

# Ask Me Anything! State Revolving Fund (SRF) Technical Assistance & Open Office Hours

## What are the SRFs? 12/04/2024

### Quick recap

Ashley Lucht, a consultant from Quantified Ventures, led a comprehensive discussion on State Revolving Loan Funds (SRFs), covering their structure, funding mechanisms, and implementation across different states. She explained the program's complexities, including allocation of funds, loan terms, and the role of the Environmental Protection Agency, while also addressing challenges and limitations faced by various entities in accessing these funds. The session concluded with discussions on additional subsidy calculations, the concept of equivalency in Federal capitalization grants, and future training sessions to equip staff with necessary knowledge and tools for navigating the SRF program.

### Next steps

- Ashley to send the PowerPoint slides to all attendees.
- Ashley to add "Set-asides" as a topic for the September 15th training session.
- Ashley to add "How earmarks or capitalization grants affect calculations" as a future topic.
- Ashley to add "Equivalency" as a topic for the October training session.
- Ashley to send Prudence the New Mexico funding chart and connect Prudence with the Environmental Finance Center representative for New Mexico.
- Ashley to compile questions and answers from the session for reporting to the Environmental Finance Network.
- Attendees to consider attending future training sessions on specific SRF topics.

### Summary

#### State Revolving Loan Funds Explained

The SRFs are low-interest, revolving loan programs funded by the Environmental Protection Agency (EPA) and state matches. The funds are distributed to states based on their allotment, and then to projects through borrowers applying to the SRF program. The program operates on a reimbursement basis, with borrowers submitting requests for funds after completing work. Ashley also mentioned that states can use a portion of the funds for set-asides, which support activities like technical assistance and contracts with the TA providers. The importance of these set-asides was emphasized, as they have helped many communities.

#### State Revolving Fund Program Overview

Ashley discussed the complexities of the State Revolving Fund (SRF) programs, which are funded by both federal and state money. She explained that the allocation of funds varies between states, with

larger states like California receiving more than smaller states like Vermont. Ashley also highlighted the differences in how states implement their SRF programs, with some focusing exclusively on wastewater treatment and others exploring additional uses such as agricultural best management practices and nature-based green infrastructure. She noted that the flexibility of the program allows states to adapt to their specific needs. Ashley also touched on the role of the Environmental Protection Agency (EPA) in overseeing the SRF programs and providing training resources.

## SRF Program: Loans, Terms, and Challenges

Ashley discussed the SRF (State Revolving Fund) program, which provides loans to communities for water and wastewater infrastructure projects. She highlighted that the loans must be below market rates and have extended terms, which can be up to 40 years for disadvantaged communities in the DWSRF. Ashley also mentioned that the SRF offers delayed repayment, meaning borrowers don't start paying back the loan until a year after the project is complete. She emphasized that the SRF provides 100% financing, including pre-construction funding, and that it's not free money but rather additional subsidy. Ashley also pointed out the challenges of the SRF program, including its slow funding, significant oversight, and the departure of experienced staff.

## State Revolving Fund Training and Assistance

Ashley emphasized the importance of these trainings, which are occurring over the next 12 months, in equipping TA providers with basic knowledge and tools to navigate the SRFs. Ashley also highlighted upcoming training sessions, including pre-development funding, project initiation, and eligibility criteria. She encouraged participants to ask questions and shared her contact information for further assistance. Ashley also clarified the application deadlines for different states, using Massachusetts as an example. She emphasized the importance of meeting readiness to proceed milestones to remain eligible for funding and avoid delays in project funding.

## Discussion of Set-Asides

Ashley also explained the different set asides available for States, including administration, program management, technical assistance, and local assistance. She clarified that these funds can be used for various activities, such as staff support, source water protection, and direct technical assistance. However, she emphasized that SRF funds cannot be used for regular operation and maintenance expenses.

## Cuyahoga River History and Public Health

Ashley and James discussed the history of the Cuyahoga River in Ohio, which was initially thought to be burning due to pollution but was actually due to dried wood and combustible materials. They also discussed the importance of public health regulations, with Ashley noting that the Safe Drinking Water Act didn't pass until 1996. James shared his experience of living in North Carolina, which was affected by Hurricane Florence. Ashley explained the format of future sessions, which will include a deep dive into various topics, including set asides and environmental reporting. James expressed his appreciation for the information and Ashley's efforts to organize the sessions.

## Capitalization Grant and Funding Implications

Ashley discussed the impact of the capitalization grant on additional subsidy calculations and its potential effects on state staff. She explained that the capitalization grant, which is used to calculate additional subsidy, can shrink, affecting other related calculations. Ashley also addressed the difference in treatment and reporting of BIL funding compared to base SRF funding, explaining that BIL funding is separate due to its origin from the Bipartisan Infrastructure Law, which has its own rules and funding criteria. She noted that once BIL funding is "revolved," it loses its specific project requirements. Ashley also mentioned that some states, like California, have chosen not to apply for their FFY24 LSL grant, and that Wyoming had done so in the past for its Base DWSRF grant.

## Federal Capitalization Grants and Equivalency

Ashley discussed the concept of equivalency in the context of Federal capitalization grants. She explained that states can choose which projects meet the Federal equivalency requirements, and these requirements apply only to the equivalent dollar amount of Federal money. She noted that some states, like Rhode Island, apply these requirements to all projects, while others, like Texas, incentivize meeting these requirements by offering a reduced interest rate. Ashley also clarified that the Federal grant does not need to be the source of the funds for a project to meet the equivalency requirements, as long as the project costs meet the requirements. She concluded by mentioning that she would provide further training on this topic in October.

*Note: The above summary was generated using AI but was reviewed and edited by a Human.*

## From Chat, edited for clarity:

Q: No questions but I really enjoyed the training, it was very helpful! Looking forward to the other sessions! 😊

Q: I missed a majority of the slides because I was in another meeting that I was required to attend. Is there a link to view the slides that I missed?

Q: deadlines to help systems apply? in general I know so little about this. TA provider (RCAP) in MA.

Q: I am in a state DWSRF program, and I agree that there is no consistency between programs. Our CSWRF is totally separate and that in itself makes it difficult for people within the state needing assistance.

Q: some of the systems I'm working with already applied to the SRF when I came on board, so I wanted to know more of the beginning process. I've done MANY USDA-RD loan applications. SEARCH is 60k and is available for predevelopment funding.

Q: Can you discuss DWRF set asides? The different uses, the differences between SSTA, Cap Dev, Wellhead, etc.?

Q: The Admin \$\$ can be used for typical/normal daily utility operations?

A: No, O&M, routine sampling, etc. are not SRF eligible

Q: Can you talk about how and why BIL funding is treated and reported differently than the base SRF funding?

Q: Thank you again! I didn't know that once that BIL funding was "revolved" that it was no longer subject to those specifications.

Q: Will the BIL revolving money that can be used for other projects still have the signage and other requirements?

*A: Those are different issues. Money in the bank account does not specifically get 'tagged' as federal, state, or revolved. It's all just money. Signage and other requirements are part of 'equivalency', which applies to the value of projects equivalent to the federal grant amount. It's a nuance that takes careful consideration and experience.*

Q: For the equivalency, it doesn't even have to be grant funds that were used right? It could be reloan funds or state match?

*A: Correct, again, money in the bank account is just money.*

