

The Drinking Water State Revolving Fund

Background Information
February 2016



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Background

What is the DWSRF program?

- A federal/state partnership designed to create, in each state, a perpetual source of financing for drinking water infrastructure
- Modeled after the successful Clean Water SRF program

Clear and Compelling Mission

- Provide access to credit and permanent source of funding for infrastructure needs
- Provide Subsidy
 - Water Systems – Health Protection and Affordability
 - States – Traditional PWSS Program and Broader Multiple Barrier Protection Programs

Results

- Since 1997, the Program has provided over \$30B in assistance to 12,166 projects!

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Statutory Background

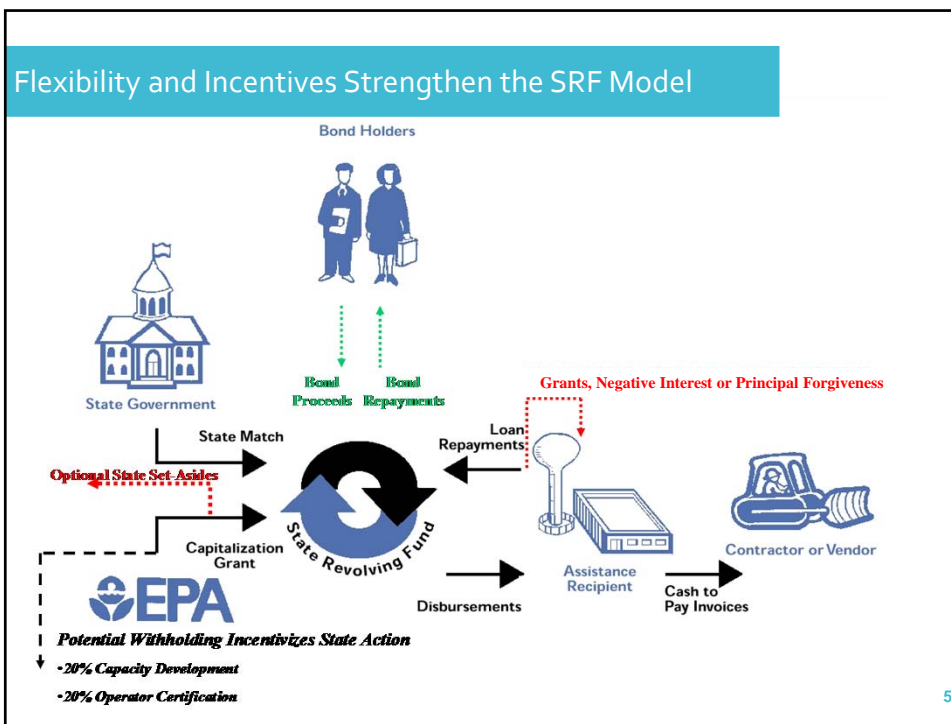
- Safe Drinking Water Act (SDWA) of 1974
 - Establishes national health-based standards for drinking water to protect against contaminants.
- 1986 Amendments
- 1996 Amendments
 - Section 1452 created the Drinking Water State Revolving Fund
 - Closely follows CWSRF approach as defined in title 6 of the CWA with some important differences that distinguishes the DWSRF program
 - These amendments extended the safe drinking water framework of public health, compliance, and affordability to encompass source water protection, operator training, technical assistance for water systems, and public information.

Priority for Use of Funds

SDWA 1452(h)(3)

"An Intended Use Plan shall provide, to the maximum extent practicable, that priority for the use of funds be given to projects that

- Address the most serious **risk to human health**.
- Are necessary to ensure **compliance with the requirements** of [SDWA].
- Assist systems **most in need** on a per household basis according to State affordability criteria."



Financial Tools

To Provide Assistance

- Loans at or below market interest rate, with repayment terms of generally 20 years (30 for disadvantaged communities)
- Buy or refinance local debt obligations (refinance terms up to 30 years)
- Insurance or guarantees for local debt obligations
- Additional subsidy as grants, principal forgiveness or negative interest rates (amounts established by Congress)
- Disadvantaged communities program also allows additional subsidy

To Increase Corpus

- Loan repayments and interest earnings are recycled back into the state's SRF to finance new projects
- Leveraging: States may expand lending capacity by using SRF assets as security for selling bonds
- Administrative loan fees

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Set-Asides

- SDWA authorizes states to take up to 31% of their capitalization grant for “set-asides” to help fund state programs and support water system actions to enhance sustainability.
- Since 1997, states have taken 15.5% of their capitalization grants for set-asides.

Purpose	Set-Aside Amount	Additional State Match Required?
<u>Technical assistance to small water systems</u>	2%	No
<u>Administration of DWSRF and technical assistance to water systems</u>	4%	No
<u>PWSS and related programs</u> <ul style="list-style-type: none"> • Administer PWSS program • Administer SWP programs • Implement Capacity Development Strategy • Implement Operator Certification Program 	10%	1:1
<u>Assistance to Public Water Systems for source water protection and capacity development</u> <ul style="list-style-type: none"> • Loan to acquire land/conservation easement for SWP • Loan to implement voluntary SWP measures • Provide assistance to PWS for Capacity Development Strategy • Establish/Implement Section 1428 WHP Program 	15%	No

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Eligible Entities

- Public/private community water systems
 - A community water system is a system that serves at least 15 service connections used by year-round residents, or regularly serves at least 25 year-round residents
 - Systems are split:
 - Publicly owned: 49% (25,510 systems)
 - Privately owned: 51% (26,676 systems)
- Nonprofit non-community water systems
 - These include:
 - Schools
 - Publicly-owned campgrounds
 - Parks
 - Churches

Project Eligibility

(Administrator Determination)

<u>Eligible Projects</u>	<u>Ineligible Projects</u>
<ul style="list-style-type: none"> • Source (limited) • Treatment • Transmission & Distribution • Finished Water Storage • Consolidation • Creation of New Systems (limited) 	<ul style="list-style-type: none"> • Dams • Water Rights • Reservoirs • Fire Flow • Future Growth*

*Statutory

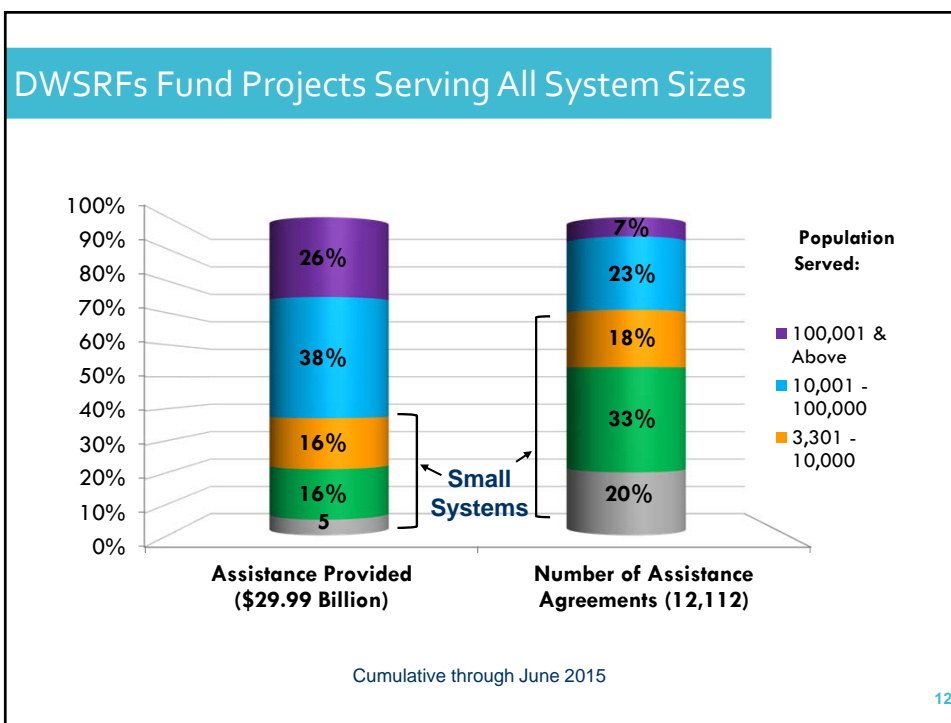
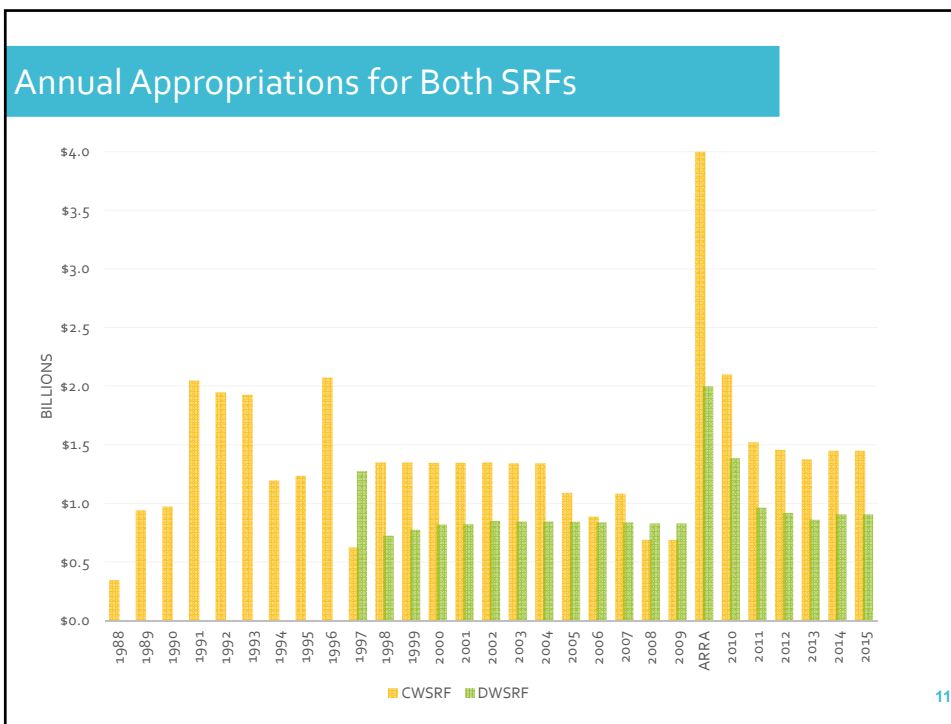
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Major Additional Program Requirements

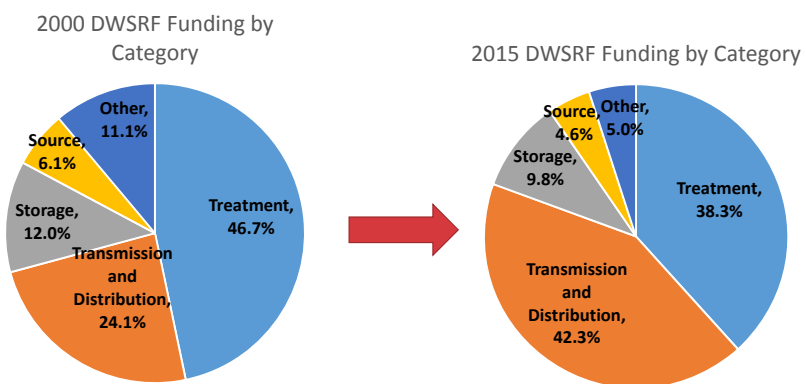
Not a part of original statute, are subject to change with annual appropriation language:

- Davis-Bacon wage rates
- Additional Subsidy
 - For FY2016, 20 percent must be provided via principal forgiveness, grants or negative interest
- Green Project Reserve
 - Discretionary since 2012
 - Water efficiency, energy efficiency, green infrastructure and environmentally innovative projects
 - As of June 2015: \$310M spent on energy efficiency projects
- American Iron & Steel

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Project Assistance by Category



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Drinking Water State Revolving Fund
 U.S. Environmental Protection Agency

<http://www.epa.gov/drinkingwatersrf>

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