



## Cleaning Up Polluted Runoff with the Clean Water State Revolving Fund

### What's In It For You?

Based on the serious threats to water sources across the country, EPA would like to see the SRF become a major source of funding to address polluted runoff (nonpoint source) problems. The 51 Clean Water State Revolving Fund (CW-SRF) programs currently issue approximately \$3 billion in loans annually. SRF loans are issued at below market rates (0% to less than market), offering borrowers significant savings over the life of the loan.

### History

In creating the CW-SRF, Congress ensured that it would be able to fund virtually any type of water quality project, including nonpoint source, wetlands, estuary, and other types of watershed projects, as well as more traditional municipal wastewater treatment systems. The SRF provisions in the Clean Water Act give no more preference to one category or type of project than any other.

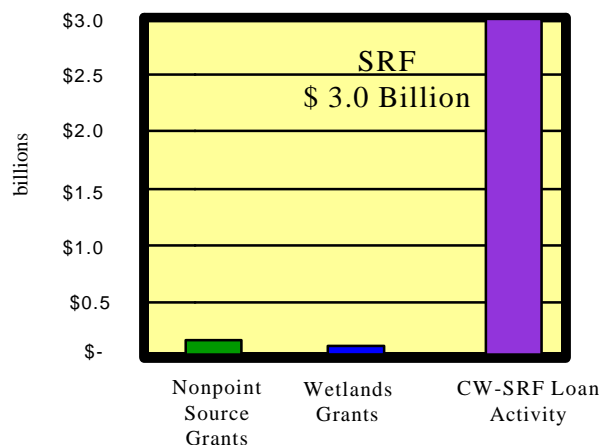
**The CW-SRF will invest 10% of its fund on polluted runoff projects by 2001**  
--Clean Water Action Plan

### Capacity of the CW-SRF

The 51 SRF programs work like banks (each state and Puerto Rico has one). Federal and state contributions are used to capitalize or set-up the programs. These assets are used to make low-interest loans for important water quality projects. Repaid funds are then recycled to fund other important water quality projects.

The CW-SRFs have in excess of \$24 billion in assets. Currently, the SRFs are funding approximately \$3 billion in water quality projects each year. The funding of polluted runoff projects with the SRF is gaining momentum. *Since 1989 the SRF program has funded 900 projects, investing more than \$650 million in polluted runoff projects.*

### CW-SRF Buying Power



### Loans vs. Grants

Many people believe they would rather have a grant than a loan. Most state and local water quality officials are more familiar with grants and, consequently, many misconceptions persist. **In fact, a loan may be a better deal.** Why?

•**First, No Cash Up-Front.** Most grant programs require significant cost shares (as much as 40% or more). An SRF loan can cover 100% of project costs with no cash up-front.

•**Second, Significant Cost Savings.** SRF loans provide significant cost savings over the life of the loan. The total cost of a 0% SRF loan will be approximately 50% less than the same project financed by a commercial loan at 7.5%. Additionally, a 0% SRF loan is equivalent to receiving a 50% grant (where the matching 50% is financed at market rate).

•**Third, Streamlined Federal Requirements.** Financing a project with an SRF loan means fewer federal requirements than with a federal grant. Plus, the 51 CW-SRF programs are experienced in helping applicants through the loan application process and providing a variety of technical assistance. Also, it may be possible to combine an SRF loan with grant dollars from other

sources. Check with your state.

### ***Who May Qualify***

Included in a long list of eligible loan recipients are communities, individuals, citizens groups, and nonprofit organizations. Since the program is managed largely by the states, project eligibility may vary according to the priorities within each state. Contact your state's SRF program for details.

### ***Polluted Runoff and the SRF***

Polluted runoff occurs when rainfall, snowmelt, or irrigation runs over land or through the ground, picks up pollutants, and deposits them into surface or ground water. For instance, polluted runoff from agricultural sources is the leading contributor to water quality impairments in rivers, degrading over 60% of impaired river miles.

The CW-SRF can fund virtually any type or category of polluted runoff that is included in a state approved NPS management plan.

Here are a few examples of possible projects:

- ➔ Implementation of agricultural BMPs to prevent and reduce runoff
  - conservation tillage equipment
  - soil erosion controls
- ➔ Animal waste facilities
  - manure storage facilities
  - dead chicken composters
- ➔ Rehabilitation of streambanks, riparian corridors and buffers
- ➔ Stormwater management facilities including sediment basins and constructed wetlands
- ➔ Septic system improvements and replacement

### ***Sources of Repayment***

Many users of the CW-SRF have demonstrated a high level of creativity in developing sources of repayments. The source of repayment need not come from the project itself. Some possible sources include:

- Property owner's or business's ability to pay (determined during loan application)
- Dedicated portion of local, county, or state taxes or fees
- Recreational fees (fishing license, park entrance fees)
- Stormwater management fees, wastewater user charges
- Donations or dues made to nonprofit groups

### ***Challenges Ahead***

We need to make better use of the CW-SRF for important water quality projects. Greater understanding of the tremendous buying power and advantages of SRF loans should dramatically boost their use.

#### ***How to Get More From the CW-SRF***

- *Share information on polluted runoff priorities with SRF managers*
- *Work to enhance SRF programs to include funding of polluted runoff projects*
- *Become involved in the annual SRF planning and priority setting process*
- *Help market the program and encourage loan applications*

The water quality community needs to work together to increase understanding of polluted runoff issues and facilitate the use of the powerful resources of the SRF to address these significant problems.

EPA has been encouraging the states to open their SRFs to the widest variety of water quality projects and to use their SRFs to fund the highest priority projects in targeted watersheds. Those interested in cleaning up polluted runoff must seek out their SRF programs, gain an understanding of how their state program works, and participate in the annual process that determines which projects are funded.

***For more information, contact your Clean Water State Revolving Fund Program ( listed on Internet) or contact::***

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