

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

## What is Predevelopment Funding? 12/16/2024

### Quick recap

Ashley Lucht from Quantified Ventures led a training session on the State Revolving Loan Funds (SRFs) for the Environmental Finance Network, discussing the complexities and nuances of the program, including its revolving nature, preconstruction activities, and the challenges faced by small and under-resourced communities. She also highlighted the importance of project planning, the potential for rewarding efforts in water reclamation and reuse, and the varying approaches to water conservation plans across different states. The session concluded with a discussion on innovative funding methods used by states like Iowa and Ohio, and the next session will focus on getting started with the SRFs.

### Next steps

- Ashley to send link to Water Conservation Plan document to Prudence. [https://www.ose.nm.gov/WUC/PDF/Planning%20Guide\\_Final\\_.pdf](https://www.ose.nm.gov/WUC/PDF/Planning%20Guide_Final_.pdf)
- Ashley to review Nevada's intended use plans and provide a summary to Amber.
- Ashley to provide information on where meeting summaries and slides will be uploaded at the next session.
- Ashley to include information on Qualifications Based Selection (QBS) in the February 10th session on Clean Water SRF eligibilities.

### Summary

#### Quantified Ventures SRF Training Session

Ashley Lucht from Quantified Ventures led a training session on the State Revolving Loan Funds (SRFs) for the Environmental Finance Network. She introduced herself and explained the purpose of the session, which was to provide training on various topics related to SRFs. Ashley also mentioned that she would be using AI to generate a summary of the session, which would be sent to EFCN for uploading on their website. The session was part of a series of open office hours, with each session focusing on a specific topic. The topic of the session was "What is predevelopment funding?" Ashley encouraged participants to ask questions.

#### SRF Program's Complexities and Applications

Ashley discussed the complexities of the SRF program, emphasizing that every state is different, and it depends on the specific context. She explained the revolving nature of the program, where money comes in through loan repayments and interest to be lent again, including for preconstruction activities such as feasibility studies, preliminary engineering, and environmental reporting. Ashley also clarified that while joint applications to the SRF program are possible, they are not common due

to the need for a discrete entity to incur debt. She further noted that set-aside activities can only be used for non-construction activities like feasibility studies, contracts, and to support administrative activities of the program.

## Addressing Infrastructure Funding Challenges

Ashley discussed the challenges faced by small and under-resourced communities in accessing funding for infrastructure projects. She highlighted her desire for a more level playing field, where all communities have equal access to resources. Ashley suggested that providing preconstruction funding could help small systems overcome barriers such as lack of in-house staff, engineering expertise, and adequate reserves. She also mentioned various sources of predevelopment funding, including the State SRF programs, USDA, and the National Rural Water Association. Ashley emphasized the importance of financial planning and the need for communities to be familiar with the programs and staff involved in the process.

## State Revolving Fund and Water Conservation

Ashley led a discussion on the application of State Revolving Fund (SRF) for water conservation plans and pre-construction requirements. She shared her recent experience with a community in New Mexico needing to complete a water conservation plan before accessing funding. Ashley suggested that the Environmental Finance Center (EFC) would be the best resource for assistance on water conservation plans. She also clarified that the EPA could potentially assist small systems with pre-construction requirements, but this would depend on the EFC's assessment of the community's needs.

## Comprehensive Engineering Evaluations

Ashley discussed the importance of conducting comprehensive preliminary engineering evaluations and asset management plans for communities facing numerous issues. She also reminded the audience about the need to perform a 'qualifications-based selection' process for hiring engineers, which is not federally required for drinking water projects but is in some states.

## Navigating SRF Program Challenges and Funding

Ashley discussed the challenges of the SRF program, including its red tape, and slow pace. She highlighted the importance of understanding the program's language and acronyms and suggested seeking out glossaries for further understanding. Ashley also mentioned that many states will be opening their annual funding cycle, starting with a call for projects and encouraging communities to prepare their projects for funding. She emphasized the importance of getting the project ready to proceed, as this is a priority for the SRF programs.

## State Program Highlights

Ashley discussed the importance of project planning and the availability of predevelopment funding for potential borrowers. She highlighted the application cycle for Maryland, which runs until the end of July, and the potential for preconstruction applications in New Mexico year-round. Ashley also explained the significance of buzzwords like lead service line replacement, PFAS remediation, and water reuse, emphasizing their potential to attract state programs' attention.

Ashley discussed the potential for rewarding efforts in water reclamation, reuse, and groundwater injections, particularly in Western and Southwestern states through additional priority points. She mentioned that Pennsylvania has set up a small system loan program to streamline the process for small systems with simple projects, but this comes at the cost of potential principal forgiveness. New Mexico, on the other hand, has a grant program for small systems, and their loan program offering a 30-year almost 0% loan. Ashley also mentioned that Puerto Rico's water and sewer authority, PRASA, is constantly funded, while non-PRASA systems face challenges accessing the SRF program.

## Water Infrastructure Management Challenges

Ashley discussed the complexities and challenges of managing water infrastructure, emphasizing the importance of community development and the need for regular maintenance and upgrades. Ashley also addressed a question about the possibility of using SRF funding for a "program" approach, explaining that some SRF programs may approve a borrower for a set amount of funding each year, but individual projects still need to meet permitting requirements. She suggested that underutilized state programs might have a higher potential for programmatic funding.

## Water Conservation Plans and Approaches

Ashley also mentioned the existence of organizations like the League of Cities and Towns that provide examples of policies and ordinances for communities. She shared her experience with stormwater funding in New Jersey, where all funds are spent on gray infrastructure, and contrasted this with Iowa and Ohio, which use some of their funds for nature-based solutions.

## Innovative Funding Methods and SRFs

Ashley discussed innovative funding methods used by states like Iowa and Ohio. Iowa's linked deposit program involves investing in local banks to lend to farmers and homeowners implementing agricultural best management practices. Ohio's sponsorship program allows a municipal borrower to sponsor a natural infrastructure project, with the interest rate or administrative fee lowered to cover the cost of the project. Ashley also mentioned that some states are restricting or eliminating permits for wastewater land application due to concerns about contaminants like arsenic and PFAS. She encouraged participants to ask questions and seek clarification on the SRFs, as they are not going away soon and will continue to be an attractive funding option.

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

## From Chat, edited for clarity:

Q: Given your experience, are you aware of joint applications to the SRF, where the owner (local government) and a partner (state government agency) apply together for SRF funds to either improve a system or increase access of the system to underserved populations? Could this be a set-aside type activity?

Q: When I applied, I didn't know that there was a USDA format for the Preliminary Engineering Report. Are there any other format requirements for any of the Preconstruction Activities?

Q: How often should a water conservation plan be updated? Is there a format?

Q: Can EPA WaterTA assist small systems with preconstruction requirements (preliminary engineering and final design)?

Q: I have no background in water and am brand new to my job. I'm supposed to seek funding for projects. I don't even know where to start. Where should I start?

C: Every time the State updates their water conservation plan, or when your water withdrawal permit/registration gets changed. In MA, anyhow!

C: I feel your pain. It was the same for me. I have a background in Architecture.... so civil engineering, other than grading and drainage, was out of my purview. I would be googling acronyms during meetings just to know what was being discussed. 2.5 years later, I have an inkling of understanding.

Q: will you explain what some of those buzz words mean that you just mentioned?

Q: Have you heard anything about the SRF application process being simplified for smaller systems in the future?

Q: I am new here. Got introduced to this via community development. Any insights into the process in Puerto Rico?

C: remember, it's ok to flip out. One day, I yelled in my office to no one, "I'm not an engineer, I don't build bridges or wastewater facilities!" It was a low point. LOL Keep with it. What keeps me going is trying to make a difference in my community. Eventually, I started saying, "I'm not an engineer and I don't even play one on TV..." It would make people laugh and beckon assistance.

C: Correct regarding PRASA. And no comment on the opportunities for improvement. I am a gringo here and have much to learn. I work for a private nonprofit that is primarily focused on low-income housing... but we help with community development. Entered the whole water world because of an EPA grant...

Q: I work frequently in programmatic solutions for smaller asset classes in large urban areas. Repair and restoration of these assets can be very costly and involved. If a utility wanted to use SRF funding for a "program", what advice would you have for pursuing that approach? Asset example - side sewers/laterals/distribution pipes, stormwater facilities/green infrastructure, catch basin retrofits, hydrant repairs, etc. Repetitive projects of smaller size, but at huge scale.

Q: does every state have a water conservation plan?

C: Kinda off topic, but we're trying to write ordinances for Reclaimed Water use, and I don't know if anyone at the state needs to review it... or approved it. And thank you, we have New Mexico Municipal League. We have the permits, but need the ordinances... and my boss said, oh I will assign this to someone else. that was in Feb 2023, and it's still in the same place when I handed it off.

Q: Have you had any experiences with stormwater funding through the SRF? I'm working in NJ, but would love to hear about both experiences :D

C: Gotta love small rural municipalities. You become a jack of all trades.

C: Thanks for taking the time to help us. I think a lot of us don't know what we don't know. So, we might not know the questions that we should be asking but are happy to have your insights.

