



Financing Water Infrastructure: Clean Water and Drinking Water Revolving Funds



Clean Water
State Revolving Fund

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NAS Panel: Infrastructure Funding Mechanisms
June 25, 2013





Overview



- Clean water contributes to our public health, our drinking water supplies and to the welfare of our families and communities, both large and small.
- It is also vital to the economy as polluted waterways decrease tourism, property values, commercial fishing, and harm many of the businesses that depend on clean water.
- We have come a long way in improving protection for public health, water quality, and the environment under the Clean Water Act and Safe Drinking Water Act since the creation of the EPA over 40 years ago.
- Federal financing has played a critical role in helping states and communities reach these goals of clean and safe water.



Infrastructure Challenges



- Despite this progress, our water and wastewater infrastructure face significant challenges to provide reliable, clean and safe water and wastewater services to communities throughout the US:
 - Aging infrastructure
 - Regulatory requirements
 - Workforce shortages/high turnover
 - Increasing operating costs & decreasing financial resources



Infrastructure Challenges



- The U.S. Census Bureau projects the U.S. population will grow 42% from 2010 to 2050, placing added strain on water resources.
- Investment in water infrastructure is not keeping pace with the need for improvements. Over the next 20 years, America needs to invest
 - \$298 Billion in wastewater infrastructure
 - \$384 Billion in drinking water infrastructure



SRF Evolution



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- EPA has a long history of providing financial support to protect and restore our nation's water ways.
- During the 1970s and 80s, EPA's Construction Grants Program provided approximately \$60 Billion in funding for publicly owned wastewater treatment facilities.
- As we know, later decades brought increased need for upgrades, expansion, repair and replacement of assets
- The 1987 amendments to the Clean Water Act (CWA) EPA introduced a permanent source of funding that would not be fully dependent on federal contributions—the Clean Water State Revolving Fund (CWSRF).
- The 1996 amendments to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF)

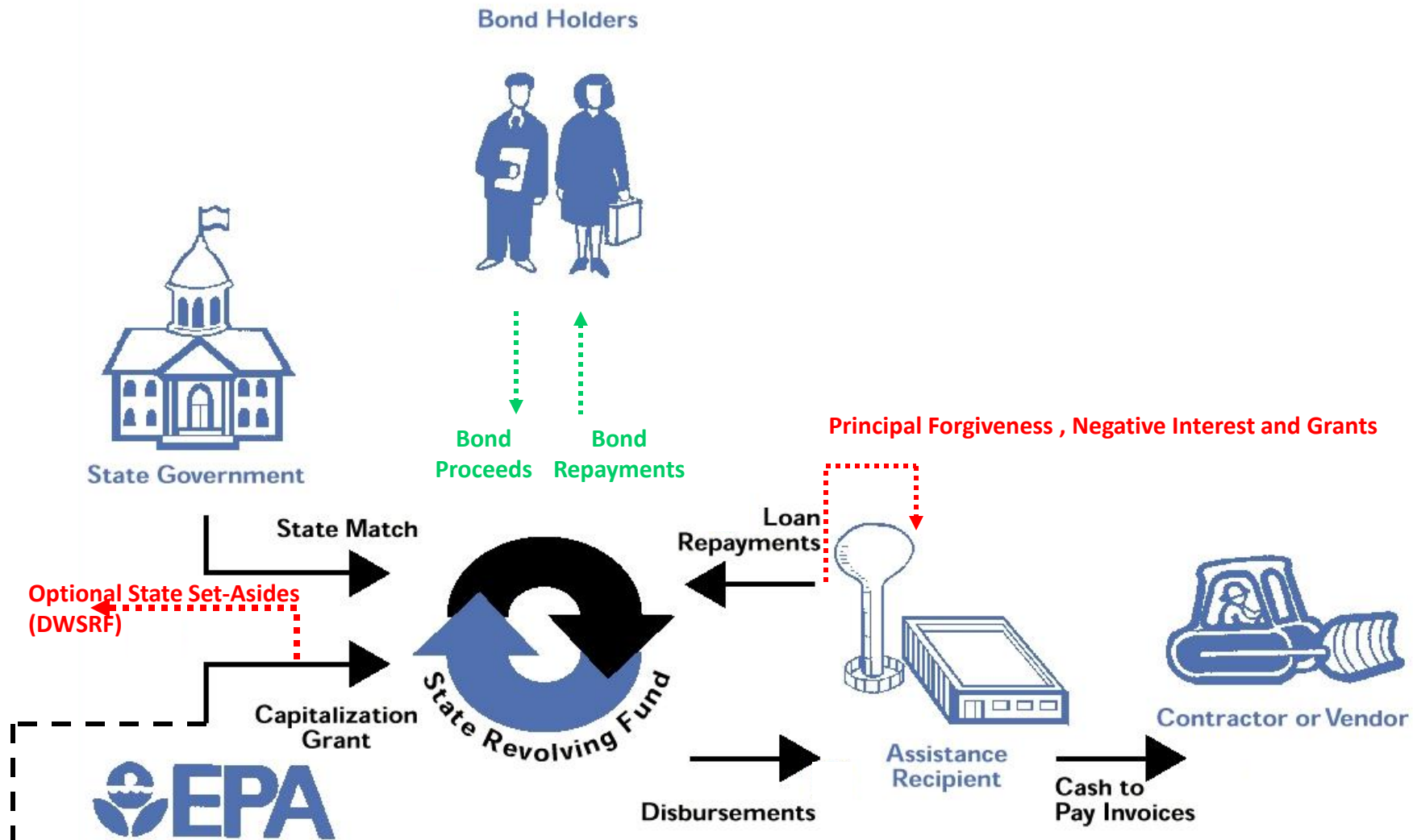


SRF Structure



- EPA awards capitalization grants to the states.
- States contribute match equal to 20 percent of the federal grant.
- States make loans below market interest rates to eligible assistance recipients .
- Under the DWSRF, States may take up to 31% of capitalization grant as set-asides for DW protection activities
- Loan repayments are recycled back into the program to fund additional projects.
- The revolving nature of these programs provides for an ongoing funding source that will last far into the future.

SRF Model



Potential Withholding from DWSRF Incentivizes State
Action :20% Capacity Development; 20% Operator Certification



SRF Value



- In 2012 alone the Clean Water and Drinking Water SRF programs provided nearly \$8 Billion in funding to more than 2,600 communities.
- Cumulative assistance across the programs is approaching \$120 Billion.
 - \$95 Billion in the CWSRF
 - \$23 Billion in the DWSRF
- From DWSRF capitalization grants of \$14.7 Billion, states have taken \$2.2 billion in set aside funding
- This funding is critical in helping states meet water infrastructure needs and advancing the goals of the CWA and SDWA.



SRF Value



- SRFs provide cost savings to systems with the greatest financial need:
 - Small systems
 - Disadvantaged communities
- SRFs have served as vehicle for increased utility and community sustainability, funding projects that address:
 - Energy efficiency
 - Water conservation
 - Green infrastructure



Current SRF Initiatives



- Green Infrastructure
 - 2009 American Recovery and Reinvestment Act appropriated funds for Green Reserve projects
 - Since then, states have allocate from 10 to 30% of ARRA funding to green projects that address green infrastructure, water efficiency, energy efficiency, or other environmentally innovative activities.
 - Projects include rain gardens, green roofs, permeable pavement, bioswales, and infiltration basins
- Commitment to Sustainability
 - Working with states and utilities to continue to promote adoption of sustainable practices.
 - Collaborating with other funding agencies to promote sustainability (Rural Utilities Service, Community Development Block Grants Program, Indian Health Service)



FY 2014 President's Budget



- Supports lifting the cap on private activity bonds for sewage and water facilities. This will help address the hundreds of billions of dollars needed for capital investment over the next 20 years.
- A proposed National Infrastructure Bank will have the ability to leverage private and public capital to support infrastructure projects of a national and regional significance, including water infrastructure.
- America Fast Forward Bonds (AFFBs). This proposed program is based on the success of the Recovery Act's Build America Bonds (BABs). The AFFB program will reduce the cost of infrastructure financing for municipalities and their private sector partners by providing interest subsidies on taxable bonds.



Other Funding Being Considered



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- This March, 2013 the Senate Environment and Public Works Committee approved the Water Resources Development Act (WRDA).
- The bill includes a pilot version of the Water Infrastructure Finance and Innovation Act (WIFIA).
- Pilot is designed to fund water projects that are too large to receive EPA State Revolving Fund loans.
- The pilot WIFIA program in the WRDA bill could be used to finance a variety of water projects whose cost is greater than \$20 million.
- Total authorization for the pilot program is \$50 million.



Other Current Water Infrastructure Financing Options



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- Tax-Exempt Debt (Municipal Bonds)
- Pay-Go
- State Financing Programs
- Direct Federal Assistance



Working With Others



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- Partnering with states to provide training, tools, workshops and other resources to build state capacity to help small systems become more sustainable.
- Working with USDA-RD to promote system-wide planning and sustainable management practices such as effective utility management, asset management planning, water and energy efficiency practices, and up-front infrastructure planning.
- Collaborating with Water Environment Federation (WEF) and Water Environment Research Foundation (WERF) to develop program to help wastewater utilities move toward energy self-sufficiency.

Questions?

www.epa.gov/cleanwatersrf

www.water.epa.gov/grants_funding/dwsrf/index.cfm

