

CWSRF 101



Clean Water
State Revolving Fund

**An Introduction to EPA's
Clean Water State Revolving Fund**

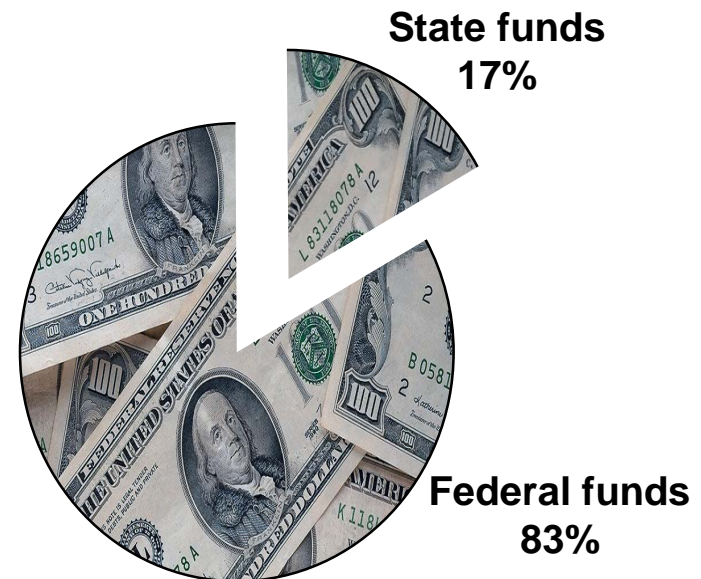
March 2015

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 federal program to state managed program
- The CWSRF program was amended in 2014 by the Water Resources Reform and Development Act

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, refinancing, guarantees
 - Loan terms: i.e., interest rate, repayment period, projects funded



CWSRF Flow of Federal Funds

	Year 1	Year 2	Year 3	Year 4	Year 5 and Beyond
Appropriation /Allotment	\$\$				
Capitalization Grant Award	Award in year of appropriation or following year 				
Payments	Earlier of 8 quarters of grant award or 12 quarters of allotment 				
Binding Commitments /Assistance Agreements	Entered into within 1 year of payment; 120% of grant payment 				
Cash Draws	As CWSRF project costs are incurred 				

CWSRFs: Infrastructure Banks

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

Federal capitalization provides initial funding



States match federal capitalization grant (20 percent of capitalization)



Clean Water State Revolving Fund

Low interest loans



Loan repayments



Bond proceeds



Bond repayments

Bond holders provide additional funding

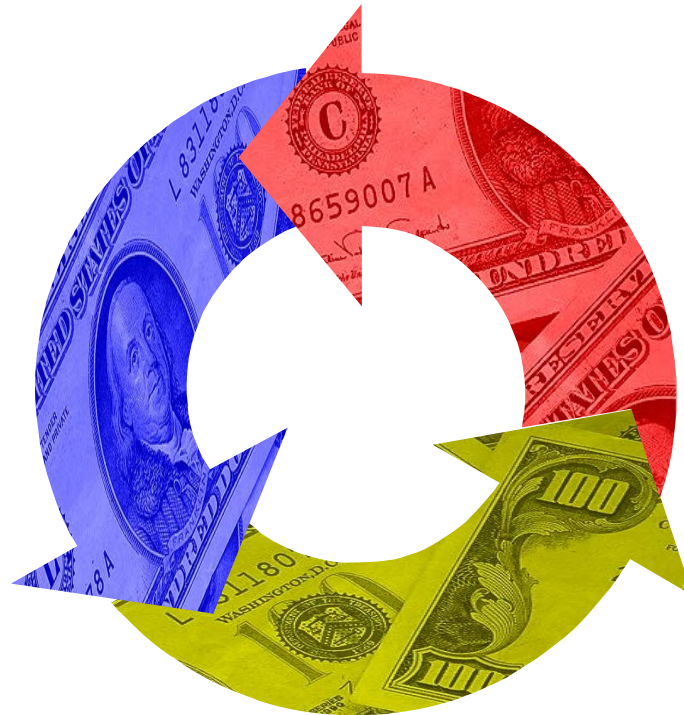


Eligible CWSRF Projects



They Are Revolving Funds

The revolving nature of the CWSRFs mean that funds will be available for the foreseeable future



Leveraging by the CWSRF

- The Clean Water Act allows CWSRF assets to be used for security and repayment of municipal bonds issues, expanding the amount of funding available for projects
- The CWSRFs have the flexibility to tailor their leveraging approach to meet their specific needs
- Currently 28 states have leveraged their programs, making an additional \$34.6 billion available for projects

CWSRF Assistance Options

- At or below market interest rate loans that may not exceed 30 years or the useful life of the project
- Buy or refinance local debt
- Guarantee or purchase of insurance for local debt obligations
- Guarantee SRF debt obligations (Leveraging)
- Guarantee loans of “sub-state revolving funds”
- Pay SRF administrative expenses
- Earn interest
- Additional subsidization

What Projects are Eligible for CWSRF Assistance?

- There are eleven project types eligible to receive CWSRF assistance
 - Constructing Publicly Owned Treatment Works (POTW)
 - Nonpoint Source
 - National Estuary Program Projects
 - Decentralized Systems
 - Stormwater
 - Reducing the Demand for POTW Capacity through Water Conservation, Efficiency, and Reuse
 - Watershed Pilot Projects
 - Energy Efficiency
 - Reusing or Recycling Wastewater, Stormwater, or Subsurface Drainage Water
 - Security Measures at POTWs
 - Technical Assistance

Green Project Reserve

- Green project reserve was first introduced in ARRA but has been also carried over to subsequent fiscal years
- For FY 2015, to the extent that sufficient eligible projects are available no less than 10% of a state's capitalization grant must be used for projects meeting green project criteria
- 4 basic categories for green projects
 - Water efficiency improvements
 - Energy efficiency improvements
 - Green infrastructure
 - Environmentally innovative activities

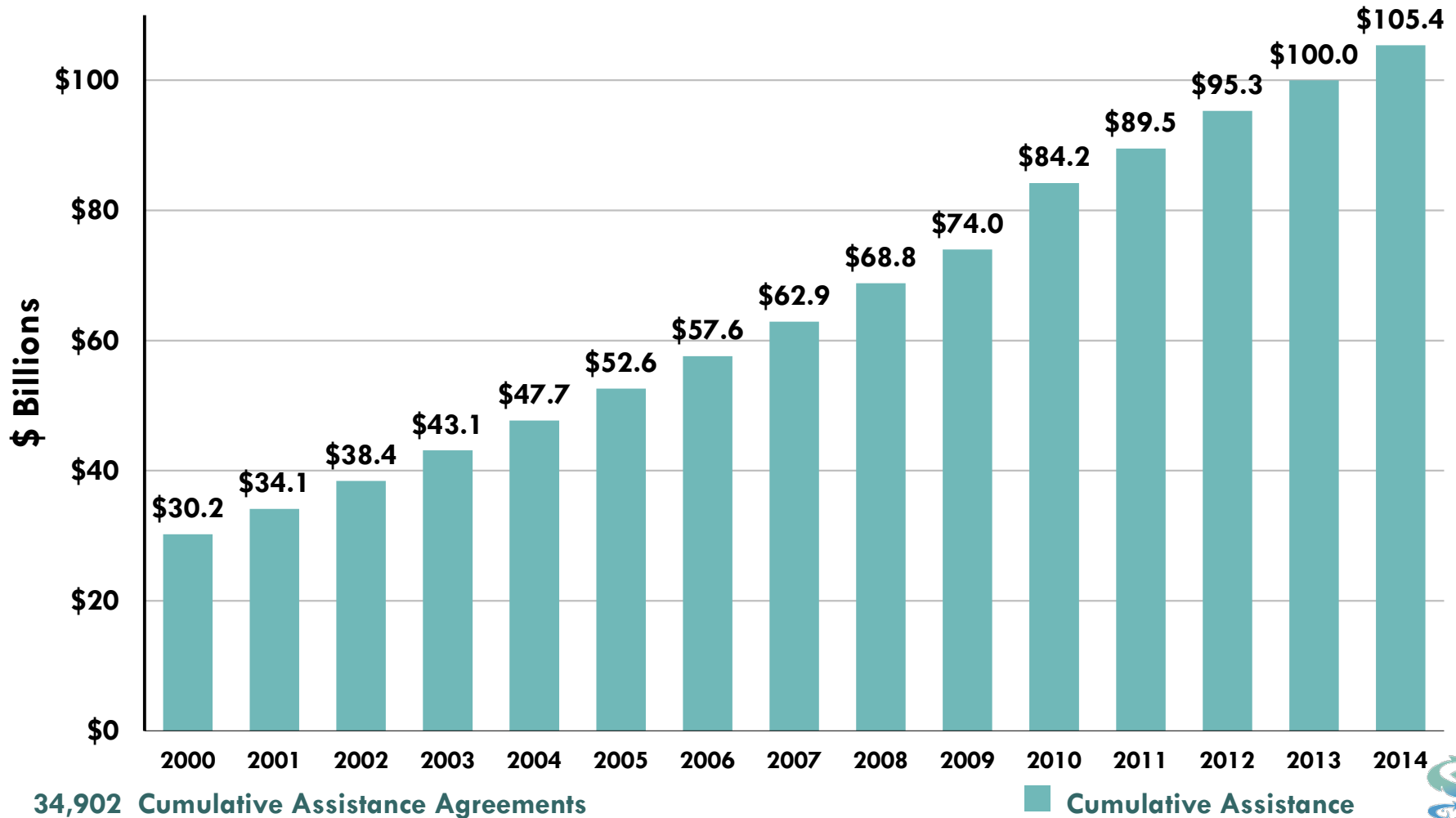
Additional Subsidization

- Like the green project reserve, additional subsidization was introduced in ARRA and continued in subsequent appropriations
 - Additional subsidization can be provided in the form of principal forgiveness, negative interest loans, or grants
- WRRDA provides the CWSRFs with permanent authority to provide a portion of its capitalization grant as additional subsidization
 - The allowable portion ranges between 0 to 30%, depending on the degree in which the annual CWSRF appropriation exceeds \$1 billion
 - The recipient must be a municipality or intermunicipal, interstate, or state agency
 - Can only be used to help address affordability issues or to implement a project that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction

Overview of CWSRF Financial Results

- Through 2014, the CWSRFs have provided 34,902 assistance agreements to communities, financing \$105.4 billion in projects
 - In 2014, the CWSRFs executed 1,525 assistance agreements that provided \$5.4 billion in funding
- Cumulatively, 23,260 assistance agreements have provided over \$24.3 Billion in funding for projects serving a population less than 10,000
 - Nearly \$12.1 Billion (18,464 assistance agreements) have gone to projects serving a population of less than 3,500
- State contributions, leveraging and the revolving nature of the CWSRFs have multiplied the federal contributions
 - The CWSRFs have committed approximately \$2.8 dollars to projects for every federal dollar received through federal capitalization grant awards

CWSRF Cumulative Assistance Exceeds \$105 Billion



CWSRFs Fund Many Types of Projects

