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An Overview of Existing State Alternative Financing Programs: Financing Drinking Water System Capital Needs in the 1990's

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INTRODUCTION

This report provides an overview of alternative financing programs in twelve states. These programs were designed to provide financial assistance to local entities for the construction, enhancement, and rehabilitation of drinking water treatment facilities as well as other state infrastructure needs. Each state outline includes information on the development of the program, their specific objectives, criteria for funding projects, and a description on how each program has been implemented.

A lack of available funding has prompted many State Legislatures to create loan and grant programs sponsored by state agencies and authorities, in order to meet local drinking water infrastructure needs. These programs aid localities in compliance with Federal and state drinking water standards. In 1991 Nevada and Oregon became the latest states to pass legislation, setting up dedicated infrastructure funds to help systems meet drinking water capital requirements.

There are a variety of innovative approaches being taken to establish state sponsored financial programs. States have created loan and bond programs to improve local government access to credit. Three states have given their authorities the power to finance private water systems. Each state program is creatively tailored to meet the particular needs and statutes of a State.

The Map and Current Status table on the following pages outline a variety of methods and funding sources as well as the date of establishment for these drinking water financing programs.

The Comparative Matrix summarizes and compares the principal characteristics of the twelve state assistance programs. Providing more detailed information, each annotated outline uses the same format to allow easy comparison between programs for any particular issue. Some significant programmatic similarities and differences described in the matrix include:

- Program capitalization varies from State to State. Legislative appropriations are commonly used to initiate programs, and to subsidize a lower interest rate on loans. Bonding authority is often extended to these programs to allow capitalization through the issuance of general obligation and/or revenue bonds. In several programs dedicated revenues from a portion of the State sewer and water, excise, real estate, and mineral severance taxes are also used.

- Several of the programs are designed to be self-sustaining, using loan repayments for additional loans and for the retirement of outstanding bonds. Others receive periodic infusions of capital from legislative appropriations, revenues, or State bond proceeds.

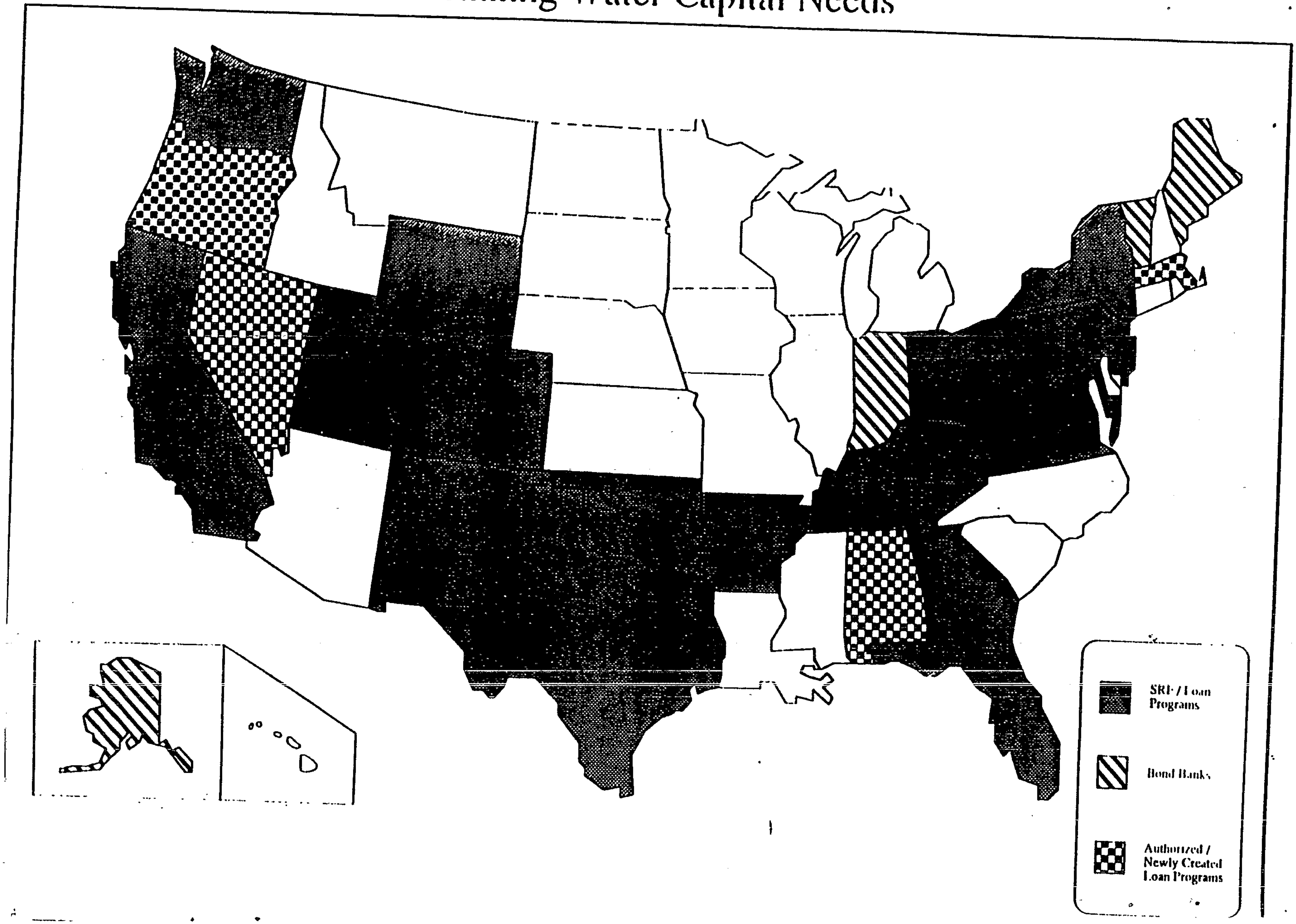
- Eligible entities for the majority of the surveyed programs include political subdivisions of the State such as: municipalities, towns, counties, cities, public authorities, or public service districts. However, three state programs have the authority to finance drinking water development projects within the private sector.

- Several hardship loan and grant programs have been designed to aid small or economically disadvantaged communities unable to fund on their own. State funding programs, in some cases, offer refinancing loans for existing indebtedness related to water development projects and systems. Other innovative programs include financing for emergency grants, planning loans, capital improvement planning loans, and research and development grants.

- Five of the surveyed state assistance programs are administered jointly by two or more separate agencies within each state. Responsibilities for each step of the loan and grant process are delegated among the state agencies according to expertise, with a few performing only an advisory role to the funding agency. However, the final approval of loan and grant applications is usually done in conjunction.

For additional information, please contact the Drinking Water Hotline at (800) 426-4791 or contact James Bourne, Office of Ground Water and Drinking Water, at (202) 260-5557.

Alternative Funding Programs for Drinking Water Capital Needs



Current Status of Surveyed States

State	Date Established	Type of Program - Funding Sources
Arkansas	1981	Loans/Grants - Bonds/Appropriations
California	1976	Loans/Grants - State Bonds
Colorado	1988	Loans only - Bonds
Florida	1970	Loans only - State Bonds
Georgia	1983	Loans only - State Bonds/Appropriations
Ohio	1974	Loans/Grants - Bonds
Oklahoma	1980	Loans/Grants - Bonds
Pennsylvania	1988	Loans/Grants - State Bonds/Appropriations
Texas	1957	Loans/Grants - Bonds
Washington	1985	Loans only - Dedicated State Revenues
West Virginia	1974	Loans only - Bonds/Appropriations
Wyoming	1982	Loans only - Dedicated State Revenues

Agency	Purpose/ Status of Program	Staff size & Annual budget	Forms of Assistance	Capitalization	Eligibility	Maximum Borrowing Amount	Special Features
West Virginia Water Development Authority	Established in 1972, the Authority finances loans for water development projects.	Three full time employees staff the Authority. Operating expenses for 1990 were approx. $250,000.	Two loan programs: Construction Loan Program and Supplemental Loan Program. The CLP carries 7.5% interest, and the SLP carries below market interest.	Since 1974, the Authority has received $55 million in state appropriations Nine bond issues closed totalling $215.5 million.	Counties, municipalities sanitary districts, public service districts, and any other govt'l agencies are eligible.	No limit on the size of a loan.	
Wyoming Water Development Commission	Established in 1982, the Commission provides funding for the construction, acquisition, and planning for the development of water facilities and resources.	Staff of Commission consists of 15 FTE. Operating Budget totals approximately $1 million.	Administers three loan programs for development, rehabilitation, and planning. Loans carry 4% interest.	Received state appropriations of $117.6 million. Receives 1.5% excise tax on coal, and 0.167% severance tax on oil & gas, which total approx $20 million per annum.	Municipalities irrigation districts, assessment districts, and other governmental agencies are eligible.	No limit on the size of a loan.	

Agency	Purpose/ Status of Program	Staff size & Annual budget	Forms of Assistance	Capitalization	Eligibility	Maximum Borrowing Amount	Special Features
Florida Department of Environmental Regulation	Established in 1970, the DER assists in the financing or refinancing of the construction of water supply and distribution facilities.	Five FTE administer the Bond Loan Program from the DER and the Div. of Bond Financing. Operating expenses between $200,000 - $300,000.	Loan program with interest rates set at the market rate.	Funded solely through the issuance of state bonds. Since the start of the program over $90 million in bonds have been issued for potable water projects and water system improvements	Any municipality, county, district, authority, or agency is eligible for loans.	Loans - $300 million bond issuance limit per year.	Loan repayments are made semi-annually directly to the State Treasury to retire outstanding bonds.
Ohio Water Development Authority	Established in 1968, the OWDA has provided financing for establishment or enhancement of drinking water and water supply facilities since 1974.	The OWDA maintains a seven person staff. Operating budget for 1990 was $987,000.	Several loan programs offered at the market rate for the regular program and a blended rate for hardship cases.	Original appropriation $100 million. Ten bond issues since, totalling $1.23 billion.	Local government agencies, cities, counties, and special districts are eligible.	Loans - $75 million limit.	Established Hardship Drinking Water Program for economically distressed communities.

Comparative Matrix of State Assistance Programs

Agency	Purpose/ Status of Program	Staff size & Annual Budget	Forms of Assistance	Capitalization	Eligibility	Maximum Borrowing Amount	Special Features
California Department of Water Resources	Established in 1976, the DWR administers CA Safe Drinking Water Bond Law for state financing of domestic water systems.	The Bond Financing & Adm. Office in DWR is staffed by 12 FTE. Operating expenses are limited to 3% to 5% of bond proceeds of most recent issue.	Loans and Grants. Interest rates on loans are set at 50% of the market rate.	Funded solely through the sale of state g.o. bonds. There has been a total of $425 million from 4 bond issues available for loans and grants since the inception of the program.	Eligible entities must own or operate a public or private domestic water system and be subject to state and county enforcement.	Loans - $5 million limit. Grants - $400,000 limit.	Private domestic water systems are eligible for funding
Colorado Water Resources and Power Development Authority	Established in 1981, the Authority finances the construction, maintenance, reparation, and operation of water projects and water supply facilities.	The staff of the Authority consists of 6 FTE. The operating budget for FY 1990 was $225,000.	Loans administered from Small Water Resources Project Program and Water Supply Program. Interest rates set at market rate.	The Authority issues tax-exempt revenue bonds. As of 1991, the Authority has issued $15.8 million in bonds.	All government agencies are eligible.	Loans - $10 million limit per applicant.	The Authority provides the required debt service reserve which lowers the cost of issuance.

Agency	Purpose/ Status of Program	Staff size & Annual budget	Forms of Assistance	Capitalization	Eligibility	Maximum Borrowing Amount	Special Features
Georgia Environmental Facilities Authority	Established in 1983, GEFA provides financial assistance for all types of water supply projects for local gov'ts.	8 staff members. Operating budget is $550,000 through state appropriations	Loans only. Interest rate is determined by the rate on the relevant bond issue.	Original capitalization - $40 million from state appropriations. Four subsequent bond issues provided $73,500,000 in funds.	All cities, counties, and water/ wastewater authorities are eligible for funding.	Loans- maximum loan amount is $2 million.	Bonds retired by State Treasury. Loan repayments are used for additional loans.
Washington State Public Works Trust Fund	Established in 1985, the Public Works Trust Fund provides a source of funds for the repair and reconstruction of local public works systems.	13 member board. Operating budget remains less than 2% of the total funds available for funding programs each year.	Three types of loans: construction; capital planning; and emergency. Interest rates determined by % of local funds matched. Emergency loans carry a fixed 5%.	Capitalized with dedicated revenues from utility taxes, and a portion of the real estate tax. Future revenues expected to provide $30 million annually.	Counties, cities, towns, and special purpose districts are eligible, but not school or port districts.	Loans - $2.5 million for construction loans, $15,000 for capital planning loans; and $250,000 for emergency loans.	Zero interest loans offered as incentive for capital improvement planning projects.

Agency	Purpose/ Status of Program	Staff size & Annual budget	Forms of Assistance	Capitalization	Eligibility	Maximum Borrowing Amount	Special Features
Texas Water Development Board	Established in 1957, the TWDB funds the planning, design, and construction of water supply & regional water facilities.	260 staff members. 1991 operating budget is $11,400,018 from state appropriations	50% grant funding for the research & planning of regional water facilities. Low-interest loans.	Since 1957, seven bond issuances provide funding totalling $2.48 billion.	All applicants must be political subdivisions or non-profit water supply corporations.	Loans - 100% of eligible costs. Grants - 50% local match for project.	Set up hardship fund termed Economically Distressed Areas Program (EDAP).
Pennsylvania Infrastructure Investment Authority	Established in 1988, Pennvest provides financial assistance to state's publicly and privately owned drinking water systems.	19 staff members. Operating budget approx. - $4 million.	Loans and Grants. Interest rates on loans are determined by the borrowing entity's unemployment rate.	State appropriation - $25 million. 1990 revenue bond issue - $60 million. 1988 g.o. bond issue $300 million.	Any owner or operator of a drinking water system, public or private.	Loans - $11 million per project or $20 million per project with joint applicants. Grants - $500,000 or 50% of project costs, whichever lower.	Private sector participation in 63 drinking water and water distribution projects.

Agency	Purpose/ Status of Program	Staff size & Annual Budget	Forms of Assistance	Capitalization	Eligibility	Maximum Borrowing Amount	Special Features
Oklahoma Water Resources Board	Established in 1979, the OWRB finances construction of water projects or refinances existing indebtedness related to water systems	9 member board administers funds. Budget from FY 1991 is approx. $605,061.	Grants and low interest loans. Variable and fixed rate loans determined by current 6 mo. period.	Original capitalization was $25 million in surplus funds. Most recent bond issue in 1989 totaled $50 million.	Eligible entities are political subdivisions of the state.	Loans - no maximum limit. Grants - no more than $100,000 per applicant per fiscal year.	Emergency Grant Program established for smaller communities.
Arkansas Soil & Water Conservation Commission	Established in 1981, the ASWCC maintains four funding programs to assist in the construction of water supply and distribution systems	8 staff. members. Annual operating budget is approx. $45,000.	Mostly low interest loans, with a small amount of grants to economically depressed communities.	Receives $2 million each biennium from state appropriations In 1988 the ASWCC was authorized to issue up to $100 mil. in g o. bonds	Any duly constituted political subdivision of the state or public trust or authority.	Loans 50% of total water resources development project costs. Grants - 100% of project costs for hardship grants.	Private sector participation in two water distribution systems.

Arkansas Soil and Water Conservation Commission
Summary

The Arkansas Soil and Water Conservation Commission (ASWCC) administers four funding programs created to provide financial assistance to local entities in the State of Arkansas for construction of water supply and distribution systems. Most assistance is in the form of low-interest loans with a small amount of grants to economically depressed communities. Act 496 of 1981 authorizes the Commission under the Water Resources Development General Obligation Bond Program to issue up to $100 million in bonds with no more than $15 million issued in any biennium.

Arkansas Soil and Water Conservation Commission
Program Annotated Outline

I. **Program Description**

The Arkansas Soil and Water Conservation Commission administers four funding programs created to provide financial assistance to local entities in the State of Arkansas for construction of water supply and distribution systems.

A. **Organization**

1. **Scope**

The Arkansas Soil and Water Conservation Commission is authorized to apply bond proceeds for the purpose of providing or assisting in providing for the acquisition, development, and expansion of water treatment facilities and distribution systems, as well as other necessary projects. Most assistance is in the form of low-interest loans with a small amount of grants to economically depressed communities.

2. **Agencies Involved**

The ASWCC operates several funding programs which include: the Arkansas Water Resources Development General Obligation Bond Program (AWRDBP); the Water Development Fund Program (WDFP); the Water Resources Cost Share Revolving Fund Program (WRRF); and the Water, Sewer, and Solid Waste Management System Program (WSSW).

B. **Establishment**

1. **Options initially considered.**

A lack of funding prompted the legislature to create loan programs funded by state appropriations and bond issues to adequately finance the needed water development projects within the State of Arkansas.

2. **Political and legal considerations**

Each financing program was initiated by a separate act under the general laws of the State of Arkansas and the ASWCC. The WSSW was established by Act 274 of 1975 and was originally administered by the Dept. of Local Services. Act 764 of 1981 transferred the administration of the program to the ASWCC. The WDFP program was established by Act 217 of 1969. The WRRF was established in 1989 by Act 257. Act 496 of 1981 established the WRDBP.

3. **Statutory and constitutional restrictions**

Act 496 of 1981 authorizes the Commission under the Water Resources Development General Obligation Bond Program to issue up to $100 million in bonds with no more than $15 million issued in any biennium.

4. **Subsequent program modifications** - None

5. **Future Picture**

After the $100 million has been exhausted, it is anticipated that other issues will be requested of the Arkansas voters by referendum.

II. Administration

A. Staff size/Skill mix

Currently there are 8 staff members. The staff consists of an engineering supervisor, a lawyer, two engineers, two loan coordinators, an accountant, and an administrative assistant. Minimal training is required due to the staff's extensive experience with bond issues.

B. Administrative costs/Operating budget

Administrative costs and budget are funded mostly from state appropriations. The annual operating budget totals approximately $45,000.

III. Operating Funds

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - The Water Development Fund Program (WDFP) and the WSSW receive approximately $1 million each through state appropriations each biennium.

4. Bonds/borrowed funds - Act 496 of 1981 authorized the ASWCC to issue a total of $100 million in general obligation bonds. Two $15 million bond issues were made in 1985 and 1989. Another issue of at least $15 million is planned for late 1991.

5. Loan repayments/Internal funds - Repayment of loans from the WRDBP funds are used to finance other projects and retire outstanding bonds. The funds from the repayment of loans under the WDFP and the WSSW Programs are recycled to the revolving fund source.

6. Alternative financing mechanisms - Under the approval standards for applications, the ASWCC considers the feasibility and availability of alternative sources of revenue which could be obtained and utilized for project financing either apart from or in conjunction with loan assistance.

7. Leveraging capability - None

B. Forms of Assistance

1. Loans

a. Program description

The Arkansas Soil and Water Conservation Commission (ASWCC) administers several loan programs. Over the past 18 years, the WSSW and the WDFP have made approximately 325 loans totalling over $23 million. For the last two $15 million bond issues in 1985 and 1989, a total of 78 loans were made with approximately $29.1 million in bond proceeds.

** The Water Resources Development General Obligation Bond Program (WRDBP) authorizes the ASWCC to apply bond proceeds for the purpose of providing for the acquisition, development, and expansion of water treatment and storage facilities for the use and benefit of the public and distribution to domestic, agricultural, and industrial facilities.

** The Water Development Fund Program (WDFP) authorizes the ASWCC to assist/support any water development in cooperation with any political subdivision or agency of the state, provided it be made a part of the State Water Plan.

** The Water Resources Cost Share Revolving Fund (WRRF) provides grants and loans to the State of Arkansas and its political subdivisions for the purpose of funding the non-federal share of water resources development projects. This fund has been established, but has not yet been implemented in the financing of water projects.

** The Water, Sewer, and Solid Waste Management Systems Program (WSSW) assists cities, towns, improvement districts, water associations, and counties in financing the construction of facilities for water, sewer, and solid waste systems.

b. **Borrower considerations**

1. Eligibility - Financial assistance is made available for an eligible project by any duly constituted and existing political subdivision of the State, including but not limited to counties, cities, towns and municipalities, any special purpose improvement district, rural development authority, and any existing public trust or authority.

2. Eligibility costs - Applications for financial assistance under the Water Resources Dev. General Obligation Bond Program (WRDBP) shall be accompanied by an application and review fee equal to the greater of: 1) $500, or 2) .5% of the amount of financial assistance requested.

3.& 4. Loan terms/Interest rates - The Water Dev. Fund Program and the WSSW offers loans at 5% interest for 10-20 years or deferred loans with 10 year deferral and 20 year payment at 5% interest. The Water Resources Dev. General Oblg. Bond Program monies are currently loaned at 7.75% over 30 years. Loans from the Water Resources Cost Share Revolving Fund shall be repaid in full at an interest rate up to the maximum allowed under Article 19, sec.13 of the State Constitution with the repayment term not to exceed fifty years.

5. Loan security - The nature and amount of security to be pledged to secure the applicant's repayment obligations to ASWCC include: real or personal property and current statement of all outstanding liabilities against such properties; an estimate of annual revenues to be derived from the project; and a statement reflecting the availability to applicant of reserve or contingency funds which could be used to meet actual project costs.

6. Maximum borrowing amount - The WSSW will not make a loan in an amount greater than 50% of the total water resource development project cost.

7. Small community exception - None

8. Hardship exception - Under the WDFP loan program, the ASWCC may approve a loan with no interest charge if the Commission is convinced that an applicant is financially unable to pay interest. Eligible applicants with "special needs" (i.e. high rates of: unemployment, low income status, and elderly population) as determined by the ASWCC will receive priority consideration in the application approval process.

9. Refinancing - None

10. Application Process - See IV. Materials available

11. Local financial participation - None required.

2. **Grants**
Under the Water Development Fund Program (WDFP) and the Water, Sewer, and Solid Waste Fund (WSSW), the Commission is authorized to make grants for eligible projects demonstrating an exceptional benefit to the State. Grants may also be approved when the eligible entity cannot, in the Commission's judgement, repay a loan. The Commission determines this status through "special needs" and hardship criteria.

3. **Rate subsidies** - None

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance** - None

C. **Fund accounts**
For every bond issue, two large accounts are formed. One account, the Construction Fund Account, is the large account from which each loan is made. The second account, the Collection Account, is set up to receive interest and repayments from outstanding loans used to retire the bonds to the state.

D. **Evaluation of program effectiveness**
The ASWCC submits evaluation reports detailing the program's projects and loan and grant recipients to the legislature for the biennial session. The ASWCC must submit legislative audits each year for review.

E. **Private sector participation**
Thus far, two projects have involved the upgrading of privately owned water distribution systems. The ASWCC gains ownership of the facility, provides funds for the construction, and subsequently transfers the systems to the city/county jurisdiction.

F. **Program issues or problems** - None

IV. **Relation to Federal Programs and Legislative Proposals** - None

V. **Recommendations to Other States**

In the early years of program operation, the statutes required the State to own the system in order to upgrade the facility with program monies. The State will own these projects for as long as the loan term. This lease/purchase agreement is cumbersome and the legal contracting is restricting. A mortgage agreement is preferable to ownership.

VI. **Materials Available**

A. **Enabling legislation**

B. **Rules and regulations**

C. **Application package**

D. **Annual report**

E. **Other**

VII. **State Contact**

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California Department of Water Resources
Summary

The California Department of Water Resources administers the California Safe Drinking Water Bond Law Program which provides state loans and grants for the construction, improvement, or rehabilitation of domestic water systems. The entire assistance program is funded solely through the sale of state general obligation bonds. As of August 2, 1991, 292 loans and 176 grants totalling $320 million and $105 million have been made under the California Safe Drinking Water Bond Law Program.

California Department of Water Resources
Program Annotated Outline

I. Program Description

The California Department of Water Resources administers the California Safe Drinking Water Bond Law Program which provides state loans and grants for the construction, improvement, or rehabilitation of domestic water systems.

A. Organization

1. Scope

The California Department of Water Resources (DWR) offers state loans through its loan programs to eligible entities for the financing of domestic water systems to ensure compliance with federal and state drinking water standards.

2. Agencies involved

The California Safe Drinking Water Bond Law (CSDWBL) is administered jointly by the DWR and Department of Health Services (DHS). The DHS, a separate state agency, is responsible in part for the enforcement of federal and state drinking regulations.

B. Establishment

1. Options initially considered

The CSDWBL of 1976 was enacted in response to anticipated need for the State to provide financial assistance to local communities which otherwise would be unable to comply with federal and State drinking water regulations. Proceeds from a $175 million general obligation bond issue of the State were made available to provide loans and grants to eligible small communities.

2. Political and legal considerations

The California Safe Drinking Water Bond Law (CSDWBL) is established under the general terms and conditions of the State General Obligation Bond Law.

3. Statutory and constitutional restrictions

Not more than 35% of the bond proceeds issued by the DWR are to be used as grants. Administration of the bonds is affected by federal Internal Revenue Service Regulations and the 1986 Tax Reform Act.

4. Subsequent program modifications

The program initially made loans up to $1.5 million per entity. The CSDWBL of 1984 revised the program to allow up to $5 million in loans to eligible entities. A modification in the proposed 1992 Bond Law would restrict State funding to $5,000 per service connection. Currently, there is no limit to funding per connection.

5. Future picture

The State's ability to issue and service general obligation bonds is limited. If approved, the California Safe Drinking Water Bond Law of 1992 would provide an additional $200 million for purposes of financing safe drinking water and drought relief programs.

II. Administration

A. Staff size/Skill mix

The CSDWBL program is administered within the Bond Financing and Administration Office in the DWR, which is staffed by 12 full-time equivalent employees. DHS staffing is divided among 3 full-time equivalent employees from a small headquarters Financial Assistance Unit. The DWR provides central financial, administrative, and legal support to the program. DHS provides for engineering, water quality, and related technical support.

B. Administration costs/Operating budget

The DWR Bond Laws limit the State administrative costs to a specified percentage ranging from 3% to 5% of bond proceeds authorized by the most recent bond law. This amount is shared equally between the DWR and the DHS.

III. Operations

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - None

4. Bonds/Borrowed funds - The entire assistance program is funded solely through the sale of state general obligation bonds. From Bond Laws of 1976, 1984, 1986, and 1988, a total of $425 million in bond proceeds has been available for loans and grants. Unused funds from the 1976, 1984, 1986, and 1988 bond acts are used under the terms and conditions of the most recent bond issue.

5. Loan repayments/Internal funds - The program does not operate as a revolving fund. Loan principal repaid and interest charged is deposited in the State General Fund.

6. Alternative financing mechanisms - Alternative financing mechanisms, such as statewide water use tax and loan portfolio management, are under consideration but are currently not in use.

7. Leveraging capability - None

B. Forms of Assistance

1. Loans

a. Program description

The DWR's Loan Program offers State loans to eligible entities to finance the construction, improvement, or rehabilitation of domestic water systems to ensure compliance with federal and state drinking water standards.
As of August 2, 1991, 292 loans totalling approximately $320 million have been made under the CSDWBL programs.

b. Borrower considerations

1. Eligibility - Eligible applicants must own or operate a public or private domestic water system and be subject to State or county enforcement (a minimum of fifteen service connections).

2. Eligibility costs - Each applicant that enters into a contract for a loan will be charged an administrative fee in the amount of 4% of the requested loan.

3. Loan terms - The maximum term of a loan is 35 years. The term is not to exceed the useful life of the project.

4. Interest rates - Beginning in 1984, interest rates for loan applicants are set at 50% of the State's true interest cost of the general obligation bonds most recently issued.

5. Loan security - Loan security is mainly in the form of dedicated revenues from user fees. Privately owned systems also record the State's lien against real property. Investor owned utilities need authorization from the California Public Utilities Commission.

6. Maximum borrowing amount - The limit on loan amount per applicant is $5 million per eligible project.

7. Small community exception - There is no stated exception for small communities, however, the DWR targets small communities who would otherwise be unable to comply with the recently enacted drinking water regulations.

8. Hardship exception - The DWR makes no special provisions for hardship cases. However, if an applicant is determined to be of hardship status, the grant program becomes available.

9. Refinancing - None

10. Application process - See VI. Materials available.

11. Local financial participation - None required

2. Grants

a. **Program description**
All applicants for the CSDWBL program apply for the needed financial assistance in loans. The DWR and the DHS determine the affordability of the proposed project and economic status of the applicant. Public agencies unable to repay all or part of the requested loan financing, may be eligible for grants up to $400,000. Improvement and assessment districts may apply separately from the parent district. Terms, exceptions, and regulations for grants are the same as those for loans. As of August 2, 1991, the DWR has made a total of 176 grants under the CSDWBL programs totalling approximately $105 million.

3. **Rate subsidies**
Prior to 1984, the interest rate on all loans was 100% of the true interest cost for the State. Since 1984, the loan interest subsidy was lowered to 50% of the true interest cost by the State General Fund.

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance**
The State provides no direct technical assistance through this program. However, technical assistance may be funded through "investigative study" loans and grants up to $25,000.

C. **Fund accounts**
There is only one fund administered by the DWR, the California Safe Drinking Water Fund. All proceeds from the sale of bonds are deposited into this large general fund for purposes of administering the program. There are no separate accounts within the fund, since loan repayments are deposited directly in the State General Treasury.

D. **Evaluation of program effectiveness**
The Legislature provides oversight of the program through the enactment of bills authorizing grants to specific public agency applicants, submission of annual reports by the DWR, and periodic review by the Legislative Analyst's Office.

E. **Private sector participation**
Privately owned water systems are eligible for financial loan assistance.

F. **Program issues or problems**
The State's ability to issue and service general obligation bonds is limited. Demand for assistance far exceeds the availability of funding. Federal and State enforcement pressures are clearly rising, while the ability of small communities to afford upgrades to compliance appears to be diminishing.

IV. **Relation to federal programs and legislative proposals**
There is no relation of the CSDWBL programs to federal programs or proposals.

V. **Recommendations to other states**
The California Safe Drinking Water Bond Law loan and grant program is unique in that there is a division of responsibilities between two separate but equal state agencies. The agencies have maintained good relations and have served each other in advisory roles for the scope of their respective affairs.

VI. **Materials Available**

A. **Enabling legislation**

B. **Rules and Regulations**

C. **Application Package** - Available from DHS.

D. **Annual Report** - Available from DWR.

VII. **State Contacts**

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Colorado Water Resources and Power Development Authority
Summary

The Colorado Water Resources and Power Development Authority provides financing through loans to localities for water supply and treatment facilities, stream flow improvement, dams, reservoirs, water transmission lines, water wells, and pumping station facilities. The Authority, established in 1981, receives funds for the loan programs from the issuance of tax-exempt revenue bonds. Since the implementation of the Water Supply Program in 1988, the Authority has made eleven loans totalling approximately $15.8 million.

Colorado Water Resources and Power Development Authority
Program Annotated Outline

I. **Program Description**
The Colorado Water Resources and Power Development Authority was created to provide the State with a mechanism to finance the construction, maintenance, reparation, and operation of water projects for the protection, preservation, conservation, and utilization of the water resources of Colorado.

A. **Organization**

1. **Scope**
The Colorado Water Resources and Power Development Authority provides financing through loans to localities for water supply and treatment facilities, stream flow improvement, dams, reservoirs, water transmission lines, water wells, and pumping station facilities.

2. **Agency involved**
The Colorado Water Resources and Power Development Authority

B. **Establishment**

1. **Options initially considered**
The Authority was created by the General Assembly in 1981 as a political subdivision of the State to provide Colorado with a mechanism to finance water projects through the issuance of revenue bonds. The loan program for the financing of water facilities was implemented in 1989, and in 1990, the Water Supply Program initiated the first loans for water development projects.

2. **Political and legal considerations**
Projects greater than $10 million funded by the Authority must have the approval of the Legislature.

3. **Statutory and constitutional restrictions - None**

4. **Subsequent program modifications**
Since the passage of the Safe Drinking Water Act of 1986, emphasis has shifted from financing large water development projects to the greater coordination and utilization of existing resources and to the renovation of the existing water supply infrastructure.

5. **Future picture**
In the next five years of operation, the Authority expects approximately $50 million in loan requests for water project financing through the program.

II. **Administration**

A. **Staff size/Skill mix**
The Governor appoints nine persons, one from each major river basin in Colorado and one from the City and County of Denver, to serve on the Board of Directors for the Authority. These appointees are approved by the Senate. Currently, there are six full-time employees, including an executive director, who staff the Authority.

B. **Administrative costs/Operating budget**
Operating expenses for the administration of the Water Supply Program for the fiscal year ending December 31, 1990, were approximately $225,000.

III. Operations

A. Fund Capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - At the inception of the Water Supply Program, the Legislature authorized the Authority to utilize up to $9 million of Authority resources. There have been no additional state funds used in the program.

4. Bonds/Borrowed funds - The Authority issues Aaa/AAA insured, tax-exempt revenue bonds for the combined amount requested by the pool of borrowers. As of 1991, the Authority has issued $15.8 million in bonds through the Water Supply Program for the financing of water system infrastructure.

5. Loan repayments/Internal funds - The debt service reserve fund is provided by the Authority from its internal funds. Loan repayments are used to retire the outstanding bonds.

6. Alternative financing mechanisms - None

7. Leveraging capability - The Authority currently has a leveraging ratio in the Water Supply Program of approximately 10 to 1 in terms of loans to debt service reserve.

B. Forms of Assistance

1. Loans

a. Program description

In 1990 the Authority executed seven loans totalling approximately $11.8 million under the new Financing Program for Small Water Resources Projects. The program was authorized in 1989 with the purpose of financing the expansion and rehabilitation of existing water supply facilities. The Authority has made eleven loans totalling approximately $15.8 million for the financing of water development projects.

b. Borrower considerations

1. Eligibility - All governmental entities with a population greater than 1000 or a customer base greater than 650 are eligible for the Authority's loan programs, including cities, counties, towns, and districts.

2. Eligibility costs - Each applicant's pro rata share of the cost of issuance and bond insurance of the respective bond issue is deposited into a Cost of Issuance fund. These costs are presently capped at 2.9% of the loan amount with the Authority paying for costs above this cap.

3. Loan terms - Loan terms range from one year to the life of the facility. The maximum loan term is 30 years. Standard loans are usually 20 years or less.

4. Interest rates - Interest rates on water supply loans are set at the market rate received on the bond issue.

5. Loan security - Applicants must pledge either their unlimited taxing power (general obligation) or the revenues from the water system.

6. Maximum borrowing amount - The Authority is authorized to finance water resource projects of up to $10 million in construction costs, with the minimum borrowing amount set at $300,000.

7. Small community exception - None

8. Hardship exception - None

9. Refinancing - Refinancing is offered by the Authority in an amount of up to 50% of the loan request.

10. Application process - See VI. Materials available.

11. Local financial participation - None required.

2. **Grants - None**

3. **Rate subsidies**
There are two methods in which the Authority provides subsidies for applicants. The Authority provides the required debt service reserve fund for the bond which reduces the cost of issuance. In addition, the Authority limits the cost of issuance plus bond insurance to no more than 2.9% of the loan amount.

4. **Bond insurance**
Bond insurance is provided through Financial Guaranty Insurance Corp. which unconditionally guarantees the payment of that portion of the principal and interest which has become due for payment, but has not been paid by the Authority by reason of default.

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance**
The Authority offers limited technical assistance to applicants, but assists in the financial advisory aspects to the borrower's staff, councils, and boards. This is particularly helpful to small entities who rarely issue debt in the bond markets, and who may benefit from complimentary loan/grant programs of the state or federal government.

C. **Fund Accounts**
With each bond resolution, the Authority sets up various funds for the administration of the loan programs. These funds include the Project Fund, Revenue Fund, Cost of Issuance Fund, Debt Service Fund, Debt Service Reserve Fund, and the General Fund.

D. **Evaluation of Program Effectiveness**
The financing programs of the Authority are subject to state annual audit procedures. The Authority is required by the legislature to submit an annual report.

E. **Private Sector Participation - None**

F. **Program Issues or Problems**
Making local governments more aware of the loan programs offered by the Authority and the benefits under these programs has been one problem the Authority has encountered.

IV. **Relation to federal programs and legislative proposals**

The Authority participated in the federal Animas-La Plata Project in southwest Colorado, to which in December 1989, the Authority committed $30 million of its funds as a portion of the State's federal cost share requirement. The Authority is also the administrator of the Water Pollution Control Revolving Fund, an EPA sponsored Wastewater financing program.

V. **Recommendations to other States**

The financial benefits provided to borrowers using the tax-exempt revenue bond method for funding include: loans at interest rates equivalent to those received for Aaa/AAA insured: low issuance costs for loans due to the "pooling" of borrowers: a debt service reserve fund provided wholly by the Authority; bond insurance purchased in part by the Authority; the subordination to existing indebtedness, and; fully subsidized calculation of arbitrage rebate.

VI. **Materials available**

A. Enabling legislation

B. Rules and regulations

C. Application package

D. Annual Report

VII. **State contact**

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Florida State Bond Loan Program
Department of Environmental Regulation
Summary

Florida's State Bond Loan Program, jointly administered by the Department of Environmental Regulation and the Division of Bond Financing, offers funding to local governmental agencies in the construction of water and wastewater projects and facilities. Established in 1970, the loan program is solely funded through the issuance of state bonds. Over $90 million in state bonds have been issued for drinking water projects and improvements since the inception of the program.

Florida State Bond Loan Program
Department of Environmental Regulation
Program Annotated Outline

I. **Program Description**

The purpose of the State Bond Loan Program is to assist local governmental agencies in financing the construction of water supply and distribution facilities, storm water control, air and water pollution control and abatement, and solid waste disposal facilities.

A. **Organization**

1. **Scope**

The Department of Environmental Regulation (DER) and the Division of Bond Finance of the Department of General Services (DBF), in conjunction with each other, are authorized to make loans to any municipality, county, district, or public authority to finance or refinance the construction of water supply and distribution facilities, water treatment facilities, water pollution abatement, and other eligible facilities.

2. **Agencies involved**

Three State agencies participate in the approval of each State Bond Loan. The DER has the authority to approve or reject the proposed projects. The Division of Bond Finance (DBF) of the Department of General Services determines the amount of the loan to be made and the issuance of State bonds to supply this amount. The State Board of Administration determines the sufficiency of each proposed bond issue and administers debt service on the bonds.

B. **Establishment**

1. **Options initially considered**

The State Bond Loan Program was established in 1970 in order to complement the current federal construction grants program.

2. **Political and legal considerations**

The State Board of Administration, consisting of the Governor, Treasurer, and Comptroller, gives the formal approval of the loan and executes the State Bond Loan Agreement to issue bonds to fund the projects.

3. **Statutory and constitutional restrictions**

Current legislation specifies that the two State agencies administering the program, the DER and DBF, may issue up to but not exceeding $300 million of Pollution Control Bonds to finance water and other eligible projects in each fiscal year.

4. **Subsequent program modifications**

After the establishment of the program in 1970, the scope of eligible projects was expanded to include drinking water and storm water facilities. The annual funding limit has been raised from $200 million to $300 million per fiscal year.

5. **Future picture**

Funding sources for State construction projects have been diminishing in the last several years. It is expected that as the sources become limited, requests for state loan assistance will increase.

II. Administration

A. Staff size/Skill mix

The Department of Environmental Regulation (DER) and the Division of Bond Finance of the Department of General Services (DBF) jointly employ approximately 1400 personnel for permitting, compliance, engineering, environmental, bond development, and administrative support. However, only about five full time employees are required to administer the bond loan program.

B. Administrative costs/Operating budget

Approximately $200,000 to $300,000 is incurred in operating expenses per year in the administration of the State Bond Loan Program.

III. Operations

A. Fund Capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - None

4. Bonds/Borrowed funds - The entire loan program is funded through the issuance of State Bonds. A total of $485 million in bonds have been issued since the inception of the program. In 1983 the Series N $45 million bond issue was used solely for potable water project loans. At the end of fiscal year 1991, the Series X bond issue of $45 million will be used solely for water system improvements.

5. Loan repayments/Internal funds - Semi-annual loan repayments are made by each loan applicant directly to the State through an escrow account as the bonds mature.

6. Alternative financing mechanisms - None

7. Leveraging capability - None

B. Forms of assistance

1. Loans

   a. **Program description**
   The State Bond Loan Program assists in the financing or refinancing of the construction of water supply and distribution facilities, water treatment facilities, and other eligible projects. At the end of fiscal year 1991, the State Bond Loan Program will have funded over $90 million in potable water projects and water system improvements.

      1. Eligibility - Eligible entities for loan assistance include any Florida municipality, county, district, authority, or agency.

      2. Eligibility costs - In each fiscal year, each approved applicant will pay a proportional share of the administrative expense incurred by the DER and DBF while administering and servicing the State Bond Program. This amount is not to exceed .25% of the initial loan of the applicant.

3. Loan terms - Loan terms for the State Bond Program typically range between 20 and 30 years.

4. Interest rates - Interest rates charged on all loans are set at the market rate obtained at the time of the bond issue.

5. Loan security - For loan security, applicants must pledge revenues in an amount sufficient to maintain a 133% coverage of the estimated debt service on the proposed loan in each and every year the loan remains outstanding.

6. Maximum borrowing amount - The annual amount of new loans to all applicants is limited to a total of $300 million.

7. Small community exception - None

8. Hardship exception - None

9. Refinancing - The State Bond Loan Program offers refinancing loans at no annual limit.

10. Application process - See VI. Materials Available.

11. Local financial participation - None required

2. **Grants** - None

3. **Rate Subsidies** - None

4. **Bond Insurance** - None

5. **Rate Subsidies** - None

6. **Other credit enhancement** - None

7. **Technical assistance** - None

C. **Fund Accounts**
Immediately upon the sale of the State bonds, the several funds and accounts are established and maintained in the Treasury of the State of Florida for loan distribution. These funds include the Project Construction Trust Fund, Bond Interest and Sinking Fund, Capitalized Interest Fund and the Debt Service Reserve Fund. The State Board of Administration is responsible for administering the interest and sinking fund, the capitalized interest fund, and the debt service reserve fund. The DER administers the project construction trust fund.

D. **Evaluation of Program Effectiveness**
The State Bond Loan Program undergoes an annual programmatic state audit.

E. **Private Sector Participation** - None

F. **Program Issues or Problems** - None at this time

IV. **Relation to Federal Programs or Legislative Proposals** - None

V. Recommendations to Other States

Due to decreasing funding available at the federal level for the financing of state infrastructure, each state should consider implementing a bond loan program. These programs fund needed projects at reasonable rates to communities which may not be able to acquire funding at reasonable rates on their own. In addition, limiting the bureaucratic review process for approval of the loans would expedite the funding process and add a greater incentive for communities to utilize these funding programs.

VI. Materials Available

A. Enabling Legislation

B. Rules and Regulations

C. Application Package

VII. State Contact

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Georgia Environmental Facilities Authority
Water and Wastewater Loan Program
Summary

The Georgia Environmental Facilities Authority (GEFA) was organized in 1986 under the Official Code of Georgia Annotated with the stated purpose "to assist local governments in constructing, extending, rehabilitating, repairing and renewing environmental facilities and to assist in the financing of such needs by providing funds through loans, bonds and other assistance of local governments". The Authority currently manages a $170,000,000 loan fund which makes low cost capital available to cities, counties, and water and sewer authorities throughout the State.

Georgia Environmental Facilities Authority
Water and Wastewater Loan Program
Program Annotated Outline

I. Program Description

A. Organization

1. **Scope**
The Georgia Environmental Facilities Authority (GEFA) is an agency of Georgia state government with the responsibility of providing financial assistance for all types of water supply and wastewater projects for local governments.

2. **Agencies Involved**

a. **Georgia Environmental Facilities Authority**
The GEFA is governed by an eleven member board, eight of whom are appointed by the Governor and three who serve ex-officio. Three of the eight appointees must be municipal officials, three must be county officials and two are appointed from the state at large. The three ex-officio members are the Commissioner of the Georgia Department of Industry and Trade, the Commissioner of the Georgia Department of Community Affairs, and the State Auditor.

b. **Georgia Department of Natural Resources, Environmental Protection Division (EPD)**
The EPD performs all environmental project reviews, assesses significant points in the Authority's Rating and Selection System for applicants, and performs all project construction inspections on behalf of the Authority.

B. Establishment

1. & 2. **Options initially considered/political and legal considerations**
In 1983 Governor Joe Frank Harris and the Georgia General Assembly, acting on the 1982 recommendations of the Environmental Facilities Study Commission, created the Environmental Facilities Program and placed it in an existing agency - the Georgia Development Authority. The findings of the study commission identified the widening gap between local environmental infrastructure needs and the necessary financial resources. The Georgia General Assembly created the GEFA in 1986 and transferred all of the environmental facilities program assets and functions from the Georgia Development Authority to the GEFA.

3. **Statutory and constitutional restrictions**
In 1986 voters approved in a statewide referendum the ability of the state to sell general obligation bonds and use the proceeds to make loans to local governments. Statutory restrictions limit the use of the bond proceeds for the funding of water/sewer projects only. Bond funding began in the third year of the program. During the first two years the programs of the GEFA were funded by cash appropriations.

4. **Subsequent program modifications**
A rating and selection system and a comprehensive credit analysis system were implemented in the second year of the program.

5. **Future picture**
The GEFA has received a commitment from the Governor of Georgia, that, starting in August, 1992, the Authority will receive the proceeds from four $50 million state guaranteed revenue bond issues.

II. Administration

A. Staff size/Skill mix

The Authority employs eight full-time staff members which include:

1. Executive Director
2. Assistant Executive Director/Chief Financial Officer
3. Principal Accountant
4. Accountant
5. Project Development Manager (water & wastewater programs)
6. Project Development Specialist (solid waste programs)
7. Administrative Secretary
8. Secretary/Receptionist

All engineering analysis and inspection of projects are done by the EPD staff.

B. Administrative Costs/Operating Budget

The annual operating budget for the Authority is approximately $550,000. The major portion of the operating budget is funded by appropriations from the Georgia General Assembly.

III. Operating Funds

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State Funds - The Authority was appropriated a total of $40,000,000 in fiscal years 1985 and 1986.

4. Bonds/borrowed funds - The Authority has additionally received the total of $73,500,000 from the proceeds of four Georgia general obligation bond issues in fiscal years 1987-1990 for the sole purpose of making environmental facilities loans. In August, 1992, the Authority will receive the proceeds of the first of four $50 million state guaranteed revenue bond issues.

5. Loan repayments/Internal Funds - Outstanding bonds are retired by the State Treasury, not the Authority, thus, all loan repayments are used to fund new loans. The Authority has a current annual cash flow from program years 1-6 of approximately $8 million per year.

6. Alternative financing mechanisms - None

7. Leveraging capability - None

B. Forms of Assistance

1. Loans

a. Program description

The Authority currently manages a $170 million loan fund which makes low cost capital available to cities, counties, and water and sewer authorities throughout the State. The Authority's programs are in their seventh loan cycle/year. Thus far, the Authority has made 205 loans totalling approximately $120,000,000. In addition the Authority administers the Economic Development Set Aside Program (EDSA). This program provides for smaller loans outside the normal loan application cycle and is limited to $400,000 per community for urgent economic development projects requiring immediate action to create or retain jobs. Beginning in 1992, the EDSA program will be funded at $2 million per year out of current revenue payments.

b. **Borrower considerations**

1. Eligibility - All cities, counties, and water/wastewater authorities are eligible for funding regardless of project or community size.

2. Eligibility costs - No application fees or costs were charged in the first six years of the program. Costs of issuance will be proportionately shared by the borrowers of the revenue bond funds beginning in 1992.

3. Loan terms

Loan Amount	Loan Term
$0 - $100,000	Ten Years
$100,000 - $500,000	Fifteen Years
$500,000 - loan cap	Twenty Years

4. Interest rates - Rates have ranged from 5.3% to 6.8% depending on the interest rate on the bond issue furnishing the capital for that year's program. The Authority is committed to providing a rate as close to the actual cost of funds as possible. All borrowers are charged the same rate.

5. Loan security - The Authority has no set loan security requirement, however, all applicants are subjected to a comprehensive credit and financial analysis based on projected revenues from the proposed project and ability to meet the loan schedule.

6. Maximum borrowing amount - The maximum loan is $2,000,000.

7. Small community exceptions - None

8. Hardship exceptions - None

9. Refinancing - None

10. Application Process - The Authority has completed six loan application and commitment cycles since its beginning. A rigorous multistage process is in place to evaluate loan applications and make loan awards. (See IV. Materials available).

11. Local financial participation - None required.

2. **Grants** - None

3. **Rate subsidies** - None

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance**
The Authority provides technical assistance to borrowers and potential borrowers in the areas of system management and financial management. The Authority also provides information concerning rates from a comprehensive water and sewer rate data base.

C. **Fund Accounts**
The Authority currently maintains twelve separate operating funds including those necessary to operate the federal SRF program for EPD. These funds include: a general fund which receives budget appropriations, a loan fund for each bond issue, four matching funds for the SRF, three program funds, and an arbitrage rebate fund.

D. **Evaluation of Program Effectiveness**
The Authority is a component unit of the State of Georgia. It is maintained as an enterprise fund and is reported on the full accrual basis. The audit of the program is performed annually by KPMG Peat Marwick. The Authority has been awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting 1986-1990.

E. **Private Sector Participation** - None

F. **Program Issues or Problems**
In earlier years of program operations, problems occurred with projects running longer than the contracts. Promissory notes were signed, and subsequently, construction interest accrued. The new policy allows for no extensions on project completion dates. An additional problem for the program has been inadequate capitalization to fund eligible projects.

IV. Relation to Federal Programs and Legislative Proposals

The Authority operates the SRF program for the Environmental Protection Division (EPD) and provides matching funds, contracting, investment, collection, disbursement, and credit analysis services.

V. Recommendations to Other States

Build strong administrative capability, especially in the accounting and computer areas. Plan for the future so that program expansion does not outstrip your ability to administer the program effectively.

VI. Materials available

A. **Enabling legislation** - Official Code of Georgia Annotated 50-23.

B. **Program policies**

C. **Application package**

D. **Annual financial report**

VII. State Contact

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Ohio Water Development Authority
Summary

The Ohio Water Development Authority (OWDA) administers loans to Ohio communities for the construction and enhancement of drinking water treatment facilities, conveyance systems, and water supply facilities. The loan programs of the OWDA are funded through the issuance of revenue bonds. In 1989 and 1990, the OWDA made 25 loans for water projects through the regular loan program and two loans through the hardship drinking water program totalling $40.5 million and $1.38 million, respectively. The OWDA also made twelve planning loans totalling approximately $2.1 million in the same period.

Ohio Water Development Authority
Program Annotated Outline

I. **Program Description**
The Ohio Water Development Authority (OWDA) provides financing to Ohio communities for the establishment and enhancement of drinking water and water supply facilities.

A. **Organization**

1. **Scope**
The Ohio Water Development Authority administers loans to local governments for the construction of drinking water treatment facilities, conveyance systems, and water supply facilities.

2. **Agencies involved**
All applicants for OWDA's loan and grant programs must receive technical and environmental approval by the Ohio EPA. The Hardship Drinking Water Program is jointly administered by the OWDA and the Ohio EPA.

B. **Establishment**

1. **Options initially considered**
The OWDA was created in 1968 by the Ohio General Assembly to loan funds to local governments. The program was originally created to provide the match for federal wastewater treatment grants and was designed largely to aid small communities unable to fund on their own. The initial program was modified in 1974 to include drinking water projects. The program is now termed the Safe Water Program.

2. **Political and legal considerations**
The OWDA does not have the authority to finance projects for a township because townships in Ohio do not have the authority to levy taxes for water and wastewater, thereby not meeting OWDA's eligibility requirements.

3. **Statutory and constitutional restrictions**
The OWDA operates a "blind pool" at the time of a bond sale, and thus, is subject to relevant 1986 Tax Reform Act restrictions.

4. **Subsequent program modifications**
In 1980 the OWDA established planning loans to finance the planning and design of both water supply and distribution facilities as well as wastewater treatment facilities. In 1990 the OWDA established the Hardship Drinking Water Program with the Ohio EPA which offers low-interest loans to economically disadvantaged communities.

5. **Future picture**
In the Spring of 1992, a bond issue in the amount of $50 to $75 million is proposed to fund the regular OWDA loan programs.

II. Administration

A. Staff size/Skill mix

The OWDA maintains a nine person staff including the executive director, chief engineer, controller, a local government agency loan officer, and support team. The eight Board members for the OWDA include five governor appointed seats and one representative each from the Ohio EPA, the Ohio Department of Natural Resources, and the Ohio Development Agency. The Ohio EPA provides the technical and environmental review (environmental permits) for the programs.

B. Administrative costs/Operating budget

The operating budget for the OWDA for 1990 was approximately $987,000.

III. Operations

A. Fund Capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - The original appropriation for the establishment of the program included the proceeds of $100 million in general obligation bonds in 1968. No additional state funds have been appropriated.

4. Bonds/Borrowed funds - There have been approximately ten subsequent revenue bond issues for the program totalling $1.23 billion. The latest bond issue was the 1990 Pure Water Series I Revenue Bonds totalling $81.5 million. Another bond issue is planned for early to mid 1992.

5. Loan repayments/Internal funds - Loan repayments are used to retire outstanding bonds. Internal funds from interest earned are used to finance the Hardship Drinking Water Program.

6. Alternative financing mechanisms - None

7. Leveraging capability - The revolving fund program is modeled to leverage the repayment stream of outstanding loans.

B. Forms of Assistance

1. Loans

a. Program description

The OWDA administers two loan programs to assist Ohio communities in financing the construction of infrastructure: the OWDA Revolving Fund which provides regular loans at market rates, and the Hardship Drinking Water Program which provides low-interest loans for economically distressed communities. In 1989 and 1990, 25 loans for water projects were approved in the regular loan program totalling approximately $40.5 million. In 1989 and 1990, two hardship loans for water projects were made totalling approximately $1.38 million.

The OWDA also administers a planning loan program that assists Ohio communities in financing the planning and design of infrastructure. In 1989 and 1990, twelve planning loans were approved totalling approximately $2.1 million.

b. **Borrower considerations**

1. Eligibility - Eligible entities for loan assistance are local government agencies, cities, counties, and special districts.

2. Eligibility costs - Eligible applicants are subject to an administrative fee of .35% of the construction cost amount.

3. Loan terms - The loan terms for the regular and hardship construction loan programs range from 10 to 25 years. The planning loans must be paid within five years or they may be refinanced with construction loans.

4. Interest rates - Interest rates for the regular loan program are set at the market rate obtained at the issuance. Based on an economic analysis, hardship loans receive a blended rate between the market rate and the 2% minimum. All planning loans are set at the market rate.

5. Loan security - As part of the loan agreement, the applicant pledges to maintain user charge rates sufficient to operate the project and repay the loan amount.

6. Maximum borrowing amount - The maximum loan offered to any one local government agency by the OWDA is $75 million.

7. Small community exception - None

8. Hardship exception - For economically distressed communities, hardship loans are available.

9. Refinancing - Refinancing is not available once the applicant has signed the loan agreement. However, with prior agreement, the OWDA will allow the applicant to finance short term debt and arrange for long term financing after the construction process is complete.

10. Application process - The application process for the OWDA is unique in that, once the project is planned, approved, and ready to proceed, the applicant signs a "letter of agreement" which serves as the loan contract.

11. Local financial participation - None required

2. **Grants**
The OWDA has made small grants up to $450,000 through the Hardship Loan Program for research and development projects to aid Ohio communities. The OWDA has no defined grant program as such and has made only two small research grants for drinking water projects thus far.

3. **Rate subsidies**
The Hardship Loan Program offers below market rate loans to hardship communities.

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance - None**

C. **Fund Accounts**
The OWDA operates a fund accounting system. The Construction Fund receives all the bond proceeds and is used to administer loan payments. The Revenue Fund receives all loan repayments which are transferred to a debt service fund to retire outstanding bonds. Monies are also deposited into a debt service reserve fund and periodically into a surplus fund.

D. **Evaluation of program effectiveness**
The OWDA undergoes no annual evaluation process for their loan and grant programs with the exception of an annual audit and submission of the annual report.

E. **Private Sector Participation**
No privatization projects have been funded by the OWDA.

F. **Program Issues or Problems**
Due to the requirements of compliance to State regulations and standards, funds for hardship loans and grants are distributed at a slower rate than for the regular loan program. This encumbers small disadvantaged communities in the construction timetables and project completion.

IV. **Relation to Federal Programs or Legislative Proposals** - None

V. **Recommendations to Other States** - None at this time.

VI. **Materials Available**

A. Enabling legislation

B. Rules and Regulations

C. Annual Report

D. Application Package

VII. **State Contact**

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Oklahoma Water Resources Board
Summary

The mission of the Oklahoma Water Resources Board (OWRB) is to: (1) determine and administer rights to the use of the waters of the State; (2) develop long-range plans to encourage conservation, development, and utilization of the water resources of the State; (3) coordinate, review, reject, modify and/or approve all local, state, and federal water activities within the State; and (4) establish and administer quality standards for the prevention, control, and abatement of pollution of the waters of the State. The OWRB provides low-interest loans and grants from bond proceeds to qualified entities needing financial assistance to construct water projects or to refinance existing indebtedness related to water systems. As of August 1991, the OWRB has approved 84 loans and 241 grants totalling $90,139,540 and $14,898,195, respectively.

Oklahoma Water Resources Board
Program Annotated Outline

I. **Program Description**

In recognition of the need for a state funding program to assist in water resources development, the Oklahoma State Legislature enacted a series of laws creating a State Financial Assistance Program (FAP) administered by the Oklahoma Water Resources Board.

A. **Organization**

1. **Scope**

Under the Financial Assistance Program (FAP), the Oklahoma Water Resources Board (OWRB) provides grants and low-interest loans from bond proceeds to qualified entities needing financial assistance to construct water and/or sewer projects or to refinance existing indebtedness related to water systems. The Board's main account, the Statewide Water Development Revolving Fund, provides the sources of funds for the Board's loan programs and emergency grants.

2. **Agency involved**

The Oklahoma Water Resources Board

B. **Establishment**

1. & 2. **Options initially considered/Political and legal considerations**

The basic structure of the Board's Financial Assistance Program (FAP) was formed in 1979 with the passage of SB 215. This bill authorized the OWRB to issue bonds and use the bond proceeds for loans to Oklahoma communities for water system improvements and expansions. The original program contained a $1.5 million ceiling per project and was limited solely to water-related projects, such as impoundments, distribution lines, treatment plants and storage tanks.

3. **Statutory and constitutional restrictions**

The OWRB can not lend financial assistance to cities in Oklahoma according to the statutes. Applicants eligible for assistance are counties, water conservancy districts, public works authorities, school districts, rural water, sewer and irrigation districts.

4. **Subsequent program modifications**

In 1980 an amendment to the program authorized the Board to issue grants up to $50,000 per entity per fiscal year. In 1982, the $1.5 million ceiling on each project was removed and the Statewide Water Development Revolving Fund was created with the interest from this fund to be used for emergency grants up to $100,000.

5. **Future picture**

After the available funds from the $50 million bond issue in 1989 have been exhausted, it is anticipated that additional issues will be requested. Another bond issue is expected for early to mid-1992.

II. Administration

A. Staff size/Skill mix

The OWRB's Board consists of 9 members appointed by the Governor for a 7-year term with the advice and consent of the Senate. One member is appointed to represent each of the Congressional Districts as they existed in 1957, with three appointed at large. A staff of seven administers the OWRB FAP Loan and grant programs in addition to other duties within the agency. The staff consists of professional engineers and financial analysts with extensive experience in water and sewer projects as well as in the financial industry.

B. Administrative costs/Operating budget

For fiscal year 1991, the OWRB's actual expenditures in the Planning & Development Division were approximately $605,061. These funds were generated mainly through state appropriations.

III. Operating Funds

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - As an initial investment in securing Oklahoma's water development future, in 1982 the Second Session of the 38th Legislature appropriated $25 million from surplus funds into the Board's Statewide Water Development Revolving Fund (SWDRF). Funding for the grant program comes from the interest earned on the SWDRF.

4. Bonds/borrowed funds
   There have been three major OWRB bond issues since the program's inception: two $50 million issues on June 1, 1985, and November 14, 1989, and a $41.65 million issue on August 1, 1986.

5. Loan repayments/Internal funds - Loan repayments are in the form of revenues collected from the operation of the projects. These payments are used to retire the bonds of the respective bond issue.

6. Alternative financing mechanisms - None

7. Leveraging capability
   The OWRB currently applies leveraging to its bond programs.

B. Forms of assistance

1. Loans

a. Program description

The OWRB issues investment certificates or state revenue bonds and establishes a water resources fund from the bond sale proceeds. The Board provides short-term and long-term loans to qualified entities needing financial assistance to construct water and/or sewer projects or to refinance existing indebtedness related to these projects. The OWRB's FAP has been operating since 1979. As of August 10, 1991, 84 loans totalling approximately $90,139,500 have been approved.

b. Borrower considerations

1. Eligibility - Eligible projects for financing include any project related to water system improvements or refinancing of these projects such as: water supply reservoirs, storage tanks, water treatment systems, and water distribution systems. Eligible entities are political subdivisions of the State such as: counties, towns, and municipalities, rural water and sewer districts, irrigation districts, water conservation districts, and school districts.

2. Eligibility costs - Loan applications for the water programs are subject to a filing, review, and processing fee to the Board at the time of filing the secondary application request.

3. Loan terms - Currently, loan terms range from 6 months to 28 years.

4. Interest rates - Each loan applicant has the option of either a fixed or variable rate loan. The interest rate for loans are determined by the current 6 month period, as bonds are being re-marketed every 6 months. Loans may also be closed at a fixed rate of interest or converted to a fixed rate subsequent to closing. Interest rates on loans have averaged approximately 5.997% since Sept. 1, 1986. The current interest rate for the 6 month period ending February 29, 1992, is 5.292%.

5. Loan security - The borrower is required to capitalize, at loan closing, a debt service reserve of approximately 10% of the total loan amount. In addition, project revenues and other forms of operational revenues are pledged as security. A mortgage may also be obtained as security.

6. Maximum borrowing amount - There is no limit on the amount of a loan per applicant.

7. Small community exception - None

8. Hardship exception - None

9. Refinancing - None at this time.

10. Application process - See VI. Materials available.

11. Local financial participation - In order to achieve the maximum benefit from the funds available, the Board encourages applicants to provide the largest amount of local participation possible, so that the Board can help a greater number of applicants.

2. **Grants**

a. **Program description**

Many smaller entities with aging water and sewer system simply cannot afford the costs associated with replacement or renovation. The OWRB Emergency Grant Program is designed to rescue the state's small communities from financial crises posed by dilapidated systems, adverse weather, and a weak economy. The OWRB has been authorized to make grants to eligible projects since 1980. As of August 10, 1991, 241 grants totalling approximately $14,898,195 have been approved. Funding comes from interest earned on monies in the Water Development Fund.

b. **Grantee considerations**

1. Eligibility - Qualified entities include all political subdivisions of the state, special purpose districts, public trusts, and water and sewer districts.

2. Eligibility costs - None

3. Grant terms - All applicants must comply with OWRB Rules and Regulations.

4. Grant monetary limits - No more than $100,000 may go to a qualified applicant during any fiscal year.

5. Small community exception - None

6. Hardship exception - There is no stated hardship exception, however, in order to administer the Emergency Grant Program, the Board adopted a grant priority system based on hardship. The basis of the priority formula has been developed from the enacting legislation. The two primary statutory criteria are : first, a grant can only be approved in case of an emergency, which is defined as a life, health, or property threatening situation; second, a grant can only be awarded when the applicant cannot reasonably finance the project with out assistance from the state.

7. Application process - See VI. Materials available

8. Local participation - Local participation is not required, but encouraged. The amount of funds available for grants is limited, thus more priority points are awarded to the applicant with the smallest grant amount requested.

3. **Rate subsidies** - None

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance** - None

C. **Fund Accounts**
There is one main fund account, the Statewide Water Development Revolving Fund.

D. **Evaluation of program effectiveness**
Under the provisions of 82 O.S. Supp. 1986, the OWRB is directed to annually submit to the Oklahoma Legislature a proposal for the use of the statewide revolving fund.

E. **Private sector participation** - None

F. **Program issues or problems** - None at this time.

IV. **Relation to federal programs and legislative proposals**
One purpose of the Statewide Water Development Revolving Fund is to make money available to fulfill cost-sharing requirements on federal water projects, construction of state water projects, and repayments of water supply storage contracts between the state and the federal government. These uses of the fund are necessitated by the declining federal role and participation in financing water development.

V. **Recommendation to other states** - None at this time.

VI. **Materials available**

A. **Enacting legislation**

B. **Rules and regulations**

C. **Application package**

D. **Other**

VII. **State Contact**

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PENNVEST
Pennsylvania Infrastructure Investment Authority
Summary

The Pennsylvania Infrastructure Investment Authority (PENNVEST) was created in 1988 to provide loan assistance to Pennsylvania water supply systems, both public and private. Initially capitalized with one billion dollars in appropriations and loans, PENNVEST has made loans totalling $692 million through fiscal year 1990. As lenders to water supply systems, the Agency plans to provide nearly $830 million in revolving funds at subsidized interest rates of one to six percent. Additionally, PENNVEST operates a small grants program for economically disadvantaged communities.

PENNVEST
Pennsylvania Infrastructure Investment Authority
Program Annotated Outline

I. Program Description

The Pennsylvania Infrastructure Investment Authority (PENNVEST) is a revolving loan fund created to finance public and privately owned drinking water facilities. Most assistance is in the form of low-interest loans with a small amount of grant funds available to economically depressed communities.

A. Organization

1. Scope

PENNVEST is an independent state agency with the responsibility of providing financial assistance through loans and grants to the state's publicly and privately owned drinking water systems.

2. Agencies Involved

PENNVEST is an independent agency managed by a professional staff operating under an appointed Board of Directors. Included on the Board are representatives of:

* Office of the Governor
* State House and Senate
* Office of the Budget
* Department of Environmental Resources
* Department of Commerce
* Department of Community Affairs
* Department of General Services

B. Establishment

1. Options initially considered

Prior to 1988, the Commonwealth provided financial assistance to municipalities through the Water Facilities Loan Fund (WFLF). The grants program within the WFLF has been eliminated and the 135 outstanding loans have been absorbed by PENNVEST.

2. Political and legal considerations

PENNVEST was created by the Pennsylvania Infrastructure Investment Authority Act in 1988. Program regulations were published in the *Pennsylvania Bulletin* in February, 1989.

3. Statutory and constitutional restrictions

The enabling legislation and regulations detail the conditions for "hardship" grants, the structure of the priority list, and the composition of the Board of Directors.

4. Subsequent program modifications

There have been no major modifications to the program since 1988.

5. Future picture

The authority plans to spend the initial $1 billion in funding in about six years, then continue operations as a revolving loan fund. It is expected to continue funding clean water infrastructure projects for at least twenty-five years, financing over $2.5 billion in projects from the original $1 billion.

II. Administration

A. Staff size/Skill mix

Pennvest's current staff size is 19. There are 4 Project Specialists with experience in engineering and government finance. Top officials have extensive training and experience in public finance. Other staff have skills in finance, government operations, and related fields. Accounting for the Authority is performed by the State Controller, Treasurer, and the Budget Office.

B. Administrative Costs/Operating budget

The operating budget for fiscal year 1991 is $4 million provided by a direct appropriation from the Commonwealth's General Fund.

III. Operating Funds

A. Fund capitalization

Pennvest began in 1988 with anticipated funding of over $990 million with sources including state appropriations, grants and reallocations, and voter approved bonds.

1. Funds from previous program
   The unused bond authorization from the Water Facilities Loan Board, the previous program, totaled $215 million.

2. State funds
   Direct state appropriation to the program was $25 million. In 1988, the Capital Facilities Fund totaled $150 million. Grants are funded through general fund appropriations and interest earnings.

3. Bonds/Borrowed funds
   The 1988 voter referendum authorized $300 million in state general obligation bonds. In 1990, $60 million in revenue bonds were issued.

4. Loan repayments/Internal funds
   The PENNVEST Fund includes repayments of revolving loans, appropriations from the General Fund, interest received on revolving loans, investment income, and the sale of assets. The PENNVEST Redemption Fund includes payments of non-revolving loans and interest.

5. Alternative financing mechanisms - None

6. Leveraging capability
   Leveraging capability consists of revenue bonds for state loan programs.

B. Forms of assistance

1. **Loans**

   a. **Program description**
   The first loans were approved in June, 1988. Through the end of fiscal year 1991, the total loan amount was $436 million for 259 water supply systems. Projects with completed applications are considered at one of four yearly Board meetings. Funding is provided based on a project's position on the priority list developed by the staff.

b. **Borrower considerations**

(1) Eligibility - Any owner or operator of any drinking water system, public or private, is eligible for funding.

(2) Eligibility costs - Applicants are eligible for up to 100% of project costs, including planning and engineering, however, no refinancing or repayment of previous expenses is permitted.

(3) Loan terms - The maximum life of most loans is twenty years.

(4) Interest rates - Interest rates vary between 1% and 6% depending on the borrowing county's unemployment rate.

County Unemployment as percent of Statewide Unemployment	First Five Years Interest	Remaining Term Interest
>140%	1%	25% of BIR*
100%-140%	30% BIR	60% BIR
<100%	60% BIR	75% BIR

* Bond Issue Rate

(5) Loan security - Loan security is established through a loan agreement between PENNVEST and the borrowing entity. However, PENNVEST may require additional security from first lien on user charge revenues, guaranty of municipality, or municipal taxing power. For multi-community applications, the loan agreement will be with a single borrower, but inter-jurisdictional agreements must be in place prior to loan approval.

(6) Maximum borrowing amount - Loans are limited to $11 million per project. When two communities are involved the cap is raised to $20 million and can be raised again for projects of over four municipalities. The largest loan to date is approximately $30 million.

(7) Small community exception - There is no explicit small community program, however special care is taken to market the program to small communities. Through the fiscal year 1991, small communities accounted for 303 or 53% of all loans.

(8) Hardship exception - None

(9) Refinancing - PENNVEST does not provide refinancing for projects under construction or with alternative long-term financing already arranged. The Board may however, grant a "letter of no prejudice" in emergency situations to allow construction to begin before the loan is approved.

(10) Application process - See VI. Materials available

(11) Local financial participation - Up to 100% of project financing is available, however, the Board may also require local financial participation from communities financially able to do so.

2. **Grants**

a. **Program description**

The first grants were made in fiscal year 1989. Through fiscal year 1990, 83 grants totalling $25 million have been made. Operations are available only on a hardship basis. Grant level is funded by direct appropriations by the state legislature.

b. **Grantee considerations**

(1) Eligibility - Grants are available to economically depressed communities with no reasonable expectations of repaying a loan. The Board may examine such features as: median household income, existing and anticipated user fees, financial condition of the applicant, social, financial and economic conditions of the project, and inability of applicant to secure other grant monies.

(2) Eligible costs - The grant may cover up to 50% of project costs.

(3) Grant terms - None

(4) Grant monetary limits - The maximum grant award is $500,000 or 50% of project costs, whichever is lower.

(5) Small community exception - None

(6) Hardship exception - The grant program is available only to hardship communities

(7) Application process - See VI. Materials available

(8) Local participation - None required

3. **Rate subsidies** - None

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance** - None

B. **Fund accounts**

1. **Fund description**
PENNVEST individual funds follow the original source of revenues with relevant restrictions applied.

2. **Interaction between accounts**
Inter-fund borrowing is allowed for cash-flow needs.

C. **Evaluation of program effectiveness**
PENNVEST is seen as a highly effective, very popular program especially among small communities.

E. **Private sector participation**
$40.6 million in funding was provided for 63 private projects, involving privately owned drinking water facilities and water distribution companies. Private investment in 13 PENNVEST projects has totaled $766 million. Other government aid to these projects totaled $11.7 million.

F. **Program issues or problems**
At the end of the Authority's 25 year planned life, $2.4 billion in identified infrastructure needs will be unfunded. Additional money now would help fund those needs.

IV. **Relation to federal programs and legislative proposals**
A bill is in the state legislature to allow a Commerce Department program to provide alternative financing to blend with PENNVEST.

V. **Recommendation to other states**
One of PENNVEST's greatest strengths is its non-political status. Projects ratings are determined by the Departments of Environmental Resources and Commerce based on a priority criteria formula -- political issues are not a consideration.

VI. **Materials available**

A. **Enabling legislation**
Pennsylvania Infrastructure Investment Authority Act, Act. No. 1988-16.

B. **Rules and regulations**
Pennsylvania Infrastructure Investment Authority Financial Assistance: Regulations Title 25, Part VI, Chapter 963.

C. **Application package**
Pennsylvania Infrastructure Investment Authority Financial Assistance Application

D. **Annual report**
PENNVEST: Clean Water for a Better Pennsylvania 1989-90 Annual Report.

E. **Other**

VII. **State contact**

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Texas Water Development Board
Summary

The Texas Water Development Board (TWDB) was created in 1957 to provide financial assistance to political subdivisions for the conservation and development of the water resources of Texas. The TWDB is authorized to provide financial assistance to political subdivisions and non-profit Water Supply Corporations to fund planning, design, and construction of water supply and regional water facilities. As of June 1, 1991, the TWDB has loaned $501,809,000 for 360 projects from the Water Supply Account of the TWDB administered Texas Water Development Fund.

Texas Water Development Board
Program Annotated Outline

I. Program Description

A. Organization

1. **Scope**
The Texas Water Development Board (TWDB) has two principal functions: 1) to provide financial assistance for the planning, design, and construction of water supply and regional water facilities, and 2) to collect basic hydrologic data, perform studies of water resources of the state, and plan for the long-term water resources needs in Texas.

2. **Agencies involved**
The Texas Water Development Board

B. Establishment

1. **Options initially considered**
The State's plan for an agency that would oversee the development of its water resources began in 1957, when a legislative act created the Texas Water Development Board and authorized the TWDB to administer a Water Development Fund of $200 million to help local communities develop water supplies. The amendment created the Texas Water Development Fund, a special revolving fund to receive all monies from the sale of bonds issued by the TWDB.

2. **Political and legal considerations**
The Texas legislature must approve additional bond authorizations in the form of an amendment to the State Constitution. Following legislative authorization, the voters must approve the amendment.

3. **Statutory and legal constrictions**
The maximum weighted rate of interest for any one issue of bonds was raised in November 1982, from 6% to 12%.

4. **Subsequent program modifications**
In 1985 program benefits were extended to include non-profit Water Supply Corporations and a bond insurance program was established. In 1987 legislation was passed to give the TWDB authority to issue revenue bonds. In 1989 the TWDB was given the authority to finance retail water distribution lines and establish the Economically Distressed Areas Program (EDAP).

5. **Future picture**
Major goals of the TWDB include: to finance 75% of all of Texas' annual water projects, to increase funding on research which enhances operation of water systems, and to develop comprehensive management information systems which provide managers with appropriate data on research and development for better decision making.

II. Administration

A. Staff size/Skill mix

The TWDB is composed of 260 individuals, of which 26 are engineers, 29 are hydrologists/geologists, eight are financiers, three are attorneys, and eight are accountants. The remaining personnel consist of executive and support staff. Generally the fields of expertise represented include: engineering, hydrology, geology, economics, finance, law, and accounting. New employees are trained by the Board Staff.

B. Administrative costs/Operating budget

For 1991, the operating budget totals $11,400,018. This budget is funded in part by state appropriations.

III. Operations

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - The TWDB administers the Water Assistance Fund (WAF), which was created in 1981, with an initial appropriation of $40 million. The Economically Distressed Areas Program (EDAP) had an original appropriation of $10 million.

4. Bonds/borrowed funds - Since 1957, seven amendments have been approved authorizing the issuance of up to $2.48 billion in Texas Water Development bonds.

5. Loan repayments/Internal funds - Loan repayments in the Water Assistance Fund are used to make additional loans. Loan repayments in the Water Development Fund are used to pay debt service on Water Development Bonds.

6. Alternative financing mechanisms - None

7. Leveraging capability - The TWDB has the authority to apply leveraging to its revenue bond programs and is currently studying the feasibility of doing so.

B. Forms of Assistance

1. Loans

a. Program description

The TWDB manages several major funds that offer financial assistance to localities for the planning, design, and construction of water supply and regional water facilities. Two of these funds are the Texas Water Development Fund and the Water Assistance Fund. Under the WAF, the TWDB administers the subfund, the Water Loan Assistance Fund which is used to finance construction of the same water supply projects the Board has traditionally financed from the Water Development Fund. Another subfund was created within the WAF in order to fund water projects for hardship cases, the Economically Distressed Areas Program (EDAP). As of June 1, 1991, the TWDB has made 15 WAF loans totalling $15,809,000, and 360 loans totalling $501,782,013 from the Water Supply Account within the Texas Water Development Fund.

b. **Borrower considerations**

1. Eligibility - All applicants must be either political subdivisions or non-profit Water Supply Corporations of the State of Texas. Applicants to the Water Assistance Fund and the Water Supply Account must qualify under one of the following conditions: the applicant is a hardship issuer; the project involves the conversion from ground to surface water; or the project is regional in nature. EDAP applicants must be located in an affected county in an economically distressed area.

2. Eligibility costs - None

3. Loan terms - The maximum loan period allowed by law is 50 years. However, the Board of the TWDB generally limits loans terms to twenty years.

4. Interest rates - The interest rate is based upon the rate that the TWDB attains when it issues bonds, plus fifty basis points; subject to change at the discretion of the TWDB.

5. Loan security - Applicants must offer a security pledge in the form of taxes, system revenues, a combination of both, or contracted revenues.

6. Maximum borrowing amount - 100 % of eligible project costs.

7. Small community exception - None

8. Hardship exception - For the Water Supply and WAF, an applicant may apply based on the assertion that it could not borrow project funds at a reasonable interest rate without TWDB assistance. EDAP applicants are assigned an interest rate based on their ability to repay the loan amount.

9. Refinancing - The TWDB's water loan programs can be used to refinance debt where there is a substantial benefit to the applicant.

10. Application process - See VI. Materials available.

11. Local financial participation - EDAP applicants must offer a 25% local match of the costs of the facility engineering plans, of which 50% must be cash and the remaining 50% may be in-kind services.

2. **Grants**

a. **Program description**

Under the Water Assistance Fund, the TWDB created a subfund, the Research and Planning Fund, which was established to provide 50% grant funding for water research and regional water supply plans. The TWDB's grant program involves both matching funds and solely grant assistance to help qualified local governments, utilities, and research entities in the development of regional water feasibility studies and water-related research studies. The grant program has operated since December 15, 1982. As of May 1, 1991, there have been 48 water-related research grants totalling $7,782.019, and 81 regional water and wastewater feasibility study grants totalling $6,214,070.

b. **Grantee considerations**

1. Eligibility - Applicants for Regional Water Feasibility Grants must demonstrate a need for funds, must have legal authority to plan, develop, and operate the regional utility, and must involve one or more political jurisdictions or service areas. Applicants for Water-Related Research Grants must also demonstrate a need for funds, must contribute to the enhancement of practical knowledge related to water management opportunities, and must not duplicate previous or ongoing relevant studies.

2. Eligible costs - For the TWDB grant programs, all relevant study, travel, and materials costs, except those associated with permitting studies, legal action, and advanced project engineering or construction are eligible for grant coverage.

3. Grant terms - For regional Water Feasibility Grants, the applicant must provide 50% matching local funds or in-kind services, except for hardship cases, develop and implement water conservation and drought management plans, and must notify neighboring political jurisdictions of intent to conduct the study. For Water-Related Research Grants, the TWDB provides up to 100% of funding.

4. Grant monetary limits - None, except two biennial spending caps imposed the by Texas Legislature, which are typically in the range of $2 million over the biennium.

5. Small community exceptions - None

6. Hardship exceptions - The Board may approve up to 75% of total regional planning costs if all of the following provisions are met: local unemployment rate exceeds 50% of state average, and per capita income for the last reporting period is less than 60% of state average.

7. Application process - See VI. Materials available.

8. Local participation - Research and Planning Grants are 50-50 matching grants where the applicant must provide the second half.

3. **Rate subsidies**
The TWDB provides rate subsidies to EDAP applicants that can demonstrate that they do not have the ability to pay for their proposed loan at the TWDB's standard rate. The applicant is assigned a lower interest rate that reflects an annual debt service payment that residents are capable of paying.

4. **Bond insurance**
The TWDB is authorized to pledge up to $250 million of the full faith and credit of the state to insure up to $500 million of bonds issued by political subdivisions. The amount of insurance extended by the TWDB is limited to $100 million per fiscal year. The staff is in the process of implementing the program.

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance**
Various divisions within the TWDB offer assistance to applicants which includes: setting up of accounts to service the bond payments, creating water conservation plans, technical assistance on facility engineering and regional planning and research grants, and providing information to assist in the planning, designing, and construction of projects.

C. **Fund Accounts**
The TWDB manages two major funds pertaining to water supply, water quality enhancement, and regional water facilities: the Texas Water Development Fund and the Water Assistance Fund. The Water Assistance Fund has three subfunds designated to provide financial assistance in the form of a loan or a grant.

D. **Evaluation of Program Effectiveness**
Periodically the TWDB is subject to Sunset review by the Texas Legislature.

E. **Private Sector Participation**
In the past, the TWDB has made loans to applicants to construct facilities that would be used in part to serve large private entities. These projects were determined to be eligible for tax-exempt financing.

F. **Program Issues or Problems**
There has been a recent initiative to begin using revenue bonds to fund TWDB programs and reduce the use of general obligation bonds.

IV. **Relation to Federal Programs** - None

V. **Recommendations to Other States**
Other states should devise their loan programs to be easy to access and to follow the conventional methods of municipal finance.

VI. **Materials Available**

A. **Enabling Legislation/Rules and Regulations**

B. **Application Package**

C. **Annual Report**

D. **The Agency's Strategic Plan and TWDB brochure**

VII. **State Contact**

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Washington State
Public Works Trust Fund
Summary

The Public Works Trust Fund (PWTF) was established by the Washington Legislature in 1985 to provide a dependable, long-term source of funds for the repair and reconstruction of local public works systems. It is a program featuring three types of low-interest state loans for eligible local governments: 1) Construction Loan Program, 2) Capital Improvement Loan Program, 3) Emergency Loan Program. The PWTF is distinguishable from other funding programs, particularly grant programs, by several key design concepts. These concepts include: an emphasis on local effort; project need; the provision of loans, rather than grants; and a solid commitment to increase local capital improvement planning.

II. Administration

A. Staff Size/Skill Mix

The thirteen members of the Public Works Board possess a wide range of experience and talent in relevant fields such as public finance, engineering, construction, and local government public works management. Appointed by the Governor for staggered four-year terms, the Board is comprised of: 1) local government officials from cities and counties; 2) special purpose district representatives; and 3) private sector members. Staff support for loans, policy development, and technical assistance functions are provided by the DCD.

B. Administrative Costs/ Operating Budget

Less than 2% of the PWTF funds available for loan programs goes towards annual administrative costs and operating budget.

III. Operating Funds

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - All three loan programs receive their funding from the Public Works Trust Fund. The Trust Fund is capitalized with dedicated revenues from taxes on water, sewer and garbage utilities, and from a portion of the real estate tax. These revenues are collected and deposited in the Public Works Assistance Account which is managed by the State Treasurer. During fiscal year 1992, the PWTB received approximately $35.3 million in dedicated revenues.

4. Bonds/borrowed funds - None

5. Loan repayments/Internal funds - Repayments of past trust fund loans are recycled to fund upcoming generations of public works improvements. Future revenues are expected to provide over $30 million annually.

6. Alternative financing mechanisms - None

7. Leveraging capability - None

B. Forms of Assistance

1. Loans

a. Program description

The Public Works Trust Fund (PWTF) consists of three types of loan programs: 1) Construction Loan Program, 2) Capital Improvement Loan Program, and 3) Emergency Loan Program. In the first five loan cycles (years) of program operations, 248 low-interest loans were offered to local governments totaling over $135 million.

- Construction Loan Program - This is the standard loan program that offers low interest loans for the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems.

- Capital Improvement Planning - As an incentive to local jurisdictions to expand the use of basic capital improvement planning, the Board has recently adopted a proposal to provide zero interest loans for long-term capital planning. These loans are available to eligible jurisdictions with limited capacity to develop a long-term capital improvement plan with their own resources.

Washington State
Public Works Trust Fund
Program Annotated Outline

I. Program Description

The Washington State Public Works Trust Fund (PWTF) is a multipurpose infrastructure funding program. It emphasizes local government self-sufficiency, comprehensive planning, and allocation according to local management effort as well as severity of need.

A. Organization

1. Scope

The PWTF offers low-interest loans for the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards and to adequately serve the needs of the existing population. Eligible project categories cover most public works systems, including domestic water.

2. Agencies Involved

a. The PWTF consists of a thirteen member Public Works Board (PWB) which directs the offering of loans from this state revolving loan fund.

b. The Washington State Department of Community Development (DCD) annually invites all Washington cities, counties, and special purpose districts to apply for low interest loans drawn from the PWTF. Applications are reviewed by the DCD, PWTF, and the Washington Legislature for approval.

B. Establishment (1985)

1.& 2. Options initially considered/political & legal considerations

The PWTF grew out of a 1982-3 statewide survey of Washington State infrastructure needs that pointed to serious gaps in the state's financing of infrastructure. These findings prompted the Legislature to direct the Department of Community Development (DCD) to prepare a plan for replacing and repairing local public works holdings. DCD's subsequent report "Financing Public Works: Strategies for Increasing Public Investment", provided the design for the PWTF in 1985.

3. Statutory and constitutional restrictions

In order to prove its commitment to capital financing, a local government must meet two requirements before it can be considered for a loan. First, the locality must levy at least a 0.25 percent real estate excise tax earmarked for infrastructure spending. Second, it must develop its own Capital Improvement Plan (CIP) for the specific infrastructure category for which the loan is being sought.

4. Subsequent program modifications

There have been several policy changes in the PWTF since 1985. The jurisdictions must have a CIP or equivalent for all eligible systems under ownership. In 1992, each jurisdiction is eligible for up to $3.5 million in construction loans. This is a rise in the previous cap of $2.5 million. The loan may be for a single project or more than one project in separate categories.

5. Future picture

The PWTF has added solid waste projects to its funding programs, which include domestic water, bridge, road, and sanitary and storm sewer. Within six years the PWB projects it will begin to phase out the CIP loan programs, as the PWTF has brought the vast majority of local governments into compliance with CIP standards.

3. **Rate subsidies - None**

4. **Bond insurance - None**

5. **Loan guarantees - None**

6. **Other credit enhancement - None**

7. **Technical assistance**
Technical assistance to local governments to maximize efficient use of the fund is a high priority of the Public Works Board and the staff. Training and other services are provided to local governments to help plan, apply, and qualify for loans and also, help improve their ability to plan for, finance, acquire, construct, repair, and maintain public facilities.

C. **Fund Accounts**
The Washington State Public Works Board administers funds for loan programs through one main account, the Public Works Assistance Account. This account is capitalized by the collection of taxes, user fees, and utilities charges. It is managed by the State Treasurer.

D. **Evaluation of Program Effectiveness**
The PWTF is overseen by the Department of Community Development and the Washington State Legislature. Both the PWTF and the DCD work together to effectively administer needed funds for public works improvements. The recommendations and project lists developed through the evaluation of loan applicants must receive final approval from the State legislature.

E. **Private Sector Participation**
Through the fund matching process, local jurisdictions have matched over $128 million in local funds for the completion of their projects.

F. **Program Issues or Problems**
The amount of loan requests far exceed the amount of available funding. In 1992, the estimated amount of loan requests is $114 million, with the amount available to fill these funding needs approximately $43.7 million.

IV. **Relation to Federal Programs or Legislative Proposals - None**

V. **Materials Available**

A. **1992 Application Package**

B. **Enabling legislation and rules and regulations**

C. **1991 Annual Report**

D. **Capital Improvement Planning Manual**

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** Emergency Loans - In 1988, the Legislature amended Chapter 43.155 RCW to provide the Public Works Board with emergency loan authority. This program enables the Board to assist eligible communities experiencing the loss of critical public works services or facilities due to an emergency.

b. **Borrower considerations**

1. Eligibility - Jurisdictions eligible to apply for loans from the PWTF include: counties, cities, towns, and special purpose districts, but not school or port districts. Private corporations which provide eligible services but are not special purpose districts, are not eligible for funding. Eligible projects cover most public works systems, including domestic water.

2. Eligibility costs - For construction loans the jurisdictions must commit a minimum of 10% of project costs from locally generated revenues. Also, a local match is required for Capital Improvement Planning Loans, consisting of one dollar for every three PWTF dollars of local cash or eligible in-kind contribution.

3. Loan terms - For construction and emergency loans the useful life of the public works improvement sets the loan term, with a maximum of 20 years. Capital improvement loans are available for up to a five-year term.

4. Interest rates - The interest rates for construction loans by the PWTF in the loan cycle range from 1 - 3%. Individual loan rates are determined by the percentage of local funds matched.

Trust Fund Loan Interest Rates	Level of Local Participation
3%	10%
2%	20%
1%	30%

Capital Improvement Planning Loans carry zero interest. Emergency Loans are available at a fixed interest rate of 5% per annum.

5. Loan security - None

6. Maximum borrowing amount - Each jurisdiction is eligible for up to $2.5 million in construction loans, $15,000 per capital improvement plan, and $250,000 per emergency loan.

7. Small community exception - None

8. Hardship exception - The PWB has adopted a definition of economic distress established by the Legislature in 1985. To receive the economic distress designation, a jurisdiction's project must be located within a county that has a high unemployment rate of 20% above the statewide average for the previous three years. The Board considers this information an indicator of economic distress when approving the final priority list of projects sent for legislative action.

9. Refinancing - not permitted

10. Application process - See VI. Materials available

11. Local financial participation - None

2. **Grants - None**

West Virginia Water Development Authority
Summary

The West Virginia Water Development Authority funds the construction and acquisition of water development projects from the issuance of water development bonds and state appropriations. Since inception of the loan program in 1974, the Authority has made 13 loans through both the Construction Loan Program and the Supplemental Loan Program for $18,621,977 and $2,938,558, respectively.

West Virginia Water Development Authority
Program Annotated Outline

I. **Program Description**

The West Virginia Water Development Authority is authorized to issue water development bonds in order to finance the construction or acquisition of water development projects through loans to eligible local governments and government agencies in West Virginia.

A. **Organization**

1. **Scope**

The Water Development Authority makes loans from Legislatively appropriated funds and bond proceeds in the financing of water development projects to municipalities, local governments, and public service districts.

2. **Agency involved**

West Virginia Water Development Authority

B. **Establishment**

1. **Options initially considered**

The Authority was established in 1972, forming the foundation for its programs for sewer systems to cities, towns, and public service districts. The loan programs began operation in 1974. These programs provide financial assistance to local governmental entities in meeting the requirements of State and federal water pollution control laws.

2. **Political and legal considerations**

The initial legislation authorizing the program was modeled after Ohio Water Development Authority's legislation. dt

3. **Statutory and constitutional restrictions** - None

4. **Subsequent program modifications**

In 1981, the Legislature expanded the powers of the Authority to include drinking water systems as eligible projects. The number of active Board members also increased from 5 to 7 members, all appointed by the governor. In 1989, the Legislature increased the authorized limit on bonding by the Authority from $100 million to $200 million. It also authorized the authority to refinance local governmental agencies' existing water project development debt, provided that the refinancing does not exceed fifty percent of the Authority's loan.

5. **Future picture**

On August 27, 1991, the Authority closed its Series A bonds for $14,960,000. In the future, the Authority plans to make additional bond issuances as needed.

II. **Administration**

A. **Staff size/Skill mix**

The governing Board of the West Virginia Water Development Authority consists of seven members, including three ex-officio members: the Director of the Division of Natural Resources; the Director of the Bureau of Public Health; and a State Officer appointed by the Governor most responsible for economic and community development. The remaining four members are appointed by the Governor for six year terms. The staff of the Authority consists of four members: the Director; a certified public accountant; an Administrative Assistant, and; a Secretary. The Authority retains experts for consulting purposes when necessary.

B. **Administrative costs/Operating budget**
The total operating expenses for fiscal year 1991 were approximately $250,000. The operating budget and expenses are funded from earnings of the revenue bond program.

III. Operations

A. Fund capitalization

1. Funds from previous program - None

2. Federal funds - None

3. State funds - The Authority received State appropriations in the past, which partially funded water development projects through the loan programs. From 1974 to 1983 the Authority received approximately $55 million in State appropriations for both sewer and water systems.

4. Bonds/Borrowed funds - The Authority closed its first revenue bond issue in December 1978 for $8,105,000. Since that time the Authority has made eight additional bond issuances totalling approximately $223.6 million. The most recent bond issue was August 27, 1991, for $14,960,000. Portions of the bond issues were used for refunding and retiring outstanding bonds. The Authority currently has $155.3 million in revenue bonds outstanding.

5. Loan repayments/Internal funds - Loan repayments are used to retire outstanding bonds and to fund the Supplemental Loan Program. Currently, the Supplemental Loan Program funds are used to buy down interest rates on the loans.

6. Alternative financing mechanisms - None

7. Leveraging capability - The Authority has not used its leveraging capability in the Revenue Bond Loan Program.

B. Forms of assistance

1. **Loans**

a. **Program description**
The Authority's loan program provides loans for eligible water development projects to governmental agencies through the purchase of their local bonds. The Authority's Revenue Bond Loan Program has two loan programs, the Construction Loan Program and the Supplemental Loan Program, which are financed through the issuance of revenue bonds and state appropriations. The Supplemental Loan Program blends low-interest State loan funds with bond proceeds to reduce the interest rate for loan recipients. As of August 31, 1991, the Construction Loan Program has provided 13 totalling $18,621,977. The Supplemental Loan Program has also provided 13 loans totalling $2,938,558 for the same period for drinking water systems.

1. Eligibility - Eligible applicants include counties, municipalities, sanitary districts, public service districts, and any other governmental agency, entity, political subdivision, having the authority to acquire, construct, or operate water development projects within the state.

2. Eligibility costs - The Authority has the power to charge administrative fees for loan applicants, but to date, the Authority has not initiated a charge.

3. **Loan terms** - Loan terms are generally set by the applicant, and can range up to a maximum of 40 years.

4. **Interest rates** - The Supplemental Loan Program loans carry below market interest while the Construction Loan Program loans are at the market rate. Currently, these loans provided by the Authority are at 7.5% interest.

5. **Loan security** - Each applicant is required to fund a debt service reserve equivalent to one year's repayment on principal and interest.

6. **Maximum borrowing amount** - Currently, there is no limit on the size of a loan. Thus far, the Authority's loans have ranged from $100,000 to $7 million.

7. **Small community exception** - None

8. **Hardship exception** - None

9. **Refinancing** - None

10. **Application process** - See VI. Materials available.

11. **Local financial participation** - None required.

2. **Grants** - None

3. **Rate subsidies** - None, with the exception of the Supplemental Loan Program.

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - The Authority holds pre-established reserves provided by the Authority equivalent to one year's debt service. This amount is maintained in an account as a reserve on the bonds to ensure payment by the Authority.

7. **Technical assistance** - The Authority provides no technical assistance to the applicant in the project construction process. Financial guidance and advice is offered to the applicant throughout the loan term.

C. **Fund accounts**
The Authority maintains four operating funds in the administration of its loan and grant programs. These include the Loan Fund, General Fund, Debt Service Fund, and the Rebate Fund. In addition, with each bond issue, two special reserve funds, the Capital Reserve Fund and Special Reserve Fund, are set up as debt service reserves for the retirement of outstanding bonds and as a reserve for the main accounts within the Authority.

D. **Evaluation of Program Effectiveness**
The Authority must submit an annual report to the Legislature and is audited annually by independent CPA's. The Authority is also subject to be called before the Legislature for review during the year.

E. **Private Sector Participation** - None

F. **Program Issues or Problems** - None at this time.

IV. **Relation to Federal Programs or Legislative Proposals** - None

V. **Recommendations to Other States**

The model provided by the Ohio Water Development Authority's programs has worked well for the West Virginia Water Development Authority. The program has needed few major changes or modifications.

VI. **Materials available**

A. Enabling Legislation

B. Rules and Regulations

C. Annual Report

D. Application Package

VII. **State Contact**

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Wyoming Water Development Program
Summary

The Wyoming Water Development Program administers three funding programs for the construction and development of water facilities for the operation, preservation, and utilization of Wyoming's water and related land resources. The Wyoming Water Development Commission, established in 1982, provides loans and grants from state appropriations and revenue. Since the inception of the programs, the Commission has made between 70 and 80 loans and grants for construction totalling approximately $230 million.

Wyoming Water Development Program
Program Annotated Outline

I. **Program Description**
The Wyoming Water Development Program was established to provide funding for the construction, acquisition, and planning for the operation, preservation, and utilization of Wyoming's water and related land resources.

A. **Organization**

1. **Scope**
The Wyoming Water Development Program administers three funding programs for the construction and development of water facilities, which include the New Development Program, the Rehabilitation Program, and the Water Resource Planning Program.

2. **Agencies involved**
The Wyoming Water Development Commission

B. **Establishment**

1. **Options initially considered**
The Wyoming Water Development Program was established in 1982 to serve as the funding entity for the planning, development, and rehabilitation of the State's water resource projects.

2. **Political and legal considerations**
Legislative approval for each project must be granted prior to allocating funds from the Water Development accounts to a particular project.

3. **Statutory and constitutional restrictions**
The Commission is not authorized to administer grants to private industries or corporations. Private entities can not receive subsidies from the State.

4. **Subsequent program modifications**
There have been no significant modifications to the program since its inception in 1982.

5. **Future picture**
As additional and more stringent regulations are enforced by the EPA and the federal government on safe drinking water and surface water standards, it is anticipated that the Commission's loan and grant programs will come under more demand to finance localities' compliance.

II. **Administration**

A. **Staff size/Skill mix**
The Wyoming Water Development Commission consists of ten members, eight of whom represent the four water divisions of the State, one representative of the Joint Tribal Council, and one member-at-large. The staff of the Water Development Commission consists of fifteen full time members, who directly oversee Water Resource Projects and Development.

B. **Administrative costs/Operating budget**
The Commission's annual administrative costs and operating budget total approximately $1 million.

III. Operations

A. Fund Capitalization

1. Funds from previous program - At the start of the program the Commission received General Fund appropriations totalling $117.6 million for the administration of the New Development Program and the Planning Program.

2. Federal funds - None.

3. State funds - The Commission receives a 1.5% excise tax on coal which aids in financing the New Development Program and the Planning Program. In addition, the Commission receives revenues from a 0.167% severance tax on oil and gas which aids in the financing of the Rehabilitation Program. These State funds total approximately $20 million per year.

4. Bonds/Borrowed funds - None

5. Loan repayments/Internal funds - Loan repayments are returned to the fund accounts for additional loans and grants.

6. Alternative financing mechanisms - None

7. Leveraging capability - None

B. Forms of Assistance

1. Loans

a. **Program description**

The Wyoming Water Development Commission administers three funding programs in the utilization and preservation of State waters.

** The New Development Program develops presently unused/unappropriated waters of Wyoming. These projects can proceed as either sponsored projects by municipalities, irrigation districts, or other assessment districts, or as state projects which serve to benefit more than one entity and are multipurpose in nature.

** The Rehabilitation Program provides funding assistance for the improvement of water projects completed and in use for at least 15 years. This program can be used to improve an existing municipal water supply system or an agricultural storage facility or conveyance system.

** The Water Resource Planning Program funds the planning aspects of the framework for development strategies which serve to identify and resolve water related issues. There are three types of plans for water development that the Water Development Commission funds: Basin Wide Plans, Master Plans, and Research Plans.

Since the start of the program in 1982, the Commission has made between 70 and 80 loans for construction totalling approximately $230 million.

b. **Borrower considerations**

1. Eligibility - Eligible applicants for the loan programs of the Commission include municipalities, irrigation districts, assessment districts, and other government agencies and entities.

2. Eligibility costs - None

3. Loan terms - The loan term is set according to the economic life of the facility and the ability to pay by the applicants. The maximum loan term is 50 years.

4. Interest rates - Interest rates are currently set at 4%.

5. Loan security - Loan security is determined by the amount of the loan and is set by the Attorney General.

6. Maximum borrowing amount - There is no maximum limit on loans.

7. Small community exception - None

8. Hardship exception - The Commission offers grants of up to 75% for hardship cases.

9. Refinancing - None

10. Application process - See VI. Materials available.

11. Local financial participation - None required.

2. Grants

a. **Program description**
The Commission offers grants to eligible public entities for the financing of water supply projects. There is no limit on the amount of a grant, but the Commission is limited to financing up to 75% of the total costs of the project. The remaining 25% can be financed through the regular loan program. The standard grant consists of a 50% grant share and a 50% loan agreement for the applicant. The grant program is also used to provide the state match for large federally funded water supply projects such as dams, and rehabilitation needs.

3. **Rate subsidies** - None

4. **Bond insurance** - None

5. **Loan guarantees** - None

6. **Other credit enhancement** - None

7. **Technical assistance** - The Commission performs a feasibility study on each water project application. The Planning Program is funded and sponsored by the Commission which aids in developing master and basin-wide plans for water projects.

C. **Fund Accounts**

The Commission operates two main accounts in the administration of the loan programs. The Water Development Account No. 1 finances the New Development Program and the Water Planning Program. The Water Development Account No. 2 finances the Rehabilitation Program.

D. **Evaluation of Program Effectiveness**

The Wyoming Water Development Commission is required to submit a legislative report to the General Assembly each year. The Commission is also subject to an annual State audit.

E. **Private Sector Participation** - None

F. **Program Issues or Problems**

With the more stringent regulations and standards enforced by the EPA and federal government, domestic water supply and rural water systems have come under pressure for compliance. As a result, the Commission receives more applications than it can fund each fiscal year.

IV. **Relation to Federal Programs or Legislative Proposals**

For water resources projects that are eligible for state and federal funding through the Farmer's Home Administration and the Bureau of Reclamation's Rehabilitation and Betterment Program, the Commission will on occasion provide a 50% matching fund in the financing of the project.

V. **Recommendations to Other States**

The existing programs of the Commission have worked remarkably well. The Commission's investments in state infrastructure are seen as good investments for the future.

VI. **Materials Available**

A. Legislative Report

B. Application Package

C. Rules and Regulations

D. Other

VII. **State Contact**

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