

## EFAB Recommendations and EPA Responses

Updated January 2023

### Evaluating Stormwater Infrastructure Funding and Financing

**March 30, 2020**

[https://www.epa.gov/sites/production/files/2020-04/documents/efab-evaluating\\_stormwater\\_infrastructure\\_funding\\_and\\_financing.pdf](https://www.epa.gov/sites/production/files/2020-04/documents/efab-evaluating_stormwater_infrastructure_funding_and_financing.pdf)

<b>Overarching EPA Response</b>	<ul style="list-style-type: none"> <li>• <a href="#">Acknowledgement Letter</a> (signed by OWM Director, July 16, 2020)             <ul style="list-style-type: none"> <li>○ Acknowledges satisfaction of AWIA Section 4101 requirement of Stormwater Infrastructure Funding Task Force</li> <li>○ Commits to providing copy of EPA Report to Congress as required under AWIA Section 4101</li> </ul> </li> <li>• <a href="#">EPA Report to Congress</a> <ul style="list-style-type: none"> <li>○ Delivered to Congress June 6, 2022</li> </ul> </li> </ul>
<b>EFAB Recommendation</b>	<b>EPA Response</b>
Develop a new and enhanced construction grant program specifically for stormwater projects, similar to the federal Municipal Construction Grants Program that funded the construction of wastewater treatment plants.	<p>EPA finalized the Sewer Overflow and Stormwater Municipal Grant program. This new grant program will provide funding for critical stormwater infrastructure projects in communities including combined sewer overflows (CSO) and sanitary sewer overflows (SSO). Grants will be awarded to states, which will then provide sub-awards to eligible entities for projects that address infrastructure needs for CSOs, SSOs, and stormwater management.</p> <p>States are required to prioritize funding projects for communities that are financially distressed, have a long-term municipal CSO or SSO control plan, or for projects that have requested a grant on their Clean Water State Revolving Fund (CWSRF) Intended Use Plan. The program has received \$161 million in funding since FY 2020.</p>
Increase annual funding allocation for and modify the Clean Water Act section 319(h) grant program to allow and encourage local capacity building, utility fee study and implementation and asset management, and remove restrictions on use of grant funds for MS4 permit compliance.	While many of the revisions listed would require congressional action, EPA is working to promote the use of 319 programs in partnership with traditionally funded SRF projects and vice versa. The CWSRF and NPS Programs partnered to produce a Best Practices Guide for using CWSRF to address NPS needs. Several technical assistance pilots are happening over the next year to promote this integrated funding approach.
Provide additional funds for the CWSRF and Water Infrastructure Finance and Innovation Act (WIFIA) programs specifically for stormwater. The CWSRF and WIFIA programs are integral tools among the many infrastructure financing options available to communities. Whether stormwater receives consideration of its own through a new SRF program or	EPA is evaluating options responsive to this recommendation, in addition to highlighting the case studies and current uses of CWSRF and WIFIA for stormwater.

<p>receives less restrictive eligibility considerations and larger appropriations within the existing CWSRF, it is the view of the Task Force that stormwater would benefit from a separate, additive, recurring financial commitment from EPA. This would provide communities an incentive to create dedicated funding sources to demonstrate financial capacity and capabilities, while still retaining the flexibility and local control as to the actual method for repayment. This could be achieved by the implementation of one or more of the following, each of which has associated risks and opportunities:</p> <ul style="list-style-type: none"> <li>I. Create a specific stormwater set-aside in the existing CWSRF framework and increase awareness/guidance on the CWSRF for stormwater projects, including the Green Project Reserve program.</li> <li>II. Create a “One Water” SRF with amounts allocated to drinking water, clean water and stormwater.</li> <li>III. Create a new SRF program exclusive to stormwater programs and projects.</li> <li>IV. Expand the existing WIFIA program (e.g., explicit references to stormwater project eligibility, priority points for stormwater projects, lower project minimums for bundled stormwater projects) to allow funding for more stormwater projects or fund the Army Corps of Engineers (USACE) Corps Water Infrastructure Financing Program (CWIFP), also established in 2014.</li> </ul>	
<p>Create a federal funding program (similar to the Low Income Home Energy Assistance Program [LIHEAP]) to help address household affordability issues for customers who are economically challenged in paying their water related charges, including stormwater.</p>	<p>The federal Low Income Housing Water Assistance Program has been funded in two separate Acts for a total of \$1.186B. The program is being administered by HHS with assistance from EPA in a similar approach and program eligibilities to LIHEAP. HHS has an interactive dashboard, with success stories and funding allocation updates on their website. <a href="https://www.acf.hhs.gov/ocs/programs/lihwap">https://www.acf.hhs.gov/ocs/programs/lihwap</a></p>
<p>Provide funding to educate elected officials, professional administrative leaders and the public on the benefit and need for sustainable local stormwater funding and organizational capacity through, for example, the creation of stormwater utilities or the expansion of existing utilities into the stormwater sector. Sustainable funding for stormwater infrastructure builds long-term financial capacity, improves operational performance and over time produces results for citizens and residents. For over two hundred years, this has been the experience with drinking water and wastewater utilities in this country. The educational goals for these three audiences are to demonstrate that stormwater management investment directly benefits the health, safety and economic opportunity for citizens and residents through the overall improvement of water quality and resiliency of communities.</p>	<p>EPA is producing an interactive learning module geared towards educating city officials and watershed managers about innovative stormwater financing options. These will include pay-for-performance, in lieu fees, and generating private sector funding. The learning module will include sections focused on the importance of dedicated revenue streams and long-term funding strategies. EPA has also developed a training on how to engage local community and key stakeholders to develop stormwater utilities that is publicly available. EPA will be hosting a train-the-trainer on how to use this approach across the country.</p>

<p>Provide technical assistance and funding to help communities create and maintain sustainable and legally defensible funding sources and increase operational efficiency. This could include assistance with funding need assessments, organization analysis, grant applications, affordability assessments, integrated planning and/or establishing revenue instruments.</p>	<p>EPA has recently announced technical assistance that is available for free to communities through 29 Environmental Finance Centers. This technical assistance is aimed to change the odds for communities around the country who have not previously accessed SRF funding. This includes assistance for stormwater and green infrastructure SRF eligible projects.</p>
<p>Provide for a common application for different federal grants applicable to stormwater across all federal agencies.</p>	<p>EPA is working with the Environmental Finance Centers to evaluate and streamline federal reporting requirements for grants and loans. The EFC will produce a public tool to help under-resourced communities more efficiently apply for and meet grant and loan requirements and streamline the administrative burden they face.</p>
<p>Provide funding to build and maintain a compendium of case studies and other resources to assist users to identify successful stormwater funding and financing approaches.</p>	<p>EPA is building on the case studies developed by the EFAB workgroup. These case studies will all be presented on a new, interactive website that will allow users to search based on geographic area, community size and funding source type.</p>
<p>Promote innovative financing, such as pay-for-performance or nutrient trading, to help reduce costs and create efficiencies. <i>(included in the EFAB report cover letter, not in the full report)</i></p>	<p>EPA is working with the Freshwater Trust and other organizations in a workgroup to ground truth and develop a framework for innovative nutrient financing approaches with a focus on market driven financing. This workgroup will provide recommendations and strategies that could be used to help incentivize private sector financing along with public financing.</p>