



# Ask Me Anything: What is an IUP?

January 13, 2025



# About Us

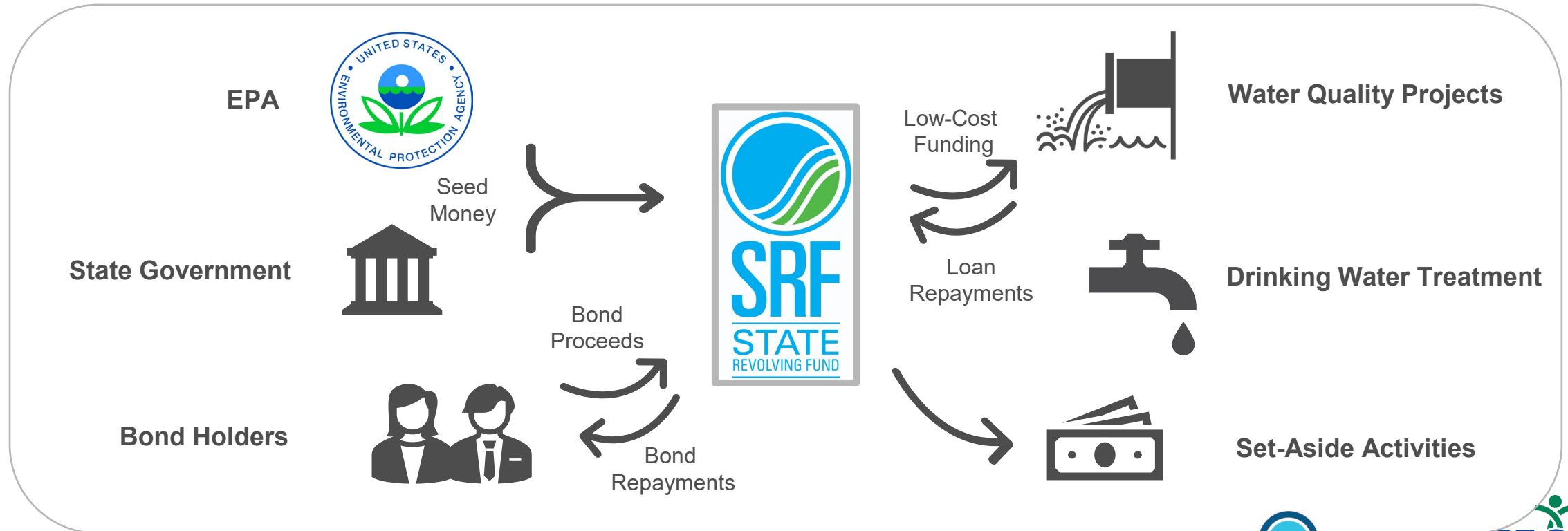
The **Environmental Finance Center Network (EFCN)** is a university- and non-profit-based organization creating innovative solutions to the difficult how-to-pay issues of environmental protection and water infrastructure.

The EFCN works collectively and as individual centers to address these issues across the entire U.S, including the 5 territories and the Navajo Nation. The EFCN aims to assist public and private sectors through training, direct professional assistance, production of durable resources, and innovative policy ideas.



# What are the SRFs?

- Low interest revolving loan program with subsidies for targeted projects and communities
- Money comes from EPA/Federal Government, state match, loan repayments, interest, bond proceeds



# What has been covered?

## **What are the SRFs?**

December 4, 2024 / 11:00-1:00 pm EST

## **What is Predevelopment Funding?**

December 16, 2024 / 2:00-4:00 pm EST

## **I'm Confused, where do I start?**

January 8, 2025 / 11:00-1:00 pm EST

For more information and to find past training PPTs and summaries:  
<https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion/>

# What is an IUP?

- Required as part of EPA grant application
- Outlines program goals, operations and compliance with regulations
- Includes Priority Lists
- The 'secret decoder ring'



# Top 6 Areas to Review in IUPs

1. Loan Rate and Terms
2. Additional Subsidization
3. Disadvantaged Criteria/Affordability Criteria
4. Priority Ranking Criteria
5. Set-Asides
6. How much money is available (Sources & Uses)



What is the correct answer to  
any SRF question?

Every state is different.  
It depends.

# Loan Rate and Terms



# Loan Rate & Term

- Does the program offer extended loan terms allowed Federally?
- Does the program offer special loan rate/terms for disadvantaged or nonpoint source projects?
- Is it clear from the IUP what the rate and terms are?
- Are there additional fees to consider?

## CWSRF Loans

- 30 years
- Or Useful Life (whichever is less)

## DWSRF Loans

- 40 years for Disadvantaged
- 30 years for Non-Disadvantaged
- Or Useful Life (whichever is less)

2021 Average Interest Rate



# Loan Rate & Term: Texas

## H. Interest Rate Policy

The interest rate will be a percentage reduction from the Thomson Reuters Municipal Market Data (MMD) rate adjusted for yield to maturity that is applicable to the entity's rating, with non-rated entities using the Baa rate, as follows:

- (a) Equivalency projects: 40% reduction
- (b) Non-Equivalency projects: 35% reduction

## I. Fees

The only fee is an origination fee of 1.75 percent that is assessed at closing. Fees are not deposited into the CWSRF. The accumulated fees may be used for any eligible activity, including administrative costs, such as project oversight, long-term financial monitoring, and Special Program Initiatives described in Section X.

## 3. Terms of Financial Assistance

Financing may be offered for a term of up to 30 years for the planning, acquisition, design, and/or construction phases according to TWDB determined guidelines and in accordance with the CWA. The term of financial assistance offered may not exceed the projected useful life of an eligible project.

# More Texas Rates

Under TX SRF, DAC and non-DAC borrowers have the same reduction, though DAC has more forgiveness

Urgent need loans, DACs that are small and rural, and Asset management loans are all at 0%

Funding Option	Interest Rates		Origination Fee
	Equivalency	Non-Equivalency	
Disadvantaged Community	Interest rate reduction of 40%**	N/A	1.75% ***
Disadvantaged Community – Small / Rural only Principal Forgiveness	N/A	N/A	N/A
Subsidized Green Principal Forgiveness	N/A	N/A	N/A
Emergency Preparedness	N/A	N/A	N/A
Urgent Need Principal Forgiveness	N/A	N/A	N/A
Very Small Systems	N/A	N/A	N/A
Urgent Need Loans/Bonds	N/A	0%	1.75%
Disadvantaged Community – Small / Rural only– Bond/Loan	0%	N/A	1.75% ***
Asset Management Bonds/Loans (AMPSS) – for preparation of asset management plans and implementation of plans	0%	0%	1.75%
Bonds/Loans	Interest rate reduction of 40%**	Interest rate reduction of 35%**	1.75%

# Additional Subsidy

# Additional Subsidy ‘Rules’

- DWSRF: frequently provided to DAC
  - Exceptions abound! Asset management, regionalization, GPR, or health
- CWSRF: may be used for affordability or stormwater, energy/water conservation or “sustainability”
- Does the IUP provide enough information to understand whether a project is *likely* eligible for additional subsidy?
- The PPL should detail which projects are to receive additional subsidy each year—use this to understand other comparable community funding packages. However, this isn’t always clear.
- Allocation of additional subsidy is almost always decided prior to the IUP but public notice period is an opportunity to suggest changes

# DWSRF Additional Subsidy

SRF Funding Program	Additional Subsidy Percentage	Eligibility for Additional Subsidy
DWSRF BIL General Supplemental	49%	Disadvantaged Communities (DAC)
DWSRF BIL Emerging Contaminants	100%	25% for Disadvantaged Communities (DAC) or Public Water Systems serving <25,000 people
DWSRF BIL Lead Service Lines	49%	Disadvantaged Communities (DAC)
DWSRF 2022 Appropriation/Continuing Resolution	14%	Any assistance recipient; or >14% in event of emergency declaration to exposure to lead
DWSRF Base Program	12%-35%	Disadvantaged Communities (can be stacked with appropriation additional subsidy)



Above percentages DO NOT equal percentages a borrower may receive



# CWSRF Additional Subsidy

SRF Funding Program	Additional Subsidy Percentage	Eligibility for Additional Subsidy
CWSRF BIL General Supplemental	49%	<ul style="list-style-type: none"> <li>• Assistance recipients that meet the state's affordability criteria</li> <li>• Benefit to individual ratepayers in residential user class</li> <li>• Water/energy efficiency, stormwater mitigation or sustainable projects</li> </ul>
CWSRF BIL Emerging Contaminants	100%	<ul style="list-style-type: none"> <li>• Any eligible project</li> </ul>
CWSRF 2022 Appropriation/Continuing Resolution	10%	<ul style="list-style-type: none"> <li>• Any eligible borrower</li> </ul>
CWSRF Base Program (CWA)	10%-30% (if the appropriation is over \$1B)	<ul style="list-style-type: none"> <li>• Assistance recipients that meet the state's affordability criteria</li> <li>• Benefit to individual ratepayers in residential user class</li> <li>• Water/energy efficiency, stormwater mitigation or sustainable projects</li> </ul>



Above percentages DO NOT equal percentages a borrower may receive

# CWSRF Additional Subsidy, cont.

Every year states can use additional subsidy via grants or loan forgiveness.  
“Add sub” may be awarded based on

1

Affordability

2

Stormwater

3

Energy or water  
efficiency projects

4

“Sustainable” project planning,  
design, and construction - states  
define “sustainable”

Amounts of additional subsidy range between 10-40% of federal grant amount



# AddSub- Texas Examples

## **Subsidized Green Funding** (Equivalency or Non-Equivalency)

Entities may be eligible to receive Subsidized Green principal forgiveness if their project has elements that are considered green and the cost of the green portion of their project is 30 percent or greater than the total project cost. The project may be eligible for Additional Subsidization by implementing a process, material, technique, or technology (i) to address water-efficiency goals; (ii) to address energy-efficiency goals; (iii) to mitigate stormwater runoff; or (iv) to encourage sustainable project planning, design, and construction. This funding option offers principal forgiveness for up to 15 percent of the total CWSRF-funded eligible green component costs and is available for Equivalency or Non-Equivalency projects.



## **Emergency Preparedness for Severe weather- Evaluation/Audit** (Non-Equivalency)

Emergency Preparedness principal forgiveness may be available for the preparation of an emergency preparedness evaluation/audit plan. It would determine future needs to ensure compliance with statutory and regulatory standards of emergency operations that directly affect operation of a wastewater system during an extended power outage from severe weather that impacts the system. The maximum amount available for a wastewater system is \$75,000. The evaluation/audit must be submitted to TWDB.

## **Very Small Systems Funding** (Equivalency or Non-Equivalency)

The TWDB recognizes the difficulty for very small systems to secure financial assistance. In an effort to extend resources to address critical issues with these systems, the TWDB will allocate up to \$2,000,000 in principal forgiveness to target systems with populations of 1,000 or fewer.



# Disadvantaged/Affordability Criteria

# DWSRF Disadvantaged Community

- “Disadvantaged community” means the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.
- SDWA required all DWSRF programs to establish disadvantaged definition when the DWSRF program began
  - No EPA definition for criteria
  - States should reevaluate existing criteria to ensure they are capturing urban and rural disadvantaged communities and/or disadvantage populations within a larger service area
  - Many states offer lower loan rates and longer terms for disadvantaged communities



# CWSRF Affordability Criteria

- The FWPCA section 603(i)(2)(A) requires that criteria be based on:
  - Income;
  - Unemployment data;
  - Population trend; and
  - Other data determined relevant by the State
- States develop their own criteria: may be in statute, IUP, guidance, policy, etc.
- Existing affordability criteria that meets the requirements established in section 603(i)(2)(A) they may continue to be used. Criteria must have undergone the appropriate public notice and comment process within their respective States.



# Factors in DAC or Affordability Criteria

% of  
Population in  
Poverty in  
20XX

Manufactured  
Home  
Community

% of  
Population  
Over 64

% on Social  
Security

% of Housing  
Stock Built  
Before 1939

Environmental  
Justice Area

Home Sales

% with Cash  
Public  
Assistance

% of  
Population  
with High  
School Degree

Residential  
User Bill  
Delinquency  
Rate

% Not in Labor  
Force

% with SNAP



# DAC Examples & Tools

- EPA Tool: <https://screeningtool.geoplatform.gov/en/#7.01/45.863/-68.016>
- NJ Overburden Communities <https://dep.nj.gov/ej/communities/>
- NY Potential Environmental Justice Areas <https://www.dec.ny.gov/public/911.html>
- State definitions of Disadvantaged Communities <https://www.asdwa.org/environmental-justice/>



# Priority Ranking

# Project Priority Ranking



- Each state develops its own priority ranking system
- Some ranking criteria is in statute, others are in rule, still others are in guidance
- CWSRF:
  - States may have separate criteria for NBS projects
  - All treatment works projects must be ranked to receive funding
- DWSRF:
  - Must prioritize public health protection above all else





# Priority Ranking: Texas

## Publicly Owned Treatment Works (§ 212) Rating Criteria

- 30 pts. – Enforcement action (court, EPA, or Texas Commission of Environmental Quality (TCEQ) order) imposes a schedule.
- 20 pts. – Enforcement action: Participation in TCEQ's Sanitary Sewer Overflow Initiative
- 11 pts. – Unserved area of an existing developed community is extended service.
- 30 pts. – Unserved area to be served has a nuisance documented by letter from the TCEQ or a Designated Agent licensed by the TCEQ. If the project is in an Economically Distressed Areas Program county, the letter may come from the State Health Department or a registered sanitarian.
- 10 pts. – Water body impacted by project is listed in a Watershed Protection Plan approved by the EPA. 
- 5 pts. – Water body impacted by project is listed in a Watershed Protection Plan that is under development. 
- 15 pts. – Innovative or alternative types of collection or treatment are proposed.
- 30 pts. – More stringent permit limits are to be met, or Conversion to a no-discharge or partial reuses facility to avoid higher level of treatment.
- 10 pts. – Regional project removes or prevents plant outfalls, or Regional project results in delivery of flow to, or receipt of flow at, a regional facility, thereby avoiding construction of a separate waste water treatment plant facility.

For projects that involve a facility that requires expansion of its hydraulic capacity or removal of extraneous flow, use EPA self-reporting data to determine the percentage of permitted capacity.

# Priority Ranking: Texas

5 pts. – Whether a majority of the funds being requested from the CWSRF for the project be used to implement measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse.



5 pts. – If the Applicant is a qualified nonprofit entity that has federal tax-exempt status, whether a majority of the funds being requested from the SRF for the project will be used to implement assistance to owners and operators of small and medium publicly owned treatment works to either (a) plan, develop, and obtain financing for eligible CWSRF projects, including planning, design, and associated preconstruction activities; or (b) assist such treatment works in achieving compliance with the Act.



15 pts. – Whether a majority of the funds being requested from the SRF for the project will be used to implement innovative approaches to manage, reduce, treat, or recapture stormwater or subsurface drainage water.



5 pts. – Entity has adopted an asset management plan within the past 5 years that incorporates an inventory of all assets, an assessment of the criticality and condition of the assets, a prioritization of capital projects needed, and a budget.



20 pts. – Entity qualifies as a disadvantaged community.

# Readiness to Proceed

- How ready does a project need to be to get ranked?
- Does the state offer planning funds to get projects ready for construction?
- Can the project create a schedule to get to construction within a year?
- Are there milestones that the project must hit or else it gets bypassed?



Most states prioritize funding RTP projects above anything else



# RTP: Texas

## Section 12. READINESS TO PROCEED TO CONSTRUCTION (Continued).

D. Environmental Review		Yes	No
Only provide information to <u>ONE</u> of the following questions:	Have you received a Finding of No Significant Impact (FNSI), Categorical Exclusion (CE), a Record of Decision (ROD), or an environmental determination prepared by another entity in compliance with the National Environmental Policy Act (NEPA) for this project? For projects that may qualify for a FNSI, please review <a href="#">31 TAC §375.64</a> ; or that require a CE, review <a href="#">31 TAC §375.63</a> ; or that require a ROD, review <a href="#">31 TAC §375.69</a> ; or that have a determination by another entity, review <a href="#">31 TAC §375.71</a> .	<input type="checkbox"/>	<input type="checkbox"/>
	If "Yes," provide Issuer (Agency) and date of issuance(s):	<b>Issuer</b> <input type="text"/>	<b>Date of Issuance</b> (mm/dd/yyyy) <input type="text"/>
	If an environmental finding has not been issued, does your project meet the criteria to receive Categorical Exclusion as defined by <a href="#">31 TAC §375.62</a> ?	<input type="checkbox"/>	<input type="checkbox"/>
	Can you submit an environmental report with the completed financial assistance application that documents coordination with agencies has proceeded sufficiently to determine that no major issues remain?	<input type="checkbox"/>	<input type="checkbox"/>
	Will the environmental review be initiated after the TWDB releases planning funds for this project?	<input type="checkbox"/>	<input type="checkbox"/>
<b>E. Construction Phase</b> (Estimated start date for first contract and estimated completion date for last contract)	<b>Start Date</b> (mm/dd/yyyy) <input type="text"/>	<b>Completion Date</b> (mm/dd/yyyy) <input type="text"/>	
<b>F. Project Bidding and Contracts</b>		Yes	No
Will the proposed project be ready to advertise for construction bids immediately following a funding commitment for construction costs?		<input type="checkbox"/>	<input type="checkbox"/>
If you are seeking reimbursement for eligible planning and/or design costs, was the work performed in compliance with applicable state law and federal crosscutters, including procurement following Disadvantaged Business Enterprise (DBE) requirements (as applicable for the specific programs)? For more information on DBE, please visit <a href="http://www.twdb.texas.gov/financial/programs/DBE/index">www.twdb.texas.gov/financial/programs/DBE/index</a>		<input type="checkbox"/>	<input type="checkbox"/>
How many months will it take to close the financial assistance application and be ready to proceed to construction must be able to receive funding commitment.		<input type="checkbox"/>	<input type="checkbox"/>

### Readiness to Proceed

The Executive Administrator may bypass projects to include those deemed ready to proceed to construction.

### Readiness to Proceed

The TWDB defines readiness to proceed to construction as projects having no significant permitting, land acquisition, social, contractual, environmental, engineering or financial issues that would keep the project from proceeding in a timely manner to construction. Readiness to proceed will be used in determining which projects will receive an invitation and which project phases are eligible for funding during the fiscal year.

# RTP: Oklahoma

1. Project Type Factor: Treatment works on water	Max: 70	} Max 200 Points
2. Water Quality Restoration Factor – Restorative measures on waterbodies not meeting "beneficial uses"	Max: 20	
3. Water Quality Protection Factor – Preventative measures against water quality degradation of waterbodies meeting beneficial uses and "high quality" water bodies	Max: 10	
4. Programmatic Priority Factor (Points are additive)	Max: 100	

## 5. Readiness to Proceed Criteria Max: 400

A completed loan application has been <u>submitted</u> and Oklahoma Department of Environmental Quality or Oklahoma Conservation Commission has approved the project, including the appropriate technical plans and specifications necessary to implement the project or the project is for planning and design.	400
A completed loan application has been <u>submitted</u> and preliminary planning documents have been <u>submitted</u> to ODEQ or OCC and OWRB.	300
Preliminary planning documents have been <u>submitted</u> to ODEQ or OCC and OWRB.	200
A request to be considered for funding within the 5-year planning period has been <u>submitted</u> to the OWRB.	100



# Set-Asides

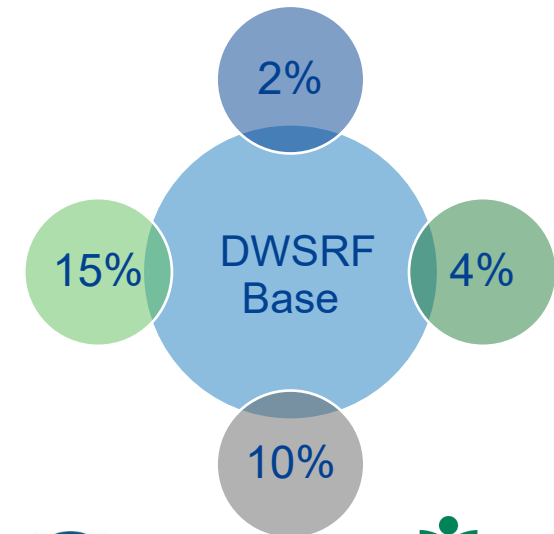
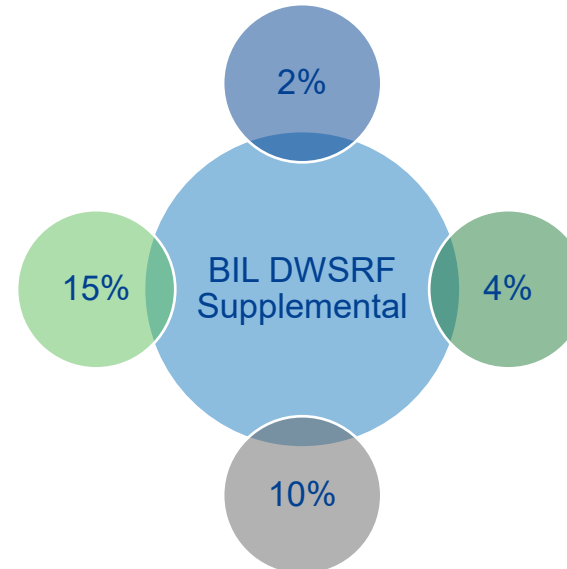
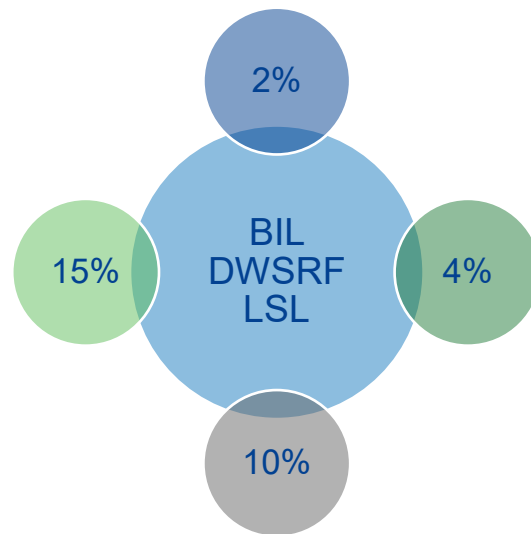
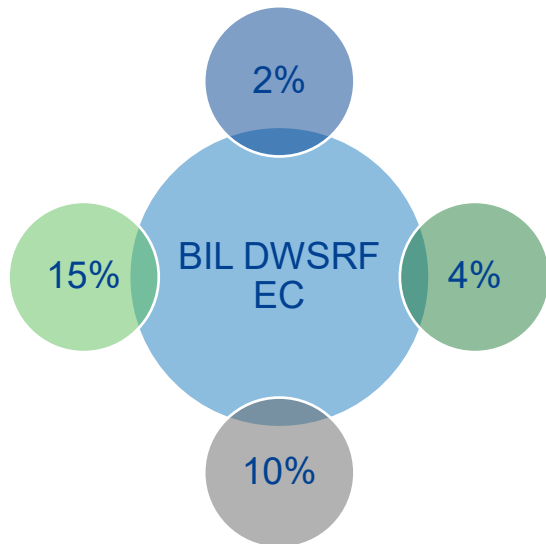
# Set-Asides

- Can be strategically focused:
  - Complement infrastructure financing
  - Strengthen PWSS program
  - Implement “preventive” SDWA programs (CapDev, OpCert, SWP)
- Unused, un-banked set-aside dollars goes into construction funds
- Assistance does not count as AddSub
- Cannot be used for construction activities; exclusion source exploration
- States must develop workplans for how they will use set asides



# DWSRF Base + BIL Set-Asides

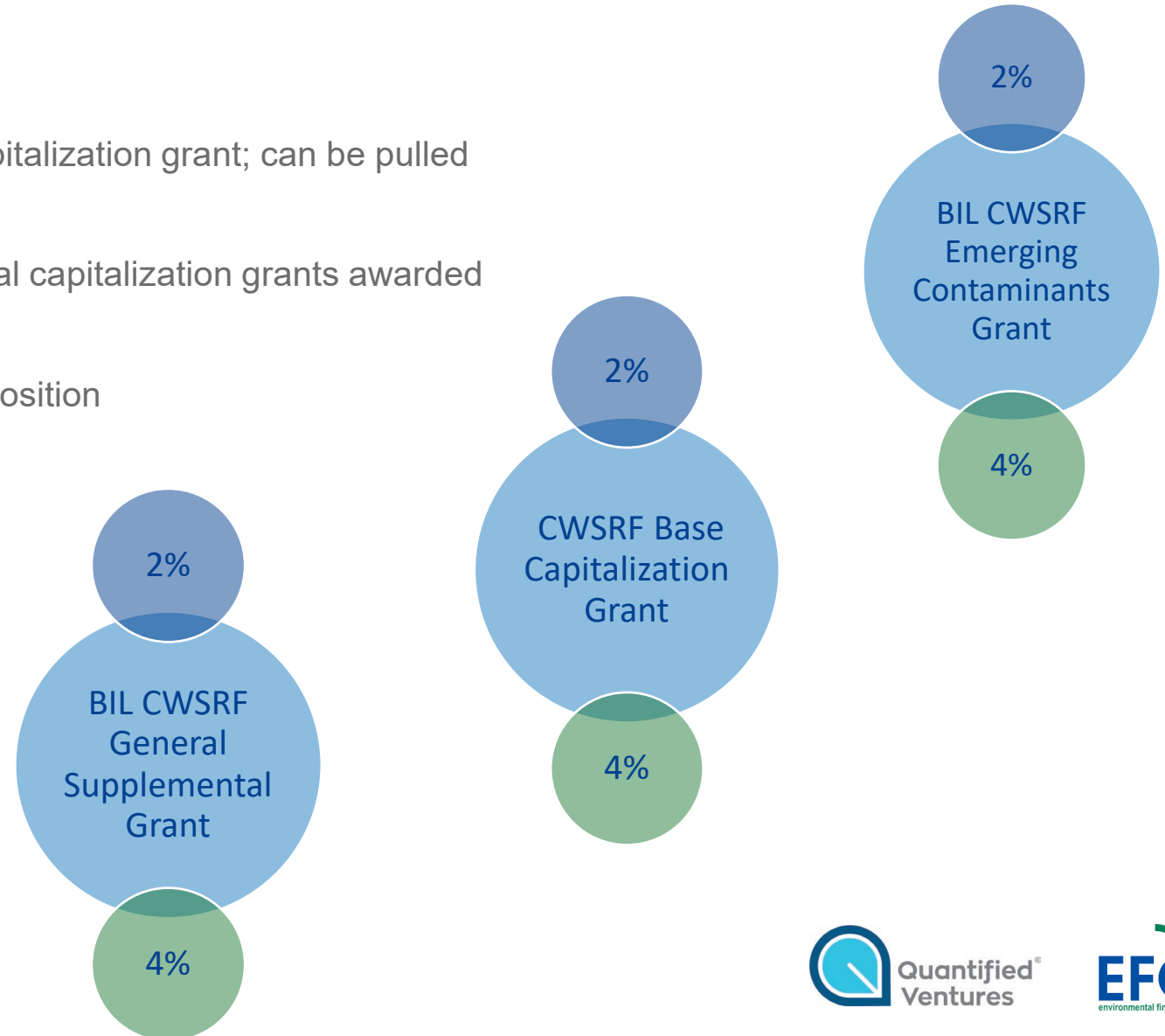
- Administration- 4%/\$400k/1/5<sup>th</sup> of the Fund's Net Position
  - Capacity Development
  - Wellhead/Source water protection
- Program Management- 10%
  - Capacity Development
  - Wellhead/Source water protection
- Technical Assistance- 2%
  - Capacity Development
  - Wellhead/Source water protection
- Local Assistance- 15%
  - Capacity Development
  - Wellhead/Source water protection





# CWSRF Base + BIL Set-Asides

- Technical Assistance- 2%
  - 2% funds do not need to come from the capitalization grant; can be pulled from any CWSRF source
  - Amount available is calculated as 2% of total capitalization grants awarded after November 15, 2021
- Administration- 4%/\$400k/1/5<sup>th</sup> of the Fund's Net Position
  - Support administration of program
  - Provide TA to system of any size



# Sources & Uses

# Sources & Uses

- This tells how much money is available
- Can include money from :
  - Federal EPA grant
  - State Match
  - Repayment dollars: Can be used as match to other federal funds (but not state match!!)
  - Investment sources
  - Leveraged dollars



# Sources & Uses- Kentucky

Kentucky CWSRF Sources and Uses of Funds for SFY 2023

Base Program

July 1, 2022 through June 30, 2023

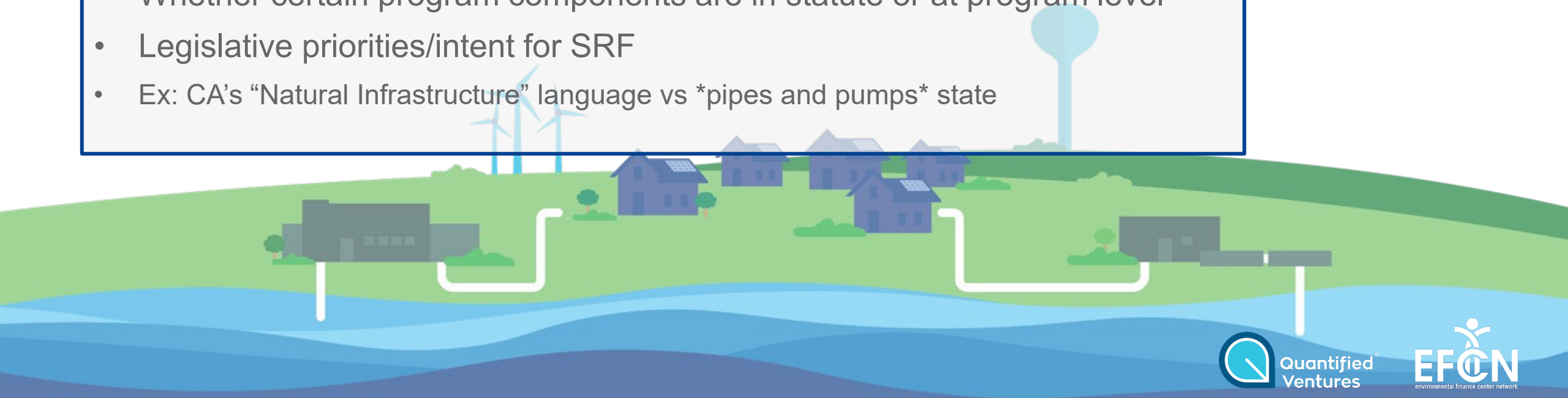
Funding Sources	Federal Contribution	State Contribution	CWSRF Fund	Total
FFY 2022 Base Capitalization Grant	14,726,000	2,945,200		17,671,200
Loan Repayments (P&I)			61,734,571	61,734,571
2022 Carried-Forward Projects			27,416,850	27,416,850
Under Commitment of Prior Year Loan Funds			15,335,786	15,335,786
Investment Interest Earnings			500,000	500,000
Banked Prior Year Administration Funds (Base)	224,088			224,088
<b>Total Funding Sources</b>	<b>14,950,088</b>	<b>2,945,200</b>	<b>104,987,207</b>	<b>122,882,495</b>
<b>Funding Uses</b>				
Financial Assistance - Base	13,842,440	2,945,200	57,191,007	73,978,647
2022 Carried-Forward Projects			27,416,850	27,416,850
Leverage Bond Debt Service			20,379,350	20,379,350
Banked Prior Year Administration Funds - Base	224,088			224,088
FFY 2022 Administration - Base (4%)	589,040			589,040
FFY 2022 Technical Assistance - Base (2%)	294,520			294,520
<b>Total Funding Uses</b>	<b>14,950,088</b>	<b>2,945,200</b>	<b>104,987,207</b>	<b>122,882,495</b>

# Extra Credit

# SRF Legislation: Am I Expected to be a Lawyer?

Legislation can tell us:

- Borrower eligibility
- Project type eligibility
- Priority Ranking Criteria
- Disadvantaged Criteria
- Whether certain program components are in statute or at program level
- Legislative priorities/intent for SRF
- Ex: CA's "Natural Infrastructure" language vs \*pipes and pumps\* state





# NIMS/DWNIMS Data

NIMS/DWNIMS are a historical snapshot of the programs over past 3 decades. Includes:

- Annual and cumulative value loans made (CWSRF line 116-117/DWSRF line 129-130)
- Population size served (CWSRF lines 118-123/DWSRF lines 137-142)
- Category of projects, # and \$ (CWSRF lines 138-199/DWSRF lines 151-172)
- Use of Set-Asides (DWSRF lines 45-120)
- Amount of Additional Subsidy (CWSRF lines 321-325/DWSRF 427-431)
- GPR amounts/categories (CWSRF lines 326-331/DWSRF 432-437)

# Where to Find IUPs

- What you'll find:
- IUPs
- Annual Reports
- SRF Legislation
- Program's website link
- Ranking criteria

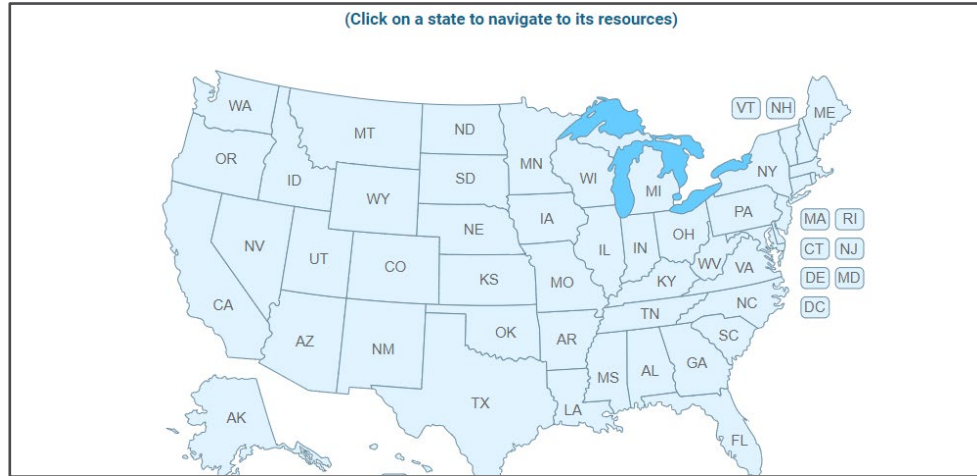
SWEFC

<https://swefcsrfswitchboard.unm.edu/srf/>





# SWEFC SRF Page










## Texas Water Development Board



The mission of the Texas Water Development Board (TWDB) is to provide planning, financial assistance, and outreach for the construction of water infrastructure.

The [Drinking Water State Revolving Fund](#), authorized by the Clean Water Act, provides low-cost financial assistance for planning, acquisition, design, and construction of water infrastructure.

The [Clean Water State Revolving Fund](#), authorized by the Clean Water Act, provides low-cost financial assistance for planning, acquisition, design, and construction of wastewater, reuse, and stormwater infrastructure.

Clean Water State Revolving Fund - Legislation		Unknown	
Clean Water State Revolving Fund - Intended Use Plan		2021	
Clean Water State Revolving Fund - Project Priority List		2022	
Clean Water State Revolving Fund - Annual Report		2020	
Clean Water State Revolving Fund - Loan Ranking Criteria		2020	

What is the correct answer to  
any SRF question?

Every state is different.  
It depends.

# Upcoming Trainings

## DWSRF Eligibilities

February 5, 2025 / 11:00-1:00 pm EST

## CWSRF Eligibilities

February 10, 2025 / 2:00-4:00 pm EST

## What is the Green Project Reserve (GPR)?

March 5, 2025 / 11:00-1:00 pm EST

## What is Readiness to Proceed?

March 17, 2025 / 2:00-4:00 pm EST

For more information and to register visit:

<https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion/>

Community Finance Team  
<https://www.quantifiedventures.com/community-finance>



**Ashley Lucht**

- *Community Finance Team*
- Former Director of Capital Planning at the Vermont Municipal Bond Bank
- Former DWSRF Project Manager for the State of Vermont



- Contact me:

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