

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

I'm Confused, where do I start? 1/8/2025

Quick recap

Ashley from Quantified Ventures led a discussion on the State revolving loan funds, focusing on the SRF program and its process, and the differences between funding and financing. She also addressed questions about the use of SRF funds as a match for grants and the importance of balancing 'free' money with the money that needs to be paid back. The meeting also included a discussion on the challenges faced by smaller utilities in borrowing money and the importance of pre-development funding.

Next steps

- Ashley to conduct interactive sessions on Clean Water and Drinking Water SRF eligibilities in February.
- Attendees to look out for notifications on upcoming focused 2-hour trainings separate from the regular office hours.

Summary

Quantified Ventures SRF Program Overview

Ashley, a representative from Quantified Ventures, led a discussion on the State revolving loan funds, a topic she has 20 years of experience in. She presented a theme for the office hours, which included a mix of high level and more specific details about the SRF program. Most of the time was allocated for open Q&A, encouraging participants to use the chat or raise their hands for questions. Ashley also mentioned that she would review and respond to any questions that couldn't be answered during the session and those answers would be included in the summary. The meeting summary and related documents would be uploaded to the same website where participants signed up for the webinar.

State Revolving Fund and Project Development

Ashley discussed the Environmental Finance Center Network and its role in supporting water and wastewater utilities. She explained the State Revolving Fund (SRF) process, which involves a long and winding road of project development, including pre-application, environmental review, financial review, technical review, contracting, construction, disbursement/reimbursement, and loan repayment. Ashley emphasized the importance of feasibility and preliminary engineering in project development and the benefits of pre-development funding. She also highlighted the difference between funding and financing, and the need for a project to meet various requirements before it can be considered for funding. Ashley also mentioned that not every state uses a pre-application phase and that the process varies between states.

Funding vs Financing and Infrastructure

Ashley discussed the differences between funding and financing, explaining that funding is highly subsidized while financing is at market rate. She also outlined four core ways of paying for infrastructure projects: PAYGO, using reserves, subsidies/grants, and debt financing. She mentioned that she will conduct later sessions on the various ways to fund projects.

Balancing Debt and Intergenerational Equity

Ashley discussed the importance of balancing 'free' money with the money that needs to be paid back, i.e. debt. She emphasized the concept of intergenerational equity, where future generations benefit from the investment of assets and should also participate in the payment. Ashley also highlighted the need for financial statements and capital improvement plans to ensure and demonstrate the financial health of a utility. She encouraged communities to plan for debt repayment and to consider the long-term implications of their financial decisions. Lastly, she addressed a question about the use of SRF funds as a match for federal grants.

SRF Money and Compliance Challenges

Ashley discussed the use of State Revolving Fund (SRF) money as a non-federal match for grants. She explained that once SRF funds are returned as revolved money, they lose their federal status and become Tier II money, which can be used for non-federal matches. However, she cautioned that this nuance may not be understood by the SRF program due to turnover and loss of institutional knowledge. Ashley also mentioned the importance of understanding compliance standards for Single Audits, which are a federal requirement, and related to the checks and balances on the accounting side. James from North Carolina shared his experience with its SRF program, highlighting the challenges of project delays due to environmental reviews and the need for preparedness of documents. He also mentioned the issue of capacity for smaller utilities to borrow money and the turnover in administration. She again emphasized the importance of pre-development funding to avoid draining local funds for project planning.

North Carolina Water Infrastructure Funding

James explains that in North Carolina, the pre-application process for water and wastewater infrastructure funding depends on the type of project and funding package. The state provides grants for asset inventory and assessment planning. Applications are accepted twice a year, but the process is being updated for new lead and copper rules. James highlights the state's efforts to incentivize utility mergers and regionalization. Funding amounts can reach \$1 million for such projects. The overall project costs determine if state or federal funding is used, with state funding going to smaller projects to avoid federal compliance requirements. North Carolina is redesigning its program to ease administration and make better use of available funds, including recent federal disaster relief money. The state is also transitioning to selectively applying federal equivalency requirements, like Single Audit, to only certain larger projects reported to the federal government, while shielding smaller communities from those requirements.

Upcoming Training Sessions and SRF

Ashley discussed upcoming training sessions, focusing on eligibility questions for the Clean Water and Drinking Water State Revolving Funds (SRF) in February. She also mentioned training on rate setting coming in March, April, or May. Ashley encouraged participants to reach out to her with state-specific questions and shared her enthusiasm for learning about how each state implements its SRF programs. She ended the conversation by wishing everyone a safe and warm day.

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

From Chat, edited for clarity:

C: A helpful introduction! Many webinars assume you already have some background in a topic. It was nice to start at the beginning!

Q: Can SRF funds be used as a match for a grant?

A: Yes, SRF funds can be used as a non-Federal match for grants. Once SRF funds come back into the program as loan repayments, they lose their 'federal-ness' (they're called Tier II funds) and so can be used as match. This nuance may not be understood by state programs, especially if their staff are newer to the program. I would encourage discussing this with the state program prior to applying.

Q: Single Audit: Do you have a list for what compliance standards communities would be required to meet if a single audit is activated or is it another state specific item?

A: Single Audit: here's a good summary of what a Single Audit looks at https://home.treasury.gov/system/files/136/Introduction_Single_Audits_Compliance_Supplement_Tribal_Entities_071223.pdf. And fun fact, the Single Audit threshold was raised on 10/1/2024 to \$1,000,000.

C: Emphasis on the fact that there is no such thing as FREE MONEY. There is always accountability that is required. Such as an application and some additional supporting documents that relate to the "project".

C: I will say that SRF is one of the few options in my state to get water construction done. We have a lot of water grants, but they're all very specific like energy efficiency improvements or for economic development.

Q: As a new State level compliance Inspector, I have nearly zero experience with SRF. I recently had a Superintendent at a District tell me that they refuse to use SRF money because, despite the good rates, the overall cost of the project ends up being 20% higher when going through SRF than other options. Is that a common stance from utilities? And are there cases that there may be truth to that statement?

A: This is a challenge of the SRFs and unfortunately there is no getting around some of the additional expenses and time necessary to comply with federal requirements. However, there are steps the state can take to minimize the burden, especially for smaller projects. This would be mostly focused on the application of federal equivalency requirements.

C: Thank you both! Once I have a bit more experience, I'll discuss with the operator and our local SRF staff a bit more.

C: Thank you so much

C: Thank you! Really great information.

C: Good topic and information. THANKS!