

New Jersey Drinking Water State Revolving Fund (DWSRF) Program

June 3rd, 2019

Hosted by:



SCHOOL OF GOVERNMENT
Environmental Finance Center





- **New Jersey Water Bank** → partnership between NJDEP + NJ Infrastructure Bank (NJIB)
- Provides funding in **project priority order** for drinking water quality improvement projects;
- Provides **capital** for water and wastewater infrastructure renewal through **self-sustaining, efficient and transparent programs**;
- Provides **project financing at a much lower cost** than program participants could achieve individually, thereby passing substantial savings on to taxpayers and rate payers; and
- Increases **access to capital markets** for those participants that find it difficult or expensive on their own, due to lower credit ratings or a lack of familiarity with debt financing.

Drinking Water State Revolving Fund (DWSRF)

- Since 1997, NJ has received \$15-20 million/year from USEPA
 - 2% of the Annual Congressional Budget for DWSRF
 - Special allocation for Superstorm Sandy: \$38 million
- Other Sources of Funds:
 - Loan repayments (“Revolving Fund”)
 - Market rate funds from NJIB
 - Transfer of funds from CWSRF if needed

EPA: How the Drinking Water State Revolving Fund Works

www.epa.gov/drinkingwatersrf/how-drinking-water-state-revolving-fund-works#tab-1

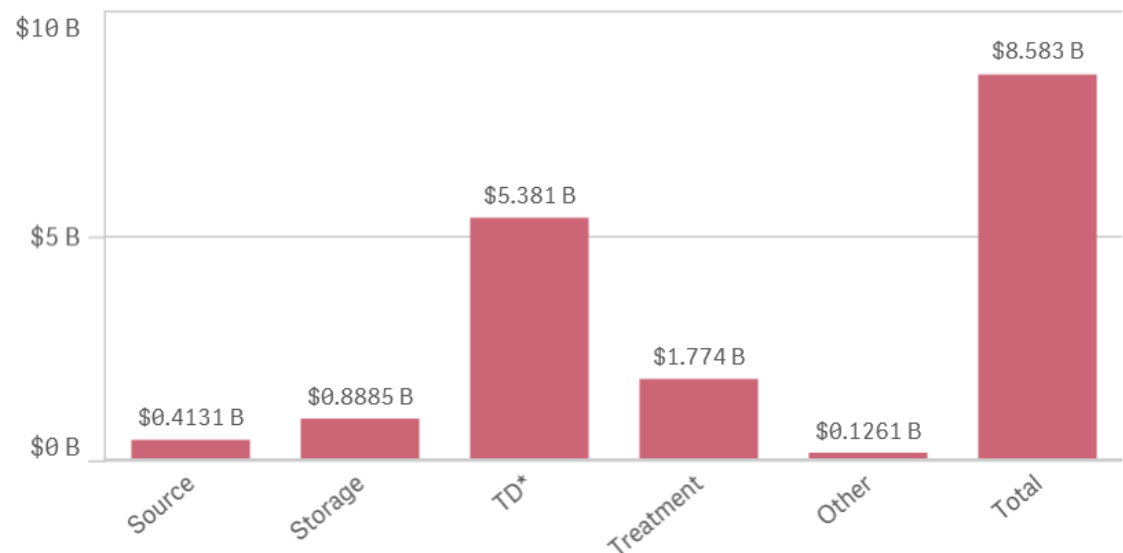
Drinking Water Infrastructure Needs Survey and Assessment

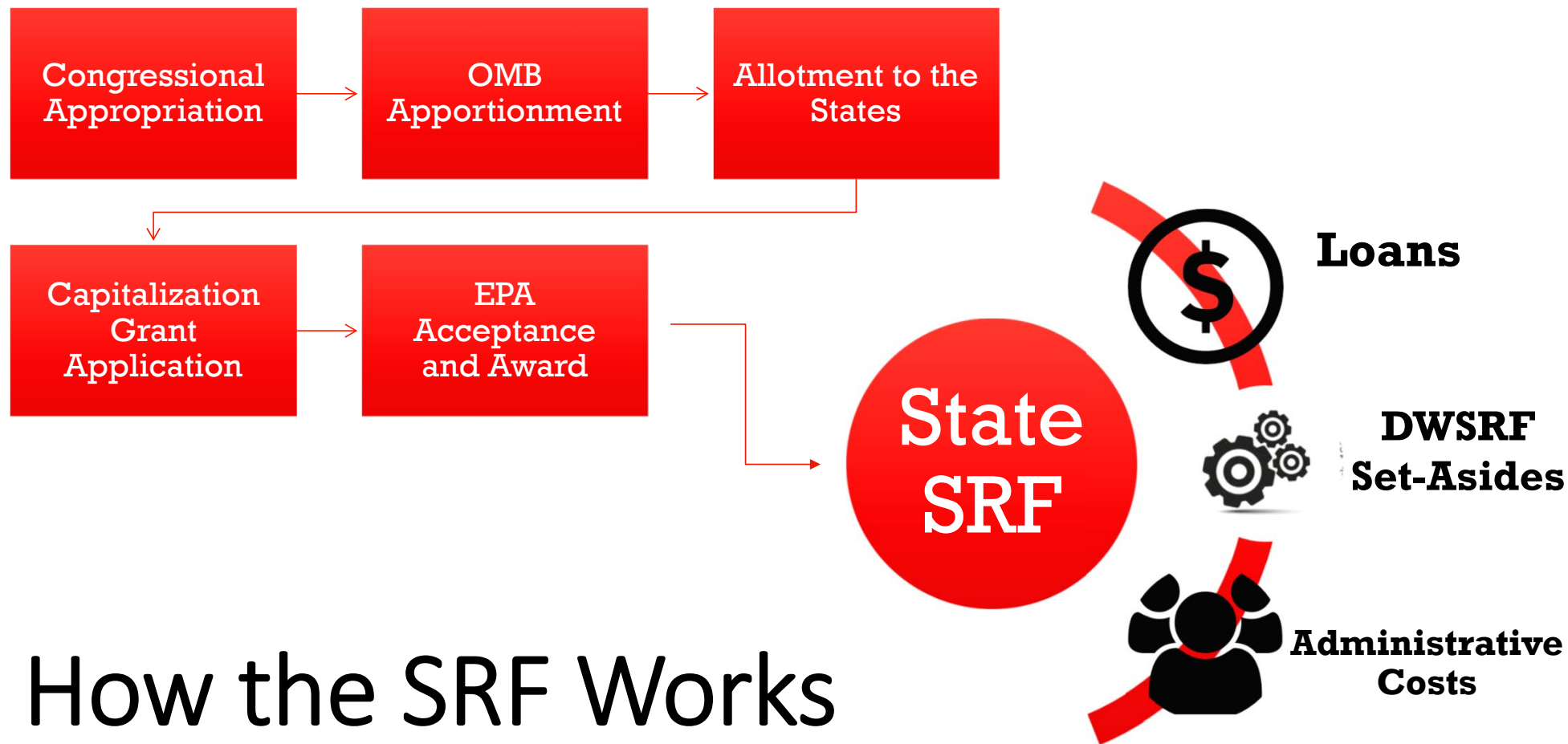
NEXT SURVEY SCHEDULED FOR 2019/2020

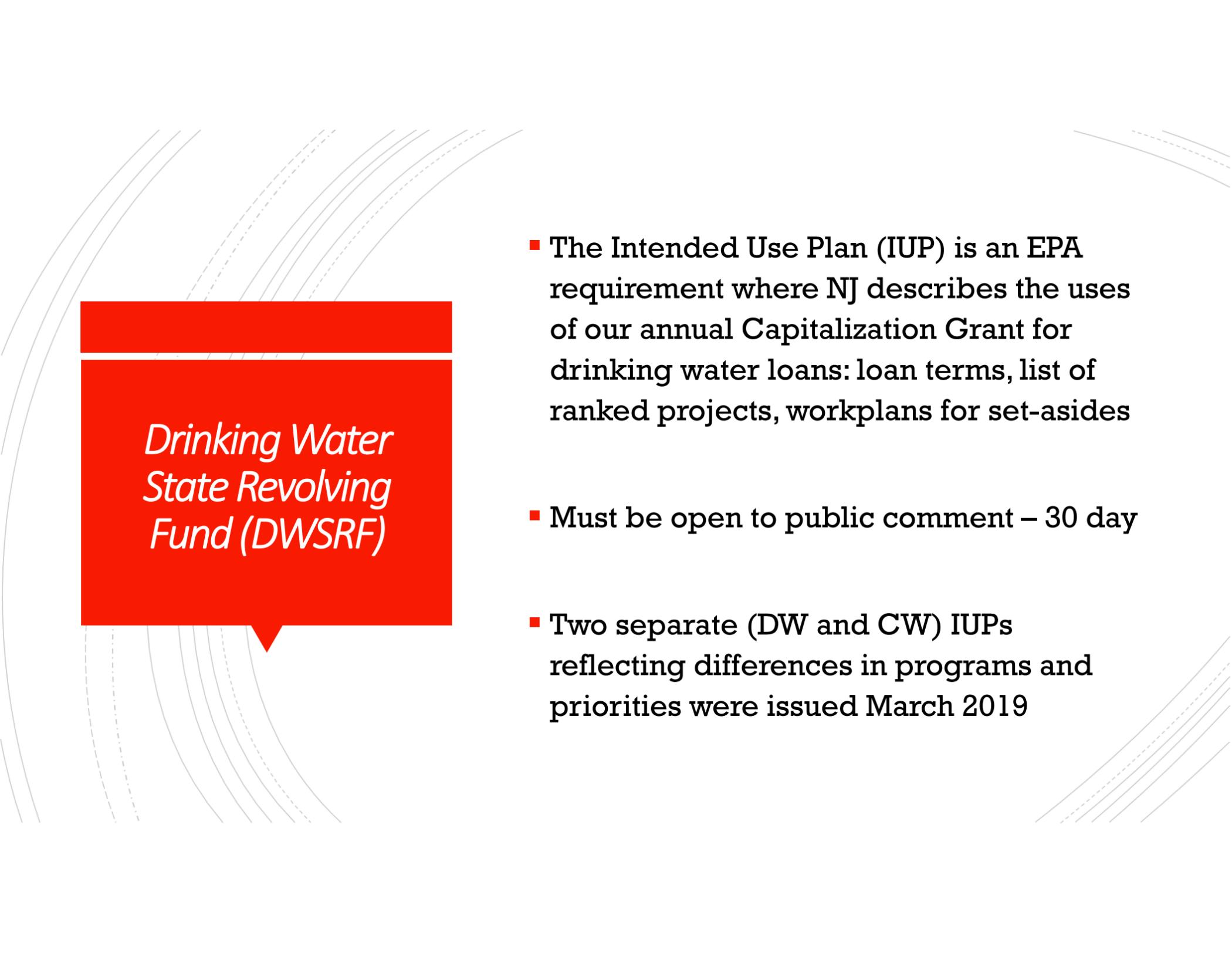
- Training for States will take place in 2019
- Surveys for water systems anticipated to be sent out in March 2020.
- New category for LSL
- EPA is also considering questions on workforce development

New Jersey

20-year Need Reported by Project Category (in January 2015 dollars)





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*Drinking Water
State Revolving
Fund (DWSRF)*

- The Intended Use Plan (IUP) is an EPA requirement where NJ describes the uses of our annual Capitalization Grant for drinking water loans: loan terms, list of ranked projects, workplans for set-asides
- Must be open to public comment – 30 day
- Two separate (DW and CW) IUPs reflecting differences in programs and priorities were issued March 2019

DWSRF Loan Eligibility...

- DWSRF

- **Public community water systems**—publicly and privately owned—including water commissions, water supply authorities, water districts
 - Federal and State owned facilities are not eligible (e.g. State Police, Corrections)
- **Nonprofit noncommunity water systems** – Churches, schools, etc.

- CWSRF

- **Publicly owned treatment works** (towns, boroughs, municipal utilities authorities, counties, other local government units, etc.

Types of Eligible Projects

The DWSRF is a financial assistance program to help water systems and states to achieve the health protection objectives of the Safe Drinking Water Act.

(See [42 U.S.C. §300j-12](#))



Ranking of Eligible Projects

- **Category A: Compliance with the SDWA and Protection of Public Health**
 - 23 different project categories are eligible to receive a DWSRF loan
 - Range from 500 points (e.g. surface water systems with violations) to 1 point
- **Category B-E:**
 - Additional points are assigned
 - B: Availability of Water Supply Planning Studies (in addition to a Asset Management Plan)
 - C: Consistency with State Plan (urban centers, etc.); endorsements by Transit Village initiative; brownfields; green project reserve
 - D: Affordability
 - E: Population

= Final # of points = Ranking

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Changes to DWSRF Program

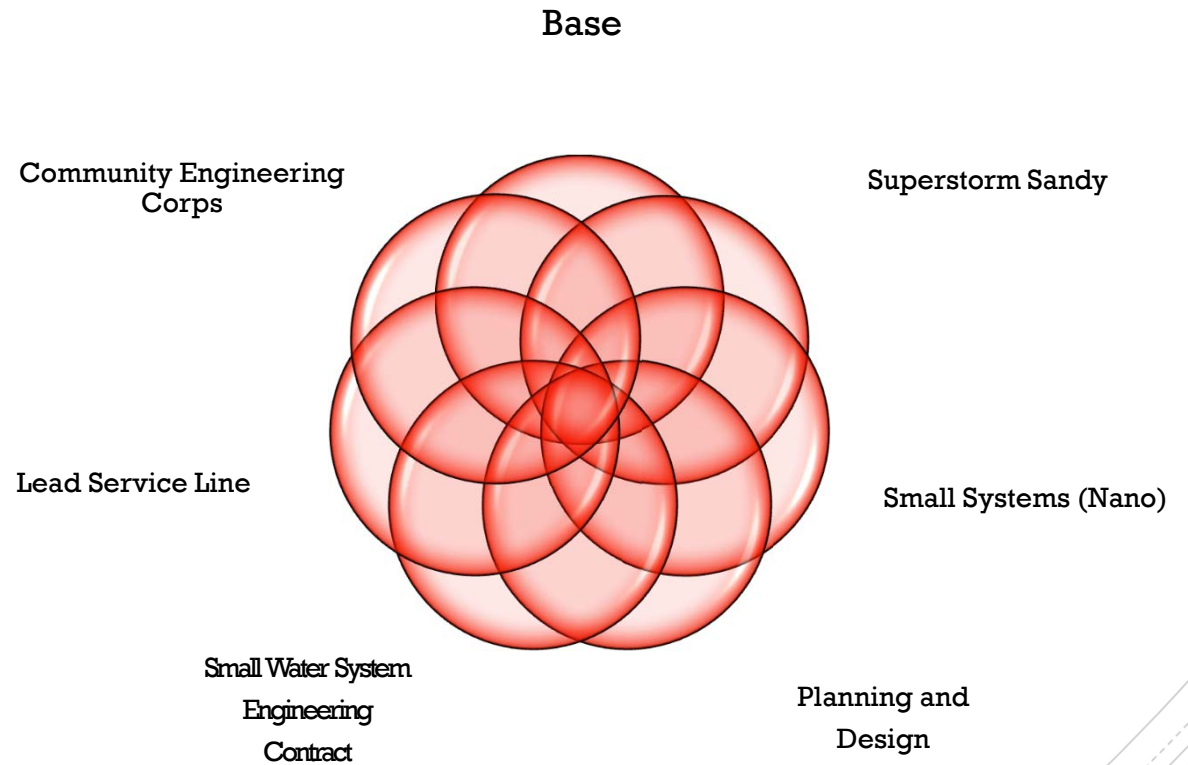
- FFY2018 and FFY2019 DWSRF IUP Finalized in March 2019 with amendments
- Funding drinking water projects in the project priority order, not readiness to proceed, based on ranking methodology listed in IUP
- Modifications to the loan rates for publicly-owned water systems, privately-owned water systems, small water systems and water systems that do not meet the affordability criteria
- Final IUP can be found at:
<https://www.nj.gov/dep/dwq/cwpl.htm>

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What is the priority order for funding?

1. Emergency Projects are considered a public health hazard and receive funding over other projects on the Comprehensive Priority List;
2. Surface Water Treatment Rule violations including uncovered finished water reservoirs;
3. MCL and Lead Action Level Exceedances;
4. Unregulated contaminants (contaminants of emerging concerns);
5. Small Systems serving less than 10,000 persons, up to 15 % of DWSRF Funds;
6. Projects that have secured federal/non-profit grants to be leveraged with SRF funding,
7. Other projects currently on the comprehensive list.

*Different
DWSRF Loan
Programs*



Drinking Water

	DEP 0%*	I-Bank Market Rate**	Principal Forgiveness	Funding Cap
Asset Management Plan Development	0%	0%	100%	\$100,000 ¹
Base DWSRF – Public	50%	50%	0%	Not applicable
Base DWSRF – Investor-owned	25%	75%	0%	\$10 Million (remainder at I-Bank market rate)
Small System (“Nano”) ≤ 10,000 customers	25%	25%	50%	\$1 million (remainder at 50/50 or 25/75)
Affordability (publicly-owned water systems only) ²	75%	25%	0%	\$10 million (Remainder at base)
Lead Line Replacement ³	10%	0%	90%	\$ 1, 5 or 10 million (depending on population served per eligible water system; remainder at applicable base rate)
Planning and Design	100%	0%	0%	NA

*DEP

**Water Bank portion of funding is at AAA market Rate

¹ \$100,000 principal forgiveness for a small system (≤10,000) asset management plan development with a resulting capital improvement project that ranks high enough to qualify for funding.

² Systems serving municipalities with MHI ≤ 65% State MHI (2010 census).

³ Water systems that exceed the lead action level are eligible to receive the lead line replacement funding, in project priority order according to ranking assigned by the priority ranking system (see Appendix 3). PF Funding is capped per applicant/year.

Loan Program Requirements

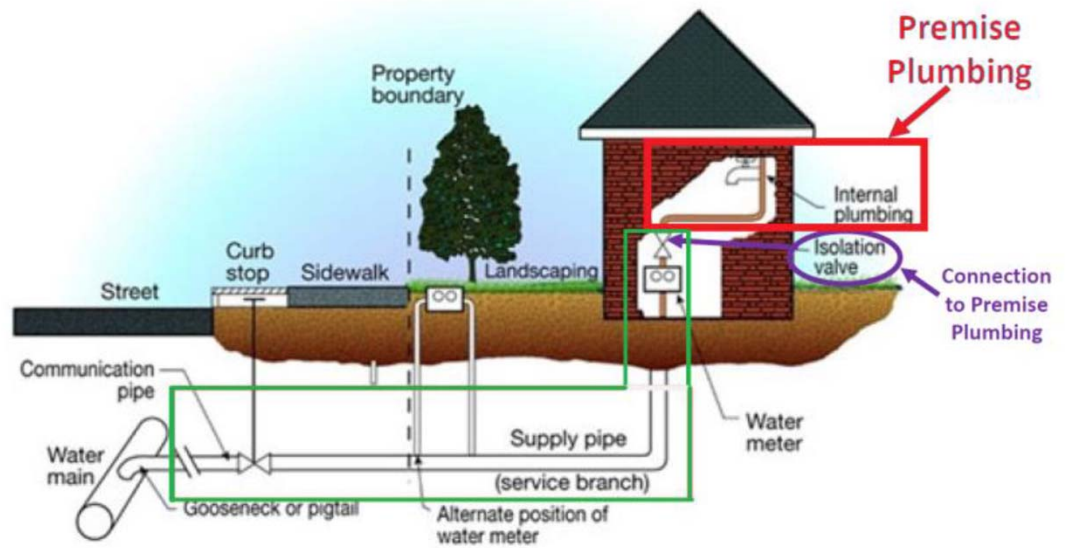
Lead Service Line Replacement:

- \$30M Principal Forgiveness set aside for LSL replacement for systems that meet the following:
- Have an Action Level Exceedance
- Must document the presence of lead pipes and components (at least 90% or more lead by weight)
 - Historic records that the lines to be replaced are lead including age of the houses and high probability of lead lines and components being present, line installation records, etc.
- Partial lead line replacements are not allowable.
- MHI < county MHI

Community Engineering Corps:

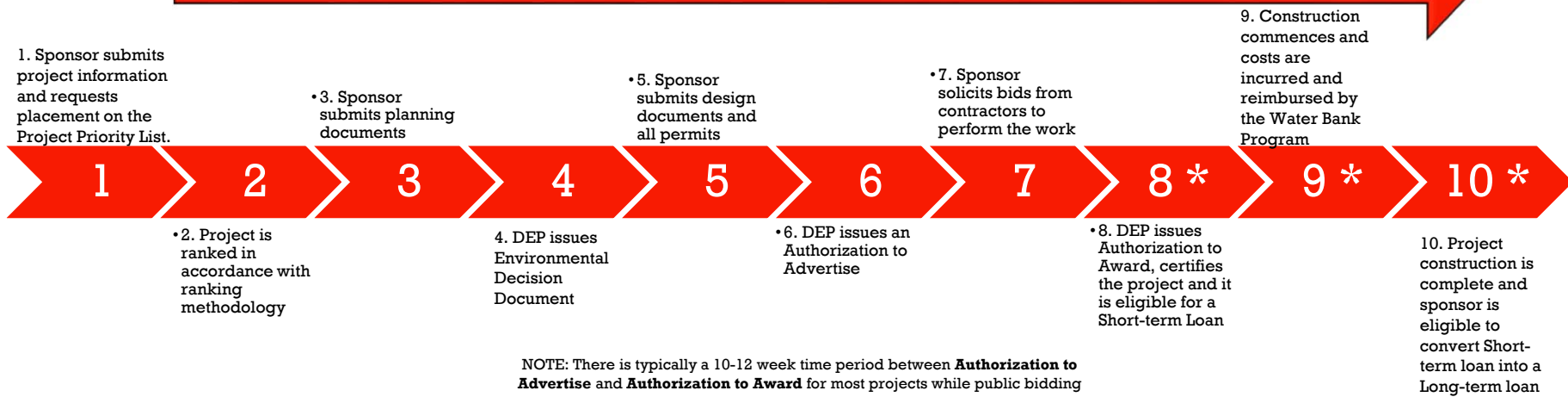
- \$2.8 million funds available for systems ≤ 500 that are disadvantaged
- 100% principal forgiveness
- \$500,000 cap per project

Lead Service Line Replacement



New Jersey Water Bank Financing Program

DEP Project Review and Approval Process



*** For clean water projects only. Drinking water projects will have same steps but eligibility for short-term and long term loans will be based on project ranking and available funds**

- The **January Report** to the legislature transmits the ranking criteria and the initial list of projects anticipated to be funded in the upcoming fiscal year.
- The **May Report** (or Financial Plan) to the legislature transmits the details of the finances the program is undertaking in order to finance the projects included in the January Report (and provide any subsequent quarterly project updates).

Questions on Drinking Water SRF and Policies?

Contact the following:

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Division of Water Quality Municipal Finance and Construction Element Webpage

<https://www.state.nj.us/dep/dwq/mface.htm>

Division of Water Supply and Geoscience Loans Webpage

https://www.state.nj.us/dep/watersupply/dws_loans.html