
on the Intended Use Plan



SRF Contacts

- Alabama – James Dailey
- Florida – Tim Banks
- Georgia – Jason Bodwell
- Kentucky – Jami Johnson
- Mississippi – Tony Caldwell, Roger Gilbert
- North Carolina – Seth Robertson
- South Carolina – Mark Noble
- Tennessee – Sherwin Smith

Access SRF Contacts

<https://www.epa.gov/cwsrf/list-state-contacts-clean-water-state-revolving-fund-cwsrf>

- Sheryl Parsons
parsons.sheryl@epa.gov

Questions?

