



Funding Estuary Projects Using the Clean Water State Revolving Fund

The Estuary/CWSRF Connection

To counteract the serious threats to estuaries across the country, EPA would like to see the Clean Water State Revolving Fund (CWSRF) become a major source of funding for estuary protection. The 51 CWSRF programs currently issue about \$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.

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.

History

In creating the CWSRF in 1987, Congress envisioned 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. Use of the CWSRF for estuary projects and activities is specifically addressed under Sec. 601, Title VI of the Clean Water Act.

Capacity of the CW-SRF

The 51 CWSRF programs (one in each state and Puerto Rico) are set up like banks. Federal and state contributions are used to capitalize or "set-up" the banks. These assets, in turn, are used to make low or no-interest loans for water quality projects. Funds are then repaid to the CWSRFs over terms as long as twenty years. Repaid funds are then recycled to fund other water quality projects.

The CWSRF has more than \$25 billion in assets and has issued more than \$20 billion in loans since 1988. Currently, the CWSRF is funding nearly \$3 billion worth of water quality projects annually. **That is more than**

100 times the available EPA grant funding for the National Estuary Program (NEP).

Loans vs. Grants

Many people believe they would rather have a grant. 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 upfront. 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. An SRF loan at 0% interest will cost approximately 50% less than the same project funded by a grant program where the 50% cost share (match) is financed by a commercial loan at the market rate of 7.5%.

Third, Streamlined Federal Requirements. Financing a project with an SRF loan means fewer federal requirements than most federal grant programs. Plus, the CWSRF program staff are experienced in helping applicants through the loan application process. They can also provide a vast amount of technical assistance.

The National Estuary Program and the SRF

The National Estuary Program (NEP) was established by the Clean Water Act Amendments of 1987 (section 320) to protect nationally significant estuaries threatened by pollution, development, and/or overuse. There are currently 28 estuaries in the NEP nationwide. Each local NEP was nominated by their state governor(s) and consists of representatives from the government agencies, citizens, businesses, and the scientific community. Together, these stakeholders identify the priority problems in the estuary and develop a Comprehensive Conservation and Management Plan (CCMP) to address the problems. Common issues among the NEPs include

excess nutrients, toxic chemicals, habitat loss and degradation, pathogens, declines in fish and wildlife populations, and alteration of natural flows.



Projects or activities listed in an approved CCMP are eligible for funding under the CWSRF. Funding of estuary management projects are one of three major categories of projects (others include publicly-owned wastewater treatment facilities and nonpoint source projects) eligible for funding under the CWSRF. The EPA has been encouraging the states to expand the use of their CWSRF to include the widest variety of water quality projects consistent with the highest priority water quality problems. Current nonpoint source and estuary protection projects/activities being funded include: conservation tillage equipment, structural erosion controls, agricultural waste compost facilities, habitat restoration, riparian zone protection, conservation district stormwater controls, and septic system upgrades.

Success Stories

Washington State has been a forerunner in funding estuary projects using their CWSRF. Specifically, they have earmarked 10% of their CWSRF for estuary conservation and management. Another 10% is allocated for nonpoint source projects addressing problems such as stormwater runoff, inadequate septic systems, excessive nutrient loads, and other contaminants which may also contribute to estuary cleanup. This allocation was established in 1989 under the Washington Administrative Code as a result of a number of factors, including the efforts of interest groups in the Puget Sound Basin.

Their CWSRF program is managed by the Washington State Department of Ecology. However, the Puget Sound Action Team (PSAT), which oversees implementation of the Puget Sound Plan under the National Estuary Program, has a role in the selection of estuary projects. The PSAT provides comments on the Puget Sound Management Plan to the Department of

Ecology. These comments are considered in the development of priorities by Ecology's regional offices, which, in turn, are considered in the development of statewide priorities.

Washington State has been exemplary in demonstrating many uses of the CWSRF for estuary projects. In all, Washington has funded 16, with more than \$7.5 million in SRF loans. Their pursuit of nontraditional CWSRF projects ranges from stormwater system enhancement and septic system upgrades to wetlands purchases. Projects include:

The City of Kent constructed a standard flow restriction structure with their \$1.5 million CWSRF loan. This presettling basin was designed to reduce suspended solids and to capture floatables and other debris. A wet pond within the main detention pond will further reduce turbidity and will remove additional suspended solids and heavy metals, thus providing opportunities for nutrient uptake through planted vegetation and for infiltration.

Island County Public Works Department intends to replace the Glendale Creek's lower reach system that was damaged during a storm in December 1996. The Creek's lower reach conveyed by 600 feet of pipe and catch basins through the Glendale Beach community to Puget Sound ruptured and is being replaced with an open channel with the County's \$784,000 SRF loan. The concerns included in this project are nonpoint source pollution, flood protection, and removal of fish passage barriers.

The City of Port Townsend is well-known for using their \$500,000 SRF loan to purchase the valuable Winona Wetlands. SRF funds will be used for land acquisition and related activities to preserve the Winona Wetlands, its buffers, and the critical drainage corridor between Winona Wetlands and the Chinese Gardens Lagoon. This wetland is part of a larger system of hydrologically connected wetlands discharging into the Strait of Juan DeFuca.

The \$300,000 CWSRF loan issued to the **Bremerton-Kitsap County Health District** is being used to provide financial assistance to homeowners to repair failing sewage disposal systems and to small farms to implement best management practices for protecting water quality. The area of assistance will be county-wide, with priority being given to protection of drinking water and marine

shoreline areas. Costs of the program will be covered by a combination of permit fees and interest collected on loans.

Other Innovative CWSRF Projects . . .

These projects do not fall under an estuary management plan, but help demonstrate the flexibility inherent to the CWSRF program.

California has also pursued some creative, nonpoint source funding projects using their CWSRF. **The Napa County Resource Conservation District** (Napa RCD) received a loan that will fund their Huichica Creek Vineyard Sustainable Agricultural Project. The project's goal is to develop an outdoor classroom designed to encourage best management practices in perennial crops. The loan will be used to:

- install surface drainage improvements
- restore wetland areas between vineyard blocks, including construction of weir, planting native vegetation, and habitat structures for waterfowl and raptors
- stabilize creek beds
- restore riparian vegetation

The overall project incorporates techniques that include long-term monitoring of water quality, soil nutrition, insect pest populations, biodiversity changes, and the economics of the vineyard. In addition to the CWSRF loan, the Napa RCD received a CWA §319 (h) grant to assist in implementing the project.

Oregon also has taken advantage of its CWSRF for many nontraditional projects. In the **Town of Lakeview**, the CWSRF is financing a project to expand and upgrade a lagoon wastewater treatment system. Included in this project is the construction of a wetland to improve the natural treatment system. The CWSRF funded the construction of a wetland in **the City of Mount Angel** to further treat effluent from another lagoon treatment system. **The City of Woodburn** used the CWSRF to fund the construction of a wastewater treatment system using a poplar plantation for phytoremediation.

Conservation Easement Purchase

The Ohio EPA recently awarded a low-interest SRF loan to the Nature Conservancy to foster creek bank conservation. The Nature Conservancy received the \$110,000 loan to purchase a permanent conservation easement along Brush Creek in Adams County, Ohio. This is the first time the Nature Conservancy has obtained financing for stream restoration and protection from a State Revolving Fund.

Ohio EPA's water quality standards classify this section of Ohio Brush Creek as almost achieving the exceptional warm water aquatic habitat classification. The Creek is a significant state-wide water resource and is known to contain four endangered aquatic species, including the club shell mussel.

The Nature Conservancy will purchase a 154-acre permanent conservation easement on property immediately adjacent to Brush Creek. Conservation easements allow owners to voluntarily place permanent restrictions on how their property will be used. "Conservation easements are an effective way to protect the quality of streams and their adjacent areas," said Ohio EPA Director Donald R. Schregardus. "Restoring and preserving these riparian areas is an important part of controlling contaminated runoff that threatens water quality and stream habitat. This type of loan is a new tool for protecting and preserving Ohio's water resources. We hope other state and local organizations will consider using the [SRF] loan program in their areas to help protect our

Sources of Loan Repayment

Many users of the CWSRF have demonstrated a high level of creativity in developing sources for their loan repayment. The source of repayment need not come from the project itself. Some possible sources include:

- fees paid by developers on other lands
- recreational fees
- dedicated portion of local, county, state tax fees
- property owner's ability to pay
- donations or dues made to nonprofit groups and associations

- stormwater management fees
- wastewater user charges



Some examples: The Nature Conservancy in Ohio is repaying their loan through their general operating account, which includes membership dues and fundraising assets. The City of Port Townsend, Washington used part of their \$5 per household stormwater utility fee.

Challenges

Most states use their CWSRF resources primarily to finance large municipal wastewater systems. As the CWSRF steps up its effort to fund projects from the National Estuary Program, several challenges have emerged, including:

- Misconceptions and lack of public outreach regarding the use of SRF for estuary projects
- Inexperience in issuing loans for estuary projects

To overcome some of these limitations, Washington State's Department of Ecology actively markets the CWSRF to local governments. Before each funding cycle, the Department conducts statewide workshops to describe what projects are eligible, what kinds of projects have been most successful, and how to fill out loan applications.

- Restrictive state legislation or administrative provisions. Several states have laws prohibiting loans to individuals.

Once again, it pays to be innovative. For example, Washington State developed a system where they lend CWSRF money to counties. These counties, in turn, conduct outreach, develop plans, and eventually disperse the loan money to various projects within their geographic area, much like a "mini-SRF" program. The counties are responsible for paying back the loan to the state. Given that the legislative burden is less rigorous on the county level, this process allows greater flexibility in distribution of loan funds.

EPA has been encouraging the states to use their CWSRF resources to finance the widest array of water quality projects as appropriate to effectively address the highest priority problems in targeted watersheds. Those interested in receiving CWSRF funds for estuary projects must learn how their state CWSRF program works, and participate in the state's annual process that determines which projects are funded.

For the Clean Water State Revolving Fund list of state contacts or more information, contact:

The Clean Water State Revolving Fund Branch
U.S. Environmental Protection Agency
401 M Street, SW (Mailcode 4204)
Washington, D.C. 20460
Phone: (202) 260-7359 Fax: (202) 260-1827
E-mail: srfinfo@epamail.epa.gov
Internet: www.epa.gov/OWM



For a list of National Estuary Program contacts or more information, contact:

The Coastal Management Branch
U. S. Environmental Protection Agency
401 M Street, SW (Mailcode 4504F)
Washington, DC 20460
Phone: (202) 260-6502 Fax: (202) 260-9960
Internet: www.epa.gov/owow/estuaries/nep.html

