

Ask Me Anything! Creative Uses of the SRFs 8.18.2025

Meeting summary

Quick recap

Ashley provided an overview of State Revolving Loan Funds (SRFs), explaining their structure and funding mechanisms, and detailed creative uses of the program including linked deposits and sponsorship programs. She presented successful examples from various states demonstrating how SRFs can support water quality projects through different financing approaches, including nature-based solutions and pass-through lending mechanisms. Ashley concluded by discussing upcoming trainings and webinars related to SRF programs.

Next steps

- Ashley to update registration information on the EFCN website with additional topics for the next 11 months of Ask Me Anything sessions.
- Ashley to prepare future sessions on topics including source water protection, navigating federal crosscutters, set-asides, and shrinking capitalization grants.
- Upcoming webinar registrations:
 - 9/3 registration: https://us06web.zoom.us/meeting/register/tZArf-qqpjkiGNLNgSu0ayqgDUfTa_83obR8
 - 9/11 Webinar registration: <https://us06web.zoom.us/meeting/register/kuDhsxj4RnuPPLIHGJd9YQ>
 - 9/15 registration: <https://us06web.zoom.us/meeting/register/tZYqf-mqqD0uE90aJpG1eHJnZ6F368EuD8BV>
 - 10/9 Webinar registration: <https://us06web.zoom.us/meeting/register/OtoH7mVzR6SrtSfKzakl-w>
 - Regular office hours registration: <https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion/>

Summary

SRF Creative Uses Overview

Ashley welcomed participants to the session on Creative Uses of State Revolving Loan Funds (SRFs), noting that these programs are typically initiated by the state program rather than borrowers.

SRF Funding for Water Projects

Ashley provided an overview of the SRFs, explaining that they are low-interest loan programs targeting underserved communities for water quality projects. She detailed the funding structure, which includes EPA and state government contributions, with states required to match federal funds at 20%. Ashley also described how some states leverage additional funds from the bond market to increase their lending capacity. She concluded by discussing creative uses of SRFs, including linked deposits, which allow the program to partner with financial institutions to support smaller water quality projects.

Iowa's Linked Deposit Water Program

Ashley presented Iowa's linked deposit program as a model for other states to consider, highlighting its simplicity and effectiveness in providing low-interest loans for water quality projects. She explained how the program works, with the Iowa Finance Authority depositing funds into participating banks, which banks then lend out at a lower rate to applicants. Ashley emphasized the program's benefits, including local relationships with banks, reduced administrative burden, and the advancement of water quality benefits through different funding programs.

Sponsorship Water Quality Program

Ashley explained the sponsorship program, where nature-based solution projects are paired with publicly owned treatment works projects to share financing costs. Ashley described how this works in practice, using examples from Iowa, Ohio, and Vermont, and noted that while it provides financial benefits, it can be challenging to explain and implement due to the complexity of the financing structure.

Ashley discussed two successful examples of nature-based solution projects funded through wastewater treatment facility sponsorship programs in Iowa and Ohio. In Sioux City, Iowa, the program allowed 10% of a treatment facility project's cost to be allocated for natural infrastructure work, resulting in a restored river area now serving as a park. In Ohio, the Ravina wastewater treatment facility sponsored a dam removal project in a different location, which created recreational paths and improved fishing opportunities while preserving historical architecture. Ashley noted that while Iowa's program is currently being reassessed due to staffing changes, Ohio's program remains active.

SRF Program Investment Opportunities

Ashley presented examples of low-cost opportunities for using the SRF program, including investments in link deposits and credit enhancement. She highlighted an Iowa example where the SRF program supported the Soil and Water Outcomes Fund, which created a

marketplace for farmers to sell carbon and nutrient capture credits to companies. Ashley emphasized that these mechanisms allow the SRF program to expand its goals without significant staff burden and can overcome restrictions on borrowers or lenders.

Clean Water State Revolving Fund Pass Through

Ashley discussed the Clean Water State Revolving Fund (CWSRF) program, explaining how it can lend to municipalities which then pass the loans to private homeowners for projects like septic system replacements. She highlighted a successful pass-through financing example in Washington and Oregon involving Craft 3, a nonprofit CDFI, and mentioned a credit guarantee case with American Family Forests in Maryland. Ashley emphasized that these financing mechanisms could be valuable tools for state programs to achieve water quality outcomes, especially given resource limitations and staffing challenges.

Low-Interest Bonds and Loan Guarantees

Ashley explained how using the lowest possible interest rates on bonds could make projects more affordable and increase return on investment, with the SRF program only providing a letter of support without financial contribution. She addressed concerns about guarantees reducing loan funds, clarifying that USDA has been guaranteeing loans for decades without affecting availability of loan funds. Ashley highlighted the patchwork nature of forest protection across state borders and the success of Vermont's interim financing approach, which helped manage unliquidated obligations in their SRF fund.

Vermont's Conservation Loan Success

Ashley discussed Vermont's successful use of the CW SRF program to provide short-term loans to conservation groups, particularly the Trust for Public Land, to purchase important land tracts. She highlighted two key projects: the Huntington Community Forest, where a \$309,000 loan enabled the town to acquire land for a town forest that later had the loan forgiven due to its environmental benefits, and another project in the Hunger Mountain headwaters that used interim financing to protect wildlife corridors and source water. The loans were successfully repaid, preserving over 3,000 acres of land in perpetuity, and TPL is now looking to expand this model into New Hampshire.

SRF Program and Training Updates

Ashley provided updates on upcoming trainings and webinars related to source water protection, federal crosscutters, and SRF programs. She clarified that the SRF program does not need to leverage funds for the credit guarantee method, as it relies on the full faith and credit of the program. Ashley shared registration links for various upcoming webinars

and mentioned a detailed training on navigating intended use plans for Mississippi on October 9th.

SRF Technical Assistance Overview

Ashley led a virtual office hours session on SRF technical assistance, discussing various aspects of the program including credit enhancement and guaranteed mechanisms. She noted that credit enhancement requires the least administrative burden. Ashley mentioned that while these sessions are not recorded, summaries and slides are available on the EFCN website, and she is happy to provide additional support outside of the sessions for specific state questions. She also announced plans to cover topics like CW and DW SRF eligibilities, rate calculations, and Davis-Bacon requirements, AIS and BABA compliance.

From the Chat

Q: For the "credit guarantee" method, did the SRF need to be able to leverage?

A: No, the program does not need to be leveraged to provide a credit guarantee.

C: Thank you for all this great information!

C: Great info as always. Thank you!

C: You could do a whole section on Davis-Bacon and AIS & BABA letters