

ACTIVITY UPDATE

Ohio's Restoration Sponsor Program Integrates Point Source & Nonpoint Source Projects

Communities in Ohio that take advantage of this program recognize that wastewater treatment system improvements and restoration projects are working toward the same end – improved water quality



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With funding through the USEPA's Office of Water, Clean Water State Revolving Fund (CWSRF) loan program, the Ohio EPA has worked to fund both point and nonpoint source projects through a newly developed Water Resource Restoration Sponsor Program (WRRSP). As a result of this innovative program, communities in Ohio have used \$24 million of CWSRF loan funds to protect and restore 1,850 acres of riparian lands and wetlands and 38 miles of Ohio's stream corridors in the last two years. The WRRSP offers communities very low interest rates on loans for wastewater treatment plant improvements if the communities also sponsor projects that protect or restore water resources.

Although Ohio has addressed many of its worst water quality problems, the state's best available data indicate that nonpoint source runoff, habitat degradation, and watershed

disturbances are impeding future improvements and threatening past successes. In response, Ohio designed the WRRSP to help prevent the loss of biological diversity and ecological health. To date, the WRRSP has supported projects that have acquired wetlands and riparian lands, acquired conservation easements, restored habitat, and modified dams. The WRRSP restoration plans ensure that projects undertaken result in protection or restoration of valuable watershed resources.

Linking Wastewater Treatment with Water Resource Restoration

To participate in the Water Resource Restoration Sponsor Program, a community applies to the CWSRF program for a loan to support wastewater treatment system improvements and also for WRRSP assistance for water resource restoration activities. If the CWSRF program determines that the restoration action meets program eligibility criteria of either fully restoring or protecting water resources already attaining their designated uses, and the water resource project ranks in the fundable range on a priority list of restoration projects, the CWSRF provides financial support for both projects. To reward the community for sponsoring the restoration project,

the CWSRF reduces the community's interest rate on the total borrowed for both projects so that repayments are slightly lower than they would have been with a standard CWSRF loan for only the wastewater treatment project. However, the interest rate on the total loan is always greater than zero percent.

The sponsorship agreement requires that the implementing partner develop and implement this plan to permanently and fully restore watershed resources, but it does not require the implementing partner to make any repayments on the CWSRF loan. The sponsoring community makes all repayments to the CWSRF (Fig. 1).

A community that participates in the WRRSP does not typically implement a restoration project itself. A community typically enters into a sponsorship agreement with an implementing partner, such as a land trust or a park district, that develops and implements a habitat protection and restoration plan.

Communities in Ohio that take advantage of the WRRSP recognize that wastewater treatment system improvements and restoration projects are working toward the same end—improved water quality. By considering water quality problems in an integrated

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each year

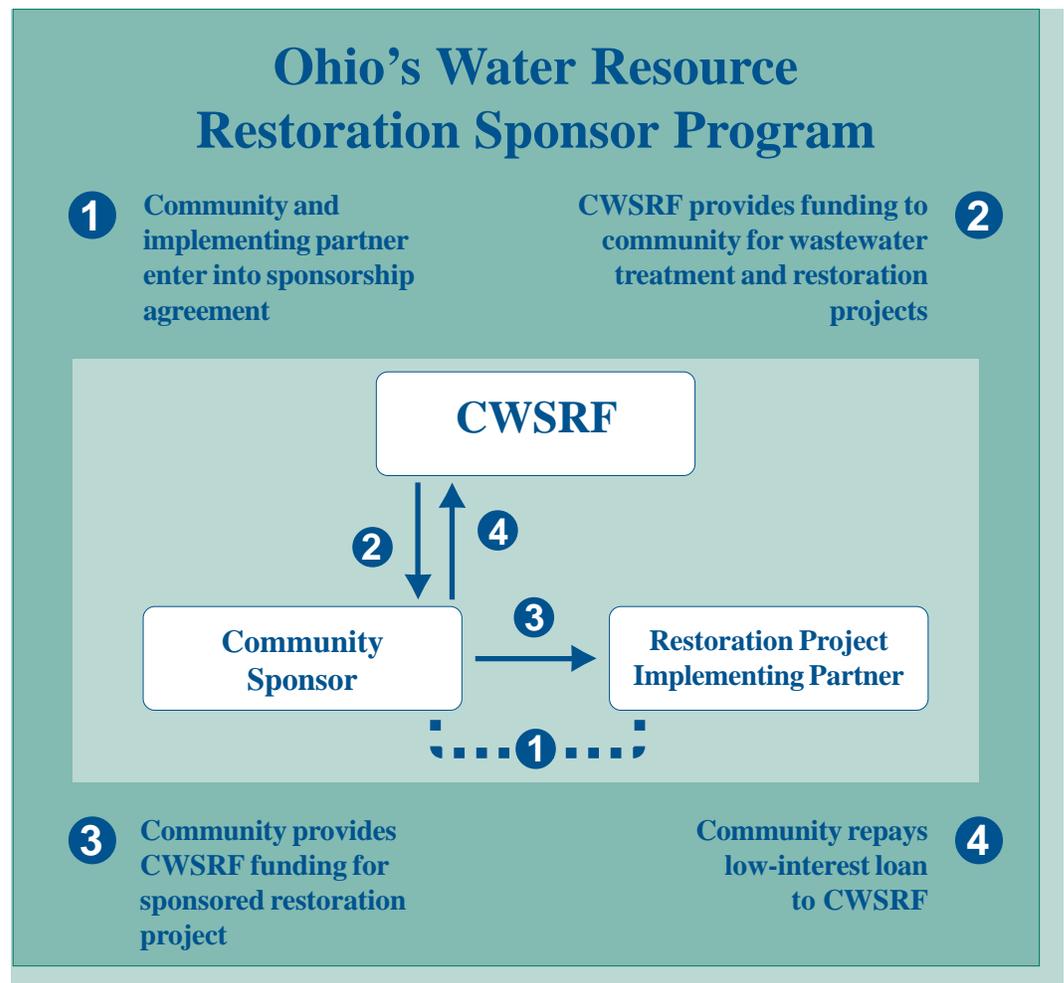


Figure 1. Ohio's Water Resource Restoration Sponsor Program

How Does Ohio Set Interest Rates for a Joint Project?

Example: \$1 million for a wastewater treatment project and \$393,442 for a restoration project

- 1) Given: If this community did not participate in the WRRSP program, the \$1,000,000 wastewater treatment project would receive a **3.8% loan**. This scenario would result in a total loan repayment amount of \$1,436,707 over the course of the repayment term.
- 2) However, if the community undertakes both projects, \$1,000,000 for the wastewater treatment project and \$393,442 for the restoration project, the CWSRF could reduce the interest rate to 0.3% so the community would suffer no hardship and still repay only \$1,436,707 over the course of the loan repayment term.
- 3) However, the CWSRF provides still further incentive by **reducing the community's interest rate from 0.3% to 0.2%**.
- 4) In this scenario, the community completes a wastewater treatment project, supports a watershed restoration project, and **saves \$14,514**.

fashion, communities will be better able to address the water quality problems of the future.

Monitoring the Program's Impact on CWSRF Funding Capacity

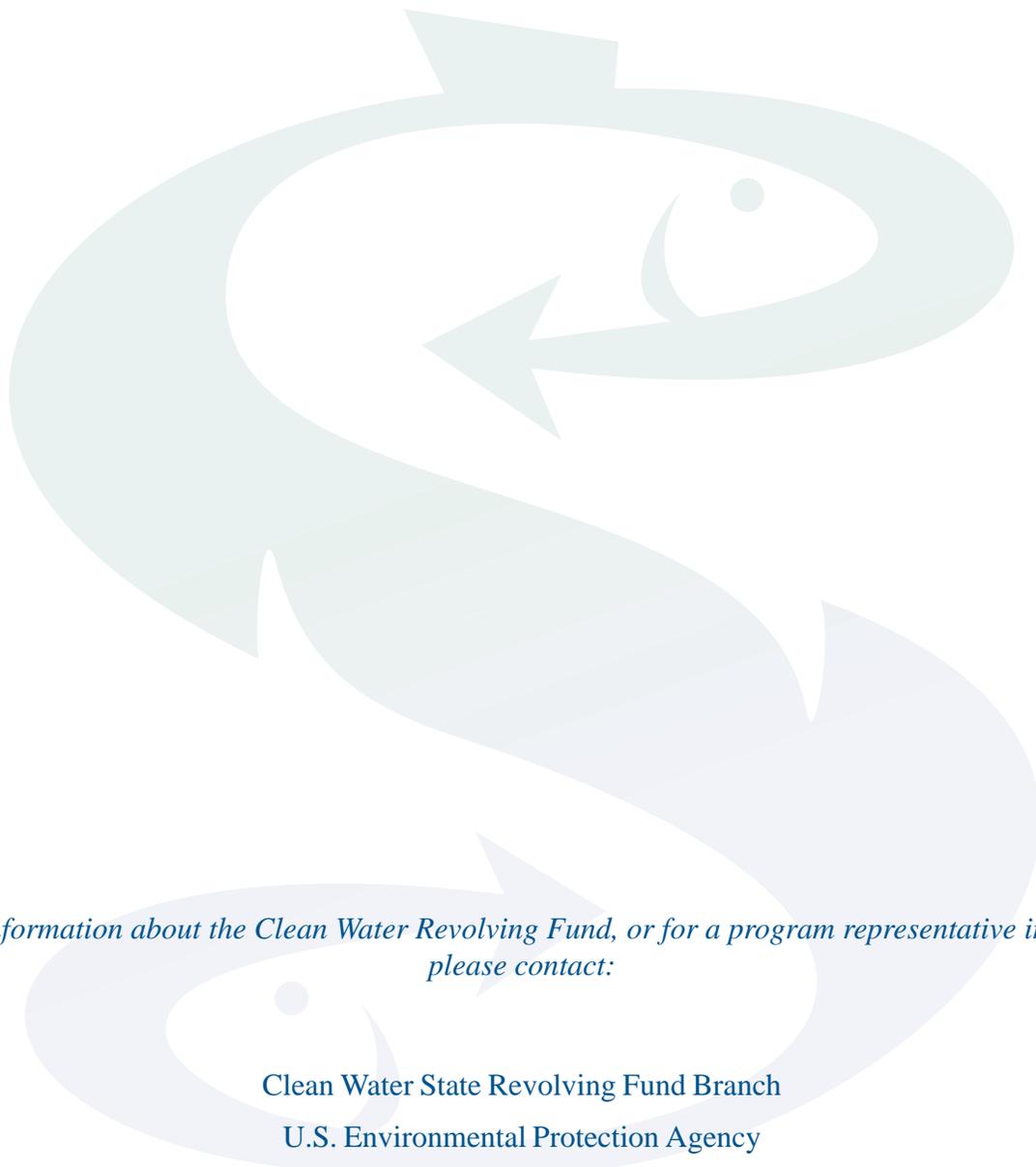
Since the Water Resource Restoration Sponsor Program offers loans with interest rates as low as 0.2 percent, the lack of interest earnings affects the future funding capacity of Ohio's CWSRF program. CWSRF program management has considered these impacts. After reviewing cash flow projections completed by a financial advisor, Ohio has decided to allocate \$15 million (about 7.5 percent of the funds available for 2002) to the Water Resource Restoration Sponsor Program each year. The CWSRF program will

develop new cash flow projections each year to reassess the impact of WRRSP assistance on funding capacity.

A Precursor of the Future?

Ohio's Water Resource Restoration Sponsor Program reinforces the idea that wastewater treatment plant improvements and water resource restoration projects are complementary efforts. Although strongly induced by the state, communities that participate in the WRRSP program provide the first examples of how wastewater user fees can support water resource restoration projects. In the future, other communities around the country may consider this model as they search for funding sources for a wide variety of water quality projects.





For more information about the Clean Water Revolving Fund, or for a program representative in your State, please contact:

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State Revolving Fund