

# **Introduction to the Drinking Water State Revolving Fund (DWSRF)**

**Agenda Item I**

**State Water Infrastructure Authority Meeting**

**January 2014**

# Outline

- History
- Similarities to CWSRF
  - Differences in red
- Eligible and ineligible projects & applicants
- Money



# History & Fundamentals

- Established with 1996 Amendments to Safe Drinking Water Act (SDWA)
- Funded mandate
- Capitalization grants began in 1997
  - **Setaside component funds implementation of SDWA by Public Water Supply Section of DWR**
  - DWSRF loan component funds construction by public water systems to protect public health – especially compliance with SDWA

# Similarities to CWSRF Program

- Capitalized by:
  - Federal Capitalization Grant to NC that requires a 20% State match
  - Revolved loan repayments
- *Some* Principal Forgiveness available
- Low-interest Loan Program

# More similarities to CWSRF Program

Similar Program Documents with EPA

- **Operating Agreement** – long-term agreement about things that don't change often
- **Grant Agreement** – annual terms & conditions of the grant imposed by EPA
- **Intended Use Plan (IUP)** – detailed annual proposal to use funds and includes:
  - Things that change periodically
  - Comprehensive Project Priority List (CPPL)

# Loan Terms – Set by Statute

- Interest rate is one half Bond Buyers 20-Bond Index up to maximum of 4%
  - Department can recommend lower “targeted” rate
    - Currently zero interest
- Loan repayment period maximum is useful life of infrastructure up to max of 20 years
  - Five years for planning loans by rule
- Loan Fee of 2%

# DWSRF Eligible Projects

Capital projects needed to comply with the Safe Drinking Water Act or otherwise protect *public health*:

- Drinking Water Source
- Drinking Water Treatment
- Drinking Water Transmission & Distribution
- Drinking Water Storage
- Planning and Design
  - “reasonably likely” to generate an eligible capital project

# DWSRF Ineligible Projects

- Ineligible because of type-of-expense
  - Dams or impoundments\*
    - High costs would crowd out other projects
  - Acquiring legal rights to use water\*\*
    - Capital costs / controversial / slow pace



# DWSRF Ineligible Projects

- Ineligible (not related to SDWA) purposes:
  - Projects to promote economic development
  - Projects to provide fire protection
  - Projects to serve future population growth\*
- Most projects serve multiple purposes
  - Application must highlight eligible purposes and not ineligible purposes

# DWSRF Eligible Applicants

- Federal rule expansive (systems)
- Set by NCGS 159G-31
  - Local Government Units
  - Nonprofit water corporations
    - For many years
  - Investor-owned drinking water corporations
    - Amendment in 2012

# Money – How NC's share is determined

- DWSRF allocation proportional to state share of national need
- National “Needs Survey” conducted every 4 years
  - By states / overseen by EPA
- 2011 Survey - \$ 10 Billion in need for NC
  - Determines 2014-2017 Allocations
  - 2.34% of nationwide allocation
  - (Compare to 1.8% for CWSRF)

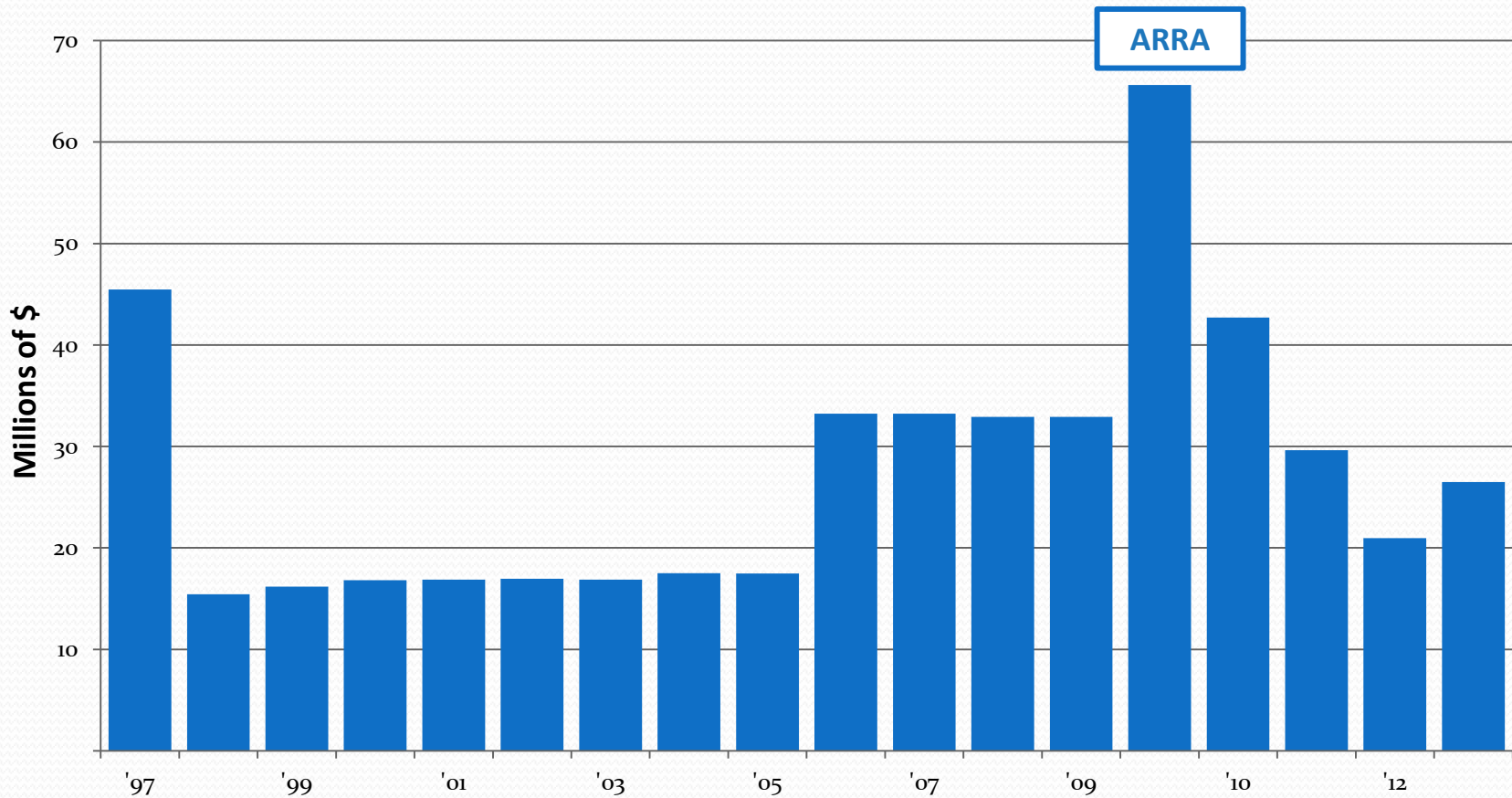
# Money – What is NC's share?

- 2013 Federal Capitalization Grant to NC – \$22 million
- State Match at 20% – \$4.4 million

# Where does NC's share go?

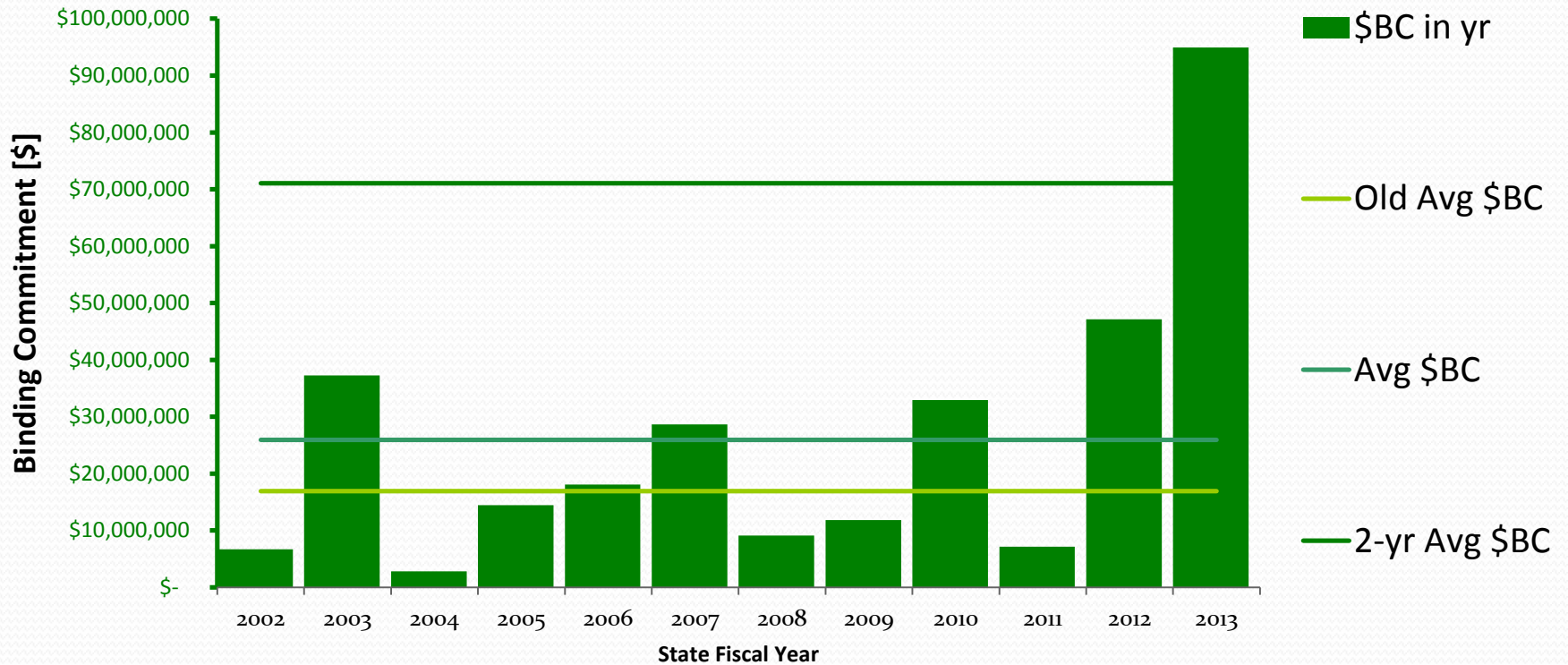
- **At least 69%** for Project Loans
  - \$19.6M for Project Loans
- **Up to 31%** for SDWA implementation / primacy
  - **Up to \$6.8M** for setasides
    - DWSRF Administration – up to 4%
    - DW Program Management – up to 10%
    - DW Capacity Development Program – up to 10%
    - Technical & Local Assistance and Other State Programs – up to 7%
  - In practice setaside ~17%
    - So expect ~\$3.8M in setasides

# DWSRF Capitalization (including Setasides)

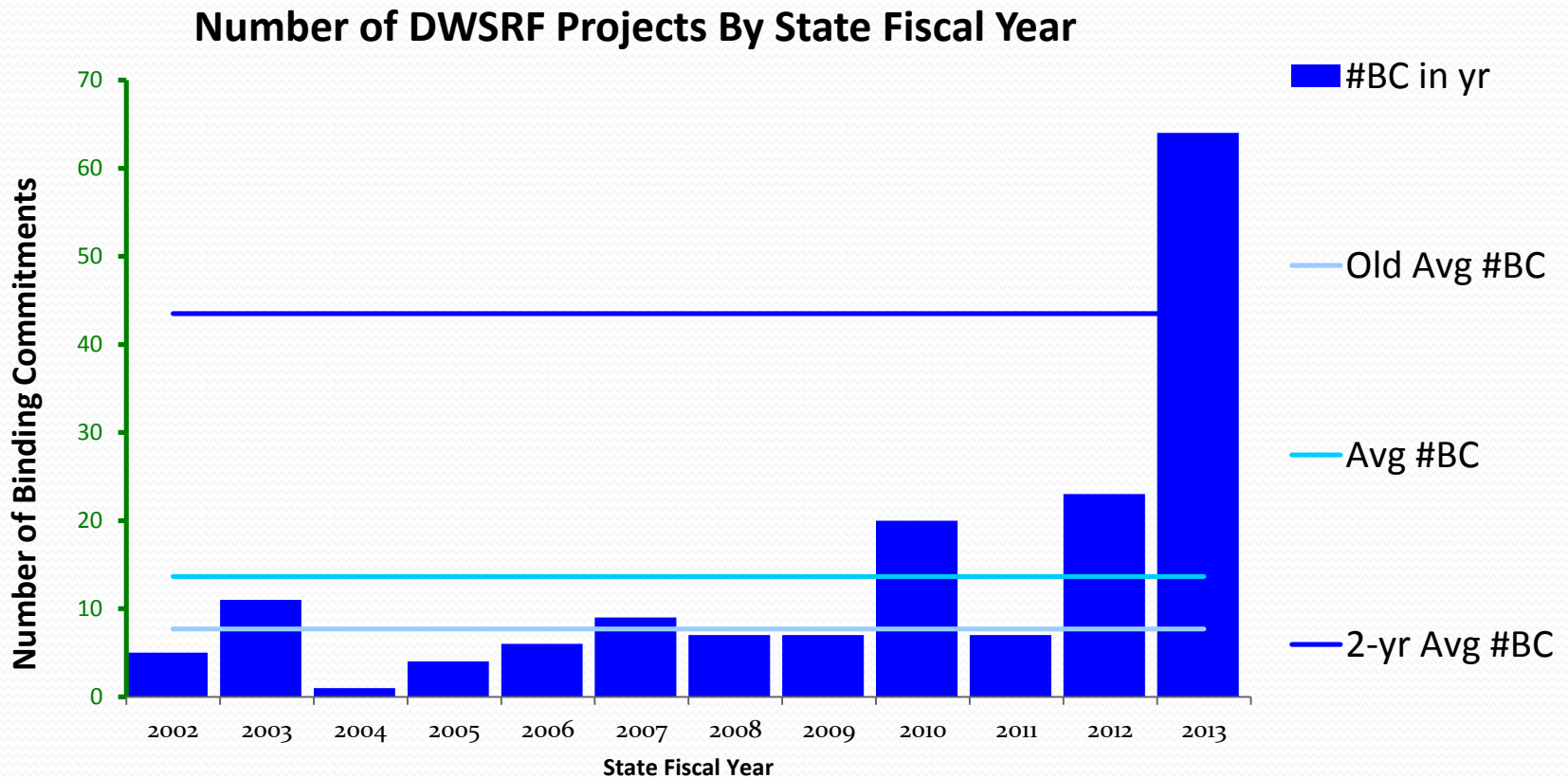


# Binding Commitments since 2002 – Dollars

## NC DWSRF Dollars Awarded By State Fiscal Year

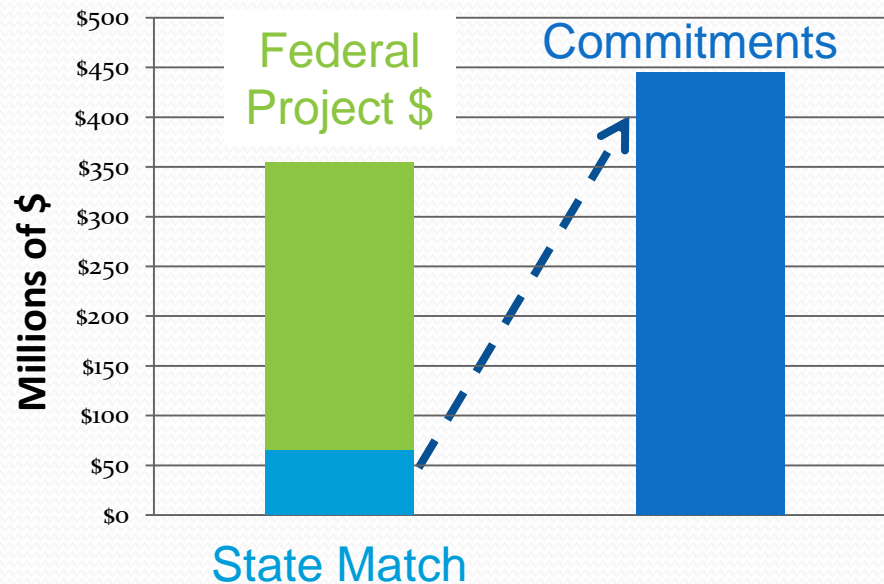


# Binding Commitments since 2002 – Number of Projects





# Capitalization and Match



\$66M in state match resulted in:

- \$445M in commitments over the life of DWSRF in NC
- Over 6:1 return counting only commitments



# Questions