Clean Water State Revolving Fund

Nonpoint Source Pollution Control Funding
What is Eligible?

**Total CWSRF Nonpoint Source Funding**  $3.5 Billion

- Sanitary landfills
- Groundwater (unknown source)
- Storage Tanks
- Hydromodification
- Urban
- Agricultural Cropland
- Agricultural Animals
- Individual/Decentralized
  - Sewage Treatment
- Brownfields
- Resource Extraction
- Silviculture
NPS Funding Challenge

- Small loans – administrative burden
- Credit worthiness
- Wastewater engineers unfamiliar with nonpoint source BMPs
- Farmers distrust of regulatory agency
- State prohibition on lending to privately owned projects
Tackling NPS Pollution through Partnerships

- Many state CWSRF programs partner with other entities to achieve NPS goals:
  - Using intermediaries to reach end-users
    - Pass-through loans
  - Partnerships with other public entities
    - Coordinate state assistance programs (e.g., one-stop shops)
    - Partner with other state agencies (e.g., UST, Agriculture, Natural Resources)
    - Partner with other federal assistance programs (e.g., EPA NPS, USDA RD, EQIP, HUD)
  - Partnerships with private entities
    - Linked-deposit loans through banks
    - Non-profit organizations (e.g., The Nature Conservancy, Land Trust)
  - Sponsorship
Pass Through Intermediary – Lending Through Local Governments

Washington CWSRF Funds Agricultural BMPs

- WA State Water Pollution Control Revolving Fund provides low-interest loans to the Spokane County Conservation District for the Conservation Tillage Sediment Reduction Program
- Program currently provides education and loans to farmers in 11 counties to encourage direct seeding and other agricultural BMPs

- As a nonpoint source project, in FY 2009 the Program received a $5,000,000, 20-year loan from the CWSRF at 2.7% interest rate
Washington – Ag BMPs and Failing Septic Systems

- County loan program for agricultural BMPs (animal waste management systems, riparian corridor revegetation)
  - WA Department of Ecology (CWSRF) lends to Conservation Districts, Conservation Districts lend to farmers
  - Conservation Districts guarantee repayment to CWSRF with county assessments
  - As farmer incurs costs, provides invoices to Conservation Districts, which sends them to the CWSRF program for disbursement
  - FY09 Loan terms to Conservation District: 1.4% for loans <5 years; 2.7% for 5-20 years
    - Conservation Districts charge ~5% to projects.

- CWSRF lends through local governments to provide homeowners with funds to remediate failing septic systems
  - Similar process
Partnerships with Public Entities

Minnesota CWSRF Funds Agricultural BMPs

- Partnership between MN Pollution Control Agency (CWSRF) and MN Department of Agriculture
  - Agriculture BMP loan program (animal waste management systems, manure spreaders, conservation tillage equipment, structural erosion control, septic systems)
- MN Dept. of Agriculture partners with counties and local banks to lend to farmers
  - Conservation District planners assist farmers with needs assessment, planning & design, and cost estimates
  - County approves the project; local lenders provide loan review
  - Lender guarantees repayment to the CWSRF
  - CWSRF transfers funds to lender when invoices received, collects repayments twice per year
  - Lender charges project 3% interest, up to 10 years, maximum $100,00
  - $118 million to 8,700 loans since 1995
CWSRF
Any other fund sources, if applicable

AgBMP allocates funds to counties, but maintains funds at MDA

Paid from each county’s account as a project incurs costs
Repaid to each county’s account as a project is repaid by borrower

>200 Local Lenders

Project
Project
Project
Project
Ohio’s Linked-Deposit Approach

- Funding agricultural BMPs (manure storage facilities, conservation tillage equipment, filter strips, grassed waterways, fencing, alternative watering sources)
- Soil and water conservation districts assist farmers with needs assessment, planning & design, and cost estimates
- Local banks conduct financial capability assessment
- CWSRF invests in a reduced interest certificate of deposit (CD)
  - Repayment to CWSRF is guaranteed
  - Term of CD equals term of loan
- Bank lends funds to farmers at reduced interest rate
- From 1990-2006, $41 million to 1,242 loans
Ohio –
Linked-Deposit, Cont’d.

1. CWSRF invests in reduced-interest CD (up to 5 percentage points below market rate)

2. Bank makes low-interest loan to farmer or homeowner (up to 5 percentage points below bank’s standard rate)

3. Farmer or homeowner repays loan to bank

4. CWSRF receives low-interest return on CD investment (investment is guaranteed regardless of loan repayment)
Ohio NPS Project Sponsor Program

Ohio CWSRF Funds Riparian Protection and Restoration

The problem:

• Point sources are primary cause of degradation in only 8.7% of impaired stream miles.

• Leading threats to streams attaining designated uses are habitat changes and hydromodification associated with urbanization.

• 305(b) report concludes that to significantly improve water quality, habitat and stream channel issues need to be addressed.

• Reducing impact of point sources is not enough – need to reduce nonpoint sources of pollution
The Challenge

This Generates Revenue

But This Doesn’t
Solution: Sponsorship
Water Resource Restoration Sponsor Program (WRRSP)
WRRSP Basics

Community:
- Applies for Clean Water State Revolving Fund loan for wastewater treatment plant improvements
- Asks to sponsor a NPS project according to restoration/protection plan
  - Size of loan increases
- Must have legal ability to sponsor program and take responsibility for implementation
- Contracts with entity to implement NPS project
- Repays principal and interest from WWTP revenues
- **No repayment** for NPS project portion
What’s in it for the Community?

• SRF program advances the cost of NPS project from interest due on WWTP loan to the community
  – Reduced interest rate
• SRF program further reduced interest on the loan
  – Reduction in interest up to 0.1%
  – Financial benefit to the borrower
Example: $1 million for a wastewater treatment project and $393,442 for a restoration project

• Without WRRSP program:
  – 3.8% interest on $1 million wastewater treatment project
  – Total loan repayment amount: $1,436,707

• With WRRSP program:
  – 2 projects: $1 million wastewater treatment project, $393,422 restoration project
  – Interest rate reduced to 0.3%
  – Total loan repayment amount, $1,436,707
  – Additional interest rate reduction to 0.2%
  – Community saves additional $14,514
Where Can I Find More Information on Clean Water State Revolving Fund Nonpoint Source Projects?

<table>
<thead>
<tr>
<th>State</th>
<th>Agency Contact</th>
<th>Phone Number</th>
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<tbody>
<tr>
<td>IDAHO</td>
<td>Idaho Department of Environmental Quality</td>
<td>208-373-9440</td>
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<tr>
<td></td>
<td><a href="http://www.deq.state.id.us/water/watershed.html/loan_program">www.deq.state.id.us/water/watershed.html/loan_program</a></td>
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<tr>
<td></td>
<td>Types of Projects: Animal and agriculture BMPs (Sub-revolving fund through the Soil Conservation Commission) Study of septic alternatives</td>
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<tr>
<td>IOWA</td>
<td>Iowa Department of Natural Resources</td>
<td>515-281-5918</td>
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<td><a href="http://www.iowa.gov/environment/water/nps/loan-program">www.iowa.gov/environment/water/nps/loan-program</a></td>
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<td>Types of Projects: Septic system rehabilitation and replacement (linked deposit)</td>
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<td>MAINE</td>
<td>Maine Department of Environmental Protection</td>
<td>207-287-3941</td>
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<td><a href="http://www.state.me.us/dep/environment/water/loan-program">www.state.me.us/dep/environment/water/loan-program</a></td>
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<td>Types of Projects: Failed septic system replacement Landfill capping and closure Nutrient management program for manure storage facilities</td>
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<tr>
<td>MARYLAND</td>
<td>Maryland Water Quality Financing Administration</td>
<td>410-631-3319</td>
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<td><a href="http://www.mde.state.md.us/mwqf/index.html">www.mde.state.md.us/mwqf/index.html</a></td>
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<td>Types of Projects: Landfill capping and closure Leachate treatment facilities at new landfills Stormwater BMPs including pond restoration (linked deposit) Septic tank rehabilitation &amp; replacement (linked deposit) UST remediation (linked deposit) Ag BMPs (linked deposit) Swirl wells and stream bank restoration Land acquisition for source water protection</td>
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<td>MASSACHUSETTS</td>
<td>Massachusetts Department of Environmental Protection</td>
<td>617-292-5540</td>
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<td><a href="http://www.state.ma.us/div/og/mf/crf.htm">www.state.ma.us/div/og/mf/crf.htm</a></td>
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<tr>
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<td>Types of Projects: Septic tank repair and replacement (local Govt. pass-through) Landfill capping and closure Stormwater management Land acquisition for open space protection</td>
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<tr>
<td>MINNESOTA</td>
<td>Minnesota Pollution Control Agency</td>
<td>651-296-6300</td>
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<td><a href="http://www.pca.state.mn.us/water/renewablefund.html">www.pca.state.mn.us/water/renewablefund.html</a></td>
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<td>Types of Projects: Animal Ag waste management (local Govt. pass-through) Conservation tillage equipment (local Govt. pass-through) Structural erosion control projects (local Govt. pass-through) Septic system rehabilitation &amp; replacement (local Govt. pass-through) Abandoned well sealing (local Govt. pass-through) Street sweepers, catch basin vacuum vehicles, sediment traps and basins</td>
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<td>MISSOURI</td>
<td>Missouri Department of Natural Resources</td>
<td>573-751-3443</td>
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<td><a href="http://www.doc.state.mo.us/financial/oppy/water_quality.htm">www.doc.state.mo.us/financial/oppy/water_quality.htm</a></td>
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<td>Types of Projects: Animal waste management (state Govt. pass-through) Septic system removal</td>
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<td>MONTANA</td>
<td>Montana Department of Environmental Quality</td>
<td>406-444-5324</td>
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<td><a href="http://www.dew.state.mt.us/jpa/nonpoint/NonpointSourceProgram.aspx">www.dew.state.mt.us/jpa/nonpoint/NonpointSourceProgram.aspx</a></td>
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<td>Types of Projects: Cropland BMPs (state Govt. pass-through) Stormwater management Landfill closure</td>
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<td>NEBRASKA</td>
<td>Nebraska Department of Environmental Quality</td>
<td>402-441-2555</td>
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<td><a href="http://www.deq.state.ne.us/WasteWaterNet/Pages/CASec1">www.deq.state.ne.us/WasteWaterNet/Pages/CASec1</a></td>
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<td>Types of Projects: Remediation of leaking UST (State Govt. pass-through) Silt basin for Omaha</td>
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www.epa.gov/owm/cwfinance/cwsrf