Decentralized Webcast Series:
Using Green Project Reserve Funds for Decentralized – Ohio's Success
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Participants

- *Patrick Jones; MDB; Support Contractor*
- *Maureen Tooke; U.S. EPA; Office of Wastewater Management; Decentralized Wastewater Management Team*
- *Rebecca Fugate; Ohio Department of Health; Program Manager Residential Water and Sewage Program, Bureau of Environmental Health*
- *Jim Bonk; Ohio EPA; Federal Construction Transfer Program*
- *Katherine Hess; U.S. EPA; Clean Water State Revolving Funds Team Member*

Presentation

Patrick Jones: Good afternoon and welcome to today's webinar "Using Green Products Reserve Funds for Decentralized Ohio Success". I'm Patrick Jones, with MDB, Support Contractor, and I'll be the technical support for today's webinar.

While we wait for the others to log-on, I would like to cover a few housekeeping items. By now you should have the GoToWebinar application running and should see the welcome presentation on your screen. If you're having technical difficulties using GoToWebinar you can visit www.gotowebinar.com and click support and FAQs in the blue menu bar on the left side of your screen. If you're not able to use the GoToWebinar application to view the PowerPoint presentations we can send them to you at a later date.

For now, we'll turn it over to our moderator, Maureen. Maureen?

Maureen Tooke: Good afternoon. Welcome to our webinar on EPA Decentralized [MOU] Partnership Webcast Series. This is the first in our Series we'll be doing. Today, we'll be talking about using green product reserve funds for decentralized wastewater projects.

I'll begin by introducing our speakers for today. Our first speaker is Rebecca Fugate from the Ohio Department of Health. Rebecca is currently Program Manager of the Residential Water and Sewage Program in the Bureau of Environmental Health at the Ohio Department of Health, which regulates the private water systems and the sewage treatment systems. For the last 14 years Rebecca has been working at the Ohio Department of Health on program improvement and implementation, including legislation and rule revision and enforcement and training.

Our second speaker today will be Jim Bonk with the Ohio EPA. Jim has 28 years of infrastructure planning and financing, starting with implementing the Federal Construction Transfer Program in Ohio. He participated in the creation of the State Revolving Loan Fund in Ohio, which has pioneered many creative uses of SRF money to improve water quality. Jim is

an active member of the Small Community Environmental Infrastructure Group, a consortium of State and Federal funding agencies that offer both financial and technical assistance to small communities across Ohio.

Our third speaker today will be Katherine Hess with the U.S. EPA Headquarters in Washington, D.C. She is with the Clean Water State Revolving Funds Team here at Headquarters. She has helped write the Green Products Reserve guidance for the American Recovery and Reinvestment Act, or ARRA. Most recently, Katie and the team have been traveling to all the state Revolving Fund Programs to conduct management and oversight reviews of ARRA funds.

Let's see, next slide, just an overview for today. We will discuss why and how Ohio pursued funding to replace and repair decentralized wastewater treatment systems, the roles and responsibilities of the state and local governments, the lessons learned by Ohio, and other funding mechanisms and opportunities that are available for onsite projects. Then we'll have a national overview from EPA Headquarters on other states, about other states that are doing decentralized projects under the Green Project Reserve.

Just a tiny bit of background on ARRA, in 2009 they had a provision in it for onsite project reserves wherein 20% of the monies the state spends on the projects fall under this category. The four categories of Green Project Reserve are green infrastructure, water efficiency, energy efficiency, and environmentally innovative projects. They are decentralized as specifically identified. And the language for that is remaining in the 2010 appropriations.

And now we'll hear from Ohio on their success story. Okay, I'm trying to show my screen, is it showing up? Yes, it is. Okay, great.

Rebecca Fugate: Good afternoon, my name is Rebecca Fugate. I'm with the Residential Water and Sewage Program with the Ohio Department of Health. I'm going to start out by talking about why Ohio chose to try to pursue this type of funding for residential systems in Ohio.

We have an estimated 1 million home sewage systems installed in our state. We have very old rules. We have minimum state rules that were established in 1974, and we've had no substantive updates to those rules since that time. We've had a period of significant legislative authority and rulemaking that's been in flux.

So we knew we had a failure rate that we estimated somewhere around 25%. Now, we started to look at some of the data about our failing systems, and because we've had a lot of legislative turmoil in our state, we were in the process of doing some research, and I'll be talking about some of the research and data we collected about our failure rates. We also, at the same time, have been working on exploring options for funding.

Our 2000 census data showed that we have 350,000 homes that were at or below 200% of health and human services poverty levels in rural areas. We took this information off GIS, the census data tables for the state, and we looked specifically at areas that were outside of identified

municipal boundaries. These are the actual number of homes that we believe are served in rural areas.

Patrick Jones: Hey, Rebecca?

Rebecca Fugate: Yes.

Patrick Jones: This is Patrick. Could you put your slide show into full screen mode for us?

Rebecca Fugate: I did have it in full screen mode, just looking at what I'm seeing.

Patrick Jones: Are you operating with two monitors or a single monitor?

Rebecca Fugate: No.

Patrick Jones: Because we're seeing your presentation as if it were opened in PowerPoint, like if you were editing it. And we're on slide one, the title slide.

Rebecca Fugate: One -- actually, my screen is paused. Is that better?

Patrick Jones: There we go, there we go.

Rebecca Fugate: Sorry, I probably pushed the wrong thing.

Patrick Jones: Thank you.

Rebecca Fugate: Okay, we'll try to go back. Okay, here we go. So here's my slide about the 1 million systems rules established in 1974 and our proposed, estimated failure rate. And then we looked at our census data and we found that we had had these homes we estimated at a 25% failure rate.

We had this many households, about 87,500 that would need replacement. And we have an average system replacement cost in Ohio of $8,100. So, of course, there was a substantial amount of money that we would need to have to look at trying to get some level of funding to repair and upgrade these systems even for persons at 200% or below the health and human services poverty level.

Because of the legislative turmoil going on in our state our director was required to provide a report to the Ohio Legislature to survey the Boards of Health concerning the operations and failure rates of the systems. We did create this report. If anyone on the call is interested, it is on our web site.

We looked at several different pieces of information, the 2008 integrated water quality monitoring report that Ohio EPA is required to prepare as part of the Clean Water Act, the total

maximum daily load reports that were prepared for about 121 subwatersheds enforcement data, area-wide cleaning data, and a very comprehensive survey we did with our local health district.

This leads to some of the reasons why we needed to find funding. The total maximum daily load reports looked at 121 subwatersheds, and 84% identified an impairment from bacteria, coliform or pathogens; 76% reported the home sewage systems were a suspected source of impairment. And there was a direct identification of over 15,000 failing systems in those sub watershed assessments. So, needless to say, we've got areas with large numbers of discharging sewage treatment systems.

In addition, the Ohio EPA from 1986 to 2007 identified 236 communities with failing systems where we have identified public health nuisances or we're under administrative orders for repairs or connections to public sewers.

Our own data that we were collecting from permits showed that 30% of the permits that were issued, and this was from 2007, the EPA issued about 15,000 permits/year. With the economic decline, we're down to about 7,000 permits a year. And about 30% of those are for alterations or replacements.

This is just a summary of the data we collected from our operation and failure rate reports. Of the local health districts that reported, we had about three-fourths of them report to us of an existing 532,000 systems. And, like I said, not all of the health districts did report. Of those 33% failure rate, currently 14% are proposed to fail in the next five years. And then the report broke-down the percentage of existing systems and percentage of failing systems by region. So you can see we had a fairly even spread across the state of our failure rates.

I think this was the number that was most distressing to us because we identified whether or not systems were discharging. We're one of the few states that have historically allowed the installation of discharging systems – 37% of the systems that were reported to us were discharging systems, 63% were soil-based systems. Obviously, that's a huge amount of fluid discharging daily from these systems, which is a big concern.

The other part of the report that I wanted to note was that we did ask local health districts to identify, when they had identified failures, what they identified as the physical reasons for failure. As you can see the largest percentage of criteria for failure was the old – because they were old systems, they're aged, that they were direct discharges that exceeded MPDES or public health standards in our state. And that, of course, our challenging soil limitations here in Ohio had caused failures.

So this combination of age and the large number of discharging systems prompted us to start to look at what funding options were available out there. We also were under a significant amount of pressure from our state legislature to help find solutions.

When the projects, the stimulus funding first came out there and they started to talk about the

operable funding category, we identified that ARRA money was provided to the State Revolving Loan Funds for water and wastewater management, with this portion to be set aside in each state for the Green Reserve Project. And, of course, we saw that decentralized systems were identified as an eligible fund category under the innovative projects category.

So at that time we approached Ohio EPA and had meetings between the two directors of the two agencies to request funding to repair and replace them. That's when we started to sit down, and once we got agreement from Ohio EPA that it was useful, that it was good to move forward, we got the support from the Ohio Governor Strickland to do that. We did move forward in crafting and putting together a program.

And at this point the presentation is going to be turned over to Jim Bonk, and he's going to talk about the actual nuts and bolts of how we did that.

Jim Bonk: Do you have my screens? Hello?

Patrick Jones: Your screens, if you'll just put it into presentation mode? So if you'll go to slide show, on the top where it says "home insert design animation" and then "slide show?"

Jim Bonk: I don't see the board you're talking about?

Patrick Jones: On your PowerPoint slide, above the title slides, in the top left-hand.

Jim Bonk: Okay.

Patrick Jones: -- you see "home insert design animation," and then "slide show," click on "slide show."

Jim Bonk: Sorry about that.

Patrick Jones: And then hit from beginning, over there on the left? There you go.

Jim Bonk: Well, good afternoon, everyone. I'd like to welcome you to our webcast today. And I'm Jim Bonk with the Division of Environmental Financial Assistance here in Ohio. And I'd like to start-off here – I'm having some technical difficulties here – I've lost my ability to shift the slides.

Patrick Jones: Just – Jim, if you'll just click on your slide? Just anywhere on the slide?

Jim Bonk: Okay.

Patrick Jones: And then you can use the arrow keys on the keyboard.

Jim Bonk: Okay. Thank you very much. Well, the first thing we had to do here in cooperation

with the Department of Health is determine how much money we were going to make available for this. And initially we determined that given the reduced timeframes you would have under the ARRA funding we made $5 million available. And of course, this money was administered through our State SRF, the water pollution control of it.

The next step was to determine how we were going to distribute the money. Obviously, it would have been very difficult to work directly with the homeowner on these loans. So county municipal governments or water and sewer districts were eligible. We had counties apply, municipal governments apply, but no water or sewer districts. We began the process of sending out nominations asking for dollars requested and proposed number of systems they would replace.

In terms of funding criteria, we wanted to reach those folks who probably could not afford an upgrade without substantial assistance. So we determined that we would provide principal forgiveness on 75% of the cost of an HSCS upgrade with a 25% system owner match.

And, as Rebecca alluded to, the number of homes that hit that 200% of the health and human services poverty level guidelines, we chose that 200% as the top-end for eligibility. For a family of four this was $44,000, and due to the timeframes associated with ARRA, they had to be under contract by November 1, 2009 with completion by Spring 2010, and we made our first loan actually in July 2009.

And in determining what kind of contributions from the homeowners would qualify as 25% matching funds, obviously, direct cash payment was acceptable or funds which were obtained from local, state, or other federal programs, or in some cases charitable organizations. We also included the money that was spent upfront on site-soil evaluations or system design work, and that was as long as the work was contracted after October of 2008, since that was a requirement of ARRA. And, lastly, we included the money which was spent on permit fees.

The end result of the project was that we had 45 loan recipients spend a total of $3,471,000 in completing upgrades and a total of 455 systems were upgraded. So we were pretty pleased given the short timeframe with the success of the program.

Next, I'd like to go through some of the roles and responsibilities associated with the various players in this process. First, I'd like to focus on the counties and the municipalities and some of the actions which they performed to obtain the loans, and then implement the projects.

First of all, they entered into a loan agreement with us to obtain the principal forgiveness loans. It was their responsibility to review applicants, check their eligibility, including the demonstration of the ability to provide the 25% match. They verified local income levels. Selected applicants, and awarded the contracts for installation. They also were responsible for obtaining verification from the Health district that the system was failing and an upgrade is needed.

At the end of the process they obtained a copy of and verified the Health Department permit, Health district permit, and the certification from the Health district that the completed installation was done and approvable.

Their next task was to submit an invoice to Ohio EPA for payment of the system upgrade, including the required documentation. We would cut a check to the county after reviewing the invoice and they would be responsible for processing payment to the contractor.

Moving on to the homeowner, some of the responsibilities they have. First of all, it's critical that they provide permission for site access, both for the site inspections and for the installation of the upgrade. And they're also responsible for obtaining the operation permit that is required by the local health district.

Moving on to the health districts, they were responsible for assisting the borrower, identifying the failing systems, and providing information to the system owners of the availability of the ARRA funds. They reviewed site and soil evaluations, issued a permit for installation as appropriate, and acted really as our eyes in this field doing inspections during installation and final inspections after installations to ensure a successful HSTS installation. They were responsible for providing the final approval to the county or municipality that the upgrade had been completed and issuing the operation permit to the system owner.

And, lastly, they were responsible for implementing an inspection and operation program for system improvements which were assisted by our ARRA funds. This was very critical to the SRFs because you want to ensure that the money is used appropriately and provides the results you were looking for. So anyone who received a loan from us was required to have an operation inspection, an operation program to ensure proper maintenance throughout the life of the systems. And, lastly, the health district was responsible for continuing enforcement throughout the life of the system to ensure that the system functioned as planned.

The Department of Health was a marvelous partner for this effort. They assisted us. They assisted the borrowers and the local health districts with questions regarding the application processes. They helped with contacting the area homeowners. They provided ongoing technical support with the system evaluation and permitting.

This assistance was extremely important, you might say critical, due to the relationships between the Department of Health and local health districts. It would have been very difficult for Ohio EPA to duplicate that relationship in short order. And I'd like to emphasize that the frequent communication really is critical.

We held regular conference calls in cooperation with the Department of Health, with the local health districts and the loan recipients throughout the project period. We would discuss the loan award process, construction process, inspections, and at the end of the ARRA process how to close-out the final reporting. This was an enormous help in avoiding mistakes and potential difficulties.

For us here at Ohio EPA we received project applications and entered into the principal loan forgiveness agreements with borrowers. We coordinated the required contractual and reporting requirements, reviewed and approved payment requests, and authorized the disbursement of funds to the local municipalities and counties. As with all SRF projects we conducted the environmental reviews and complied with all other requirements.

Some of the challenges we faced during this first effort were meeting the ARRA requirements or data taken on prevailing wage by American contract, the necessary contractor bonding, and reporting requirements.

Another thing that was somewhat different for us is unlike a traditional wastewater, centralized wastewater project, this had a very much decentralized contract process. We did not have as much direct control in reviewing bids and awarding, overseeing the award of contracts as you might have on a traditional wastewater centralized project.

So we would monitor the local bidding process, and it was also a learning experience working with the local legal, administrative structure. There were varying relationships between the Health Departments and how they handled their contractual agreements with the counties. And, in effect, many of the counties actually signed another contract with some local service agency to perform many of their duties for them. This included the CHIP Program, Community Housing Improvement Program, and regional planning agencies or local service agencies, but our loan was with the county.

And for the future were proposing to continue this program into 2011, again using principal forgiveness. And one of the things we learned from last year was that even with the 75% principal forgiveness there were a fair number of people who could not afford the 25% match.

So for this year we're using the Health and Human Service 2010 poverty guidelines, which again sets a maximum level of $22,050. But homeowners who are up to 100% of this guideline, in other words don't make any more than $22,050, will receive 100% principal forgiveness, so they will not have a match requirement in this route. For those homeowners between 100% and 200%, and the top end of that is $44,100, they will receive 85% principal forgiveness funding with a 15% homeowner match. And we will also include the costs of their operational permit in the principal forgiveness loan.

Another suggestion was going to require all draft contracts with the installers to be submitted to us in draft form so that we can ensure compliance with the Water Pollution Control Loan Fund *(WPCLF)* Program requirements. While it is a difficult challenge, it's not an insurmountable task, and we really look forward to continuing this program in the future.

And on our last slide you'll see our contacts, and I would encourage everyone to look at our draft program management plan, which will be posted on our web hopefully as early as next week. You'll find an appendix in there which details in much greater detail than I've covered today our

HSTS Program for 2011.

And you'll also see a couple of other offerings which we've had for a number of years, other ways the SRF can reach this type of decentralized project, including a linked deposit program and direct loans to the counties. And so I would encourage you to keep your eye out for that in the coming week. And I thank you for your time.

And I will turn it over to Katie. Hello?

Katherine Hess: Thanks, Jim. I'm going to try and get my slides up here. So can you see my slides? All right, I'll go ahead and get started. Thanks, Jim.

My name is Katie Hess, and I work in the Clean Water State Revolving Fund Branch at EPA Headquarters. And what I'd like to do is briefly review the CWSRF Program, specifically focus on changes to the program in recent years, some accomplishments, and maybe some projections for the future. Then I'd like to use the second half of the presentation to discuss how the CWSRF has been used to finance some great decentralized projects in states maybe other than Ohio.

So this is sort of the cost schematic that shows how money moves in and out of the Clean Water State Revolving Fund for each state. The green arrows, of course, signify the source of income and the purple arrows indicate expenses.

And what I'd like to do is draw your attention to the right side of the slide, and so the SRF can fund three categories of projects. And these categories are the publicly owned wastewater treatment works, which I refer to as 212 projects. There are, of course, the nonpoint source projects, which are known as 319 projects, and that would be an example of a decentralized treatment project. And, lastly, actuary production projects, those are known as 320 projects. And this last category is how the CWSRF can get to the privately owned projects, for those projects that are located within one of the nation's 23 national actuaries.

All right, this is a little status update here on the SRF Program. Since the SRF was established back in 1987, it has provided $84 billion of financial assistance to water quality production projects.

These two pie charts show the break-down of this funding. As you can see from the chart on the left, 96% of the CWSRF financial assistance goes to those 212 projects that I just mentioned, which are those large municipal treatment facilities. The remaining 4% is split between the 319 and 320 projects, which is where our decentralized projects, among others, are categorized. So there is a lot of money out there, and less than 4% is going to these decentralized projects.

This slide just lists some of the program accomplishments over the history of the CWSRF. Most notable and sort of what I want to point out with this slide is the fourth bullet, which shows the average savings of 22% off the cost of the loan. This savings percentage will likely become even

more attractive now that additional subsidization has been introduced to the base program for FY 2010 and proposed for FY 2011. And the graph on this slide shows the average savings over time.

So all of these statistics that are listed here include the funds that the CWSRF Program received from the American Recovery and Reinvestment Act, which is what I would like to discuss next. And I know it's not breaking news to anyone that the CWSRF Program received $4 billion from the American Recovery and Reinvestment Act, and with these funds, of course, came several new requirements that are listed here – the one-year deadline, the 50% additional subsidization by American wage rates. And most relevant to what we are talking about today, the Green Project Reserve.

So the Green Project Reserve categorically accepted decentralized projects under the category of environmentally innovative. In fact, decentralized projects were specifically called out as the only example of an environmentally innovative project in the ARRA legislation.

Since 20% of the ARRA Funds had to go to the Green Project Reserve projects and since decentralized projects can generally be considered shovel-ready because the planning and approval process takes a relatively short amount of time, many states chose to use 20% of their GPR funds for decentralized projects.

New Hampshire actually is an example of a state that had not funded many decentralized projects in the past, but with ARRA New Hampshire was able to fund about a half a million in decentralized projects which made-up about 5% of their total Green Project Reserve.

All right, so now I'm on the slide titled $1.3 billion in GPR funding. Nationally the CWSRF surpassed the Green Project Reserve for requirement by more than $200 million, so that was quite an accomplishment. The CWSRF funded a total of 755 green projects, which as you can see on this slide totaled $1.13 billion. Of that $1.13 billion, $2.5 million went to the environmentally innovative category.

Now, unfortunately, I can't tell you exactly how many decentralized projects were funded with ARRA dollars because we only required reporting to the detail of which category of GPR, not to the detail of specific project type.

But I can tell you that in FY 2009 the CWSRF representatives collectively funded a total of more than $12 million in decentralized projects, and in 2010 the CWSRFs collectively funded a total of $20.5 million in decentralized projects. And I have a couple more maps that will look at this national data in more detail in just a few slides, so we'll get to that.

In addition to passing the Green Project Reserve requirement by 10%, I also wanted to highlight some of the other CWSRF accomplishments. Those are listed here, and since February 17, 2010 when all 51 programs certified that all of their ARRA funds were, in fact, under contract, the EPA and the states have been out conducting oversights to ensure that, well, for example, all of

the iron, steel, and manufactured goods are, in fact, American made and that any foreign materials were approved by waiver, that all datas taken, wage requirements are being followed. We can expect this oversight to continue for at least another year.

So in the meantime, in addition to this oversight that's going on, I just wanted to highlight here the FY 2010 and 2011 appropriations. There's the FY 2010 appropriation, and as of this month the proposed FY 2011 Presidential budget, the 2010 appropriation had many of the same ARRA requirements, such as the 20% Green Project Reserve, additional subsidization, datas taken all attached to it. And these requirements have also been proposed in the 2011 Presidential budget, although I want to make one note that the 2011 proposal suggested that a 30% additional subsidization be a ceiling and not a floor. So no more than 30% - I just wanted to point that out.

So here are the five that I mentioned on looking at funding for decentralized projects on a national scale. This map shows the states that have funded decentralized projects. The states that are in red funded decentralized projects last year in fiscal year 2010, and the amounts funded by each of these states in red is indicated like at the end of the arrow there.

So, as you can see, Ohio is one of the top three states to fund decentralized sewage treatment. The yellow states have a history of providing assistance to the decentralized projects but did not, in fact, fund any decentralized projects in 2010. And, lastly, the green projects, they've never funded decentralized projects.

This map is just slightly different than the last one in that it shows the cumulative assistance provided to decentralized projects. As you can see, Minnesota is by far the largest funder of decentralized sewage treatment. It had surpassed the next closest funder, which is Washington State, by more than $45 million.

So in my next couple slides I just wanted to briefly highlight the Minnesota program since they are, in fact, the largest funder of decentralized sewage treatment. Well, Minnesota, as you may know, is a state with many lakes, and the 2006 the Clean Water Legacy Act was passed to protect these lakes. But even before the Clean Water Legacy Act was passed, the Minnesota Clean Water State Revolving Fund had placed a high priority on projects located near these lakes. The Minnesota CWSRF would only finance onsite or cluster systems and tried to avoid funding any centralized sewers in or around these lakes. This was in an effort to avoid urbanizing along the coast lines of their precious lakes.

The other reason that Minnesota preferred to finance replacement of individual sewage treatment systems as opposed to community systems was because once the community assumed responsibility for the operation and the maintenance and the eventual replacement of the system, it will be the responsibility of the community forever, and Minnesota was trying to avoid that responsibility.

So in looking to finance the replacement of the individual sewage treatment systems Minnesota developed several funding options for the homeowners. The first is the Minnesota Agriculture

BMP Program, which has funding from the CWSRF and some state funds. Through the Ag BMP Program, communities received annual funds which they then loaned to local banks. The banks, in turn, worked with the homeowners to finance their septic upgrades. Since this program was established in 1996, a total of $17.6 million has gone to about 3,000 individual sewage treatment systems in Minnesota. It's been pretty successful.

The second option listed here is the Minnesota Clean Water Partnership program, which also receives CWSRF 319 funds. This partnership ensures that the construction of the individual sewage treatment systems are in line with the state's watershed restoration plans, so that's very important. And in this case, the homeowners actually receive a loan directly from the county or watershed district. This partnership program has funded about 4,900 projects which totaled about $30 million. The last example on this slide does not actually receive CWSRF funds, but it is just another option for homeowners, and so I just wanted to throw that on there.

This slide here lists funding options for community systems. The last slide listed funding options for private systems, and this one is for community systems. What I want to point out here is that the Minnesota CWSRF Program follows a watershed treatment hierarchy process in order to decide what type of treatment system is best for the specific area that a project is located, and that hierarchy system is listed right here.

As you can see, the number one choice, which is best option, is to simply replace the individual sewage treatment system so that maintenance of this system remains the responsibility of the homeowner and that it does not open up the land to development. The second best option is a cluster system, shown in the middle picture at the bottom of the slide. The options then become increasingly less attractive as you go down the list there. The absolute last option for Minnesota is to construct a new wastewater treatment facility.

So this slide titled unsewered area project examples is an example of the type of information that Minnesota would need in order to rank the projects using that hierarchal system. This is just a sort of generic drawing of an unsewered area, obviously not to scale or anything. It just shows the different types of projects that Minnesota might consider for this area.

The big blue blob right in the middle is an example of a Minnesota lake, and the little squares are examples of individual lots of private property. The four colors of the squares represent the four different categories to which properties can be identified as. So the red squares indicate that this property, that the individual sewage treatment system on this property poses an imminent threat to public health. That means that there is direct discharge of raw sewage either through the drain tile or on the surface of the ground.

The yellow squares equal properties that fail to protect the groundwater, and this is defined as a drain field with less than three feet of separation to the groundwater. The gray squares are property lots that are too small to meet the required setbacks from property boundaries, wells, or water bodies, and the white properties are in good shape and conforming to all Minnesota 70.80 rules, which is the individual subsurface sewage treatment system rules.

So with this information, Minnesota can then decide whether or not to replace the onsite system or to hook-up the homes to a decentralized cluster system, as is being considered in Circles A, B, and C, or to connect to an existing facility, which is being considered in Circle D. These are examples of how Minnesota uses their decision making hierarchal system to decide on which projects to fund.

In addition, I want to point out that regardless of which type of funding the project receives, meaning whether it's getting funding from the Ag BMP Program or the Clean Water Partnership Program, or the Small Communities Wastewater Program, the project has to be ranked on Minnesota's project priority list. The projects are ranked according to two conditions. The first is the degree of noncompliance and the density of the systems, which is what we just looked at in the last slide.

All right, so from the CWSRF perspective there are several benefits to funding decentralized sewage treatment, and I have some of those listed here. The first is that decentralized systems can be planned and installed quickly. The other benefit is that there's a lot of flexibility, meaning loans can be made to governments or nonprofits or individual homeowners, and who can in turn finance onsite systems or clustered systems.

Also, while on the topic of flexibility, this slide lists the mechanisms through which a CWSRF loan can be made. The first is obviously a direct loan which we made to a variety of eligible borrowers, ranging from the large municipality to the small private homeowner. The second mechanism to distribute the CWSRF funds is called a pass-through loan, and I know that Ohio is very familiar with using the pass-through loans to finance their decentralized projects. Essentially a pass-through loan is when a loan is made to a recipient, such as a nonprofit organization, and then the nonprofit in turn distributes and manages a number of smaller loans directly to the homeowners. This model works really well for funding the smaller 319 nonpoint source projects, and actually EPA Headquarters often uses Ohio as an example of a state that utilizes this funding mechanism very well.

The third example is a mechanism used by Minnesota. We've talked about linked deposits. A linked deposit loan is when a loan is made to a local bank and the bank distributes and manages smaller loans with their own customers. This model can work well because the homeowners are typically more comfortable with dealing with their local bankers than maybe the state.

Lastly, a sponsorship loan. A sponsorship loan or sponsorship program is something that we haven't yet discussed, and that's when a large municipal wastewater treatment facility gets a CWSRF loan, but it agrees to sponsor a smaller project in return for a lower interest rate. So the terms of the loan are set so that the savings achieved by lowering interest rates actually equal the costs to say repair a dozen failing septics. So that's another option.

And then at the very bottom of the slide I have some of the types of additional subsidization that can be offered to encourage certain types of decentralized projects over other types of projects.

Wrapping up here, I wanted to list all of the eligible CWSRF borrowers that you can see here, and also all of the eligible repayment sources because I know that funding, finding repayment sources for nonpoint source projects specifically, such as decentralized projects, can be challenging. So this slide lists a bunch of different repayment options for CWSRF loans.

And so that's all I have. I think I'm going to turn things over to Maureen now, and maybe take some questions. Thank you very much.

Maureen: Okay, we're going to do our question and answer portion now. Before we start that, though, to ask questions you can do it online. Patrick, if you can give a little more instruction if folks aren't familiar with how to ask questions. We're doing them online rather than verbally.

Patrick Jones: Be glad to go over that. If you are in the audience and you would like to ask a question, please go to the webinar panel. If it has minimized there's a little orange arrow in the upper right-hand corner of your screen, which you can click to get the panel opened back up. And at the bottom of that panel there's a questions pane. Simply type in your question there and hit submit to send it to Maureen, and she will ask it to the appropriate presenter. Thank you.

Maureen: Okay, and one more thing before we start answering some of the questions that we've received, if we could do a poll to see how many folks that we have on the line? I see our attendees list but some folks may have more than on person in a conference room. So if we can do that, I think I can do that, can I not? I think –okay, is it – let's see.

Patrick, is it just in the polls part, and then everyone individually, is that how many people are in a room?

Patrick Jones: It should be in the polls section for you. If not, I will bring it up here shortly. You can go ahead and start with one of the questions, and when it's ready I'll bring it up.

Maureen: Okay, great, great. Thank you. Okay, our first question is for Ohio. Of the 45 projects that were funded were they on the intended use plan or was an amendment needed? Who owns the new system and who maintains it over the coming years, decades? Jim or Rebecca, if you could answer that question please? You need to unmute yourself for us to hear you.

Patrick Jones: Let's get them all unmuted.

Maureen: Okay, great.

Patrick Jones: All are unmuted.

Jim Bonk: Yes, all 45 of those loan recipients were on the intended use plan. And could you repeat the rest of the question please?

Maureen: Yes, who owns the new system and who maintains it over the coming years and decades?

Jim Bonk: The system is owned by the homeowner, and they are required to maintain the system, and that's the main reason why we required that the health department have an inspection and enforcement program in place for the life of the system.

Maureen: When is the deadline for the FY 2011 funding proposals? How do they apply? Katie, I believe that's to you or is that directed.

Katherine Hess: No, I think that's to the state.

Maureen: Oh, okay, that's Ohio's question? Okay.

Jim Bonk: Could you repeat that please?

Maureen: Sure. When is the deadline for the FY 2011 funding proposals? How do you apply?

Jim Bonk: Do we have a nomination deadline? Yes, we've yet to establish the nomination deadline. Currently the PMP is still here at the Agency, and we hope to have the final approval from our director and have it posted on the web next week. In all likelihood, it'll be around Thanksgiving or early December for the deadline for nominations.

Maureen: Okay, let's see, our next question is to Rebecca. Was 200% of the federal poverty level use in Ohio?

Rebecca Fugate: Yes, I believe it was 200% health services poverty guidelines, and that was the maximum income that they could have. And it was a challenge in some areas, and we had some portions of the states where people exceeded that and some where we had a lot of applicants. So I think the goal with this first round of funding was to make sure that we could try to reach out to folks that were most in need in our area and the different areas of the state.

Maureen: Okay. Thank you. Our next question is for Katie. Would you address the situation in some states where privately owned systems cannot be funded?

Katherine Hess: Okay, well, CWSRF will not fund new, privately owned systems. We only fund the replacement of privately owned systems.

Maureen: Okay.

Katherine Hess: And then the other example I would give is outside of a nationally-recognized actuary, we cannot loan to a private borrower, so that would be another restriction. Those are the two I can think of.

Maureen: Okay. Okay, let's see. Our next question is is there a requirement to connect to a public wastewater system if the system is within a certain distance of the pipeline? This may be a state-by-state thing?

Jim Bonk: Yes, it is. In Ohio it's 200 feet.

Rebecca Fugate: Yes, it's 200 feet if it was a publicly owned system.

Jim Bonk: Correct. And also I might mention also we did ensure that these HSTS upgrades were in areas that weren't in any proximity to a sewer that existed or in an area that was likely to be sewered in the near future.

Maureen: Okay, next question. I think this may be directed to Katie. In West Virginia we have many individual homeowners on very small lots that needed a centralized cluster system, but the public service districts want to use SRF only for extension of centralized. How can the U.S. EPA help small communities more?

Katherine Hess: Excellent question. And I know that West Virginia is a big funder of decentralized systems, particularly cluster systems, relative to some of the other states. So what I would do actually is direct you to the West Virginia CWSRF website. I think that would be the best place to get more information on specific West Virginia questions.

Maureen: Let me see, yes, we are hearing – I'm getting a comment – we're hearing a lot of typing, so if one of the presenters is typing or the organizer if you could mute yourself or cease typing?

Let's see, and the next question is how would decentralized fall into a storm water district? I believe Katie, this is yours. Because Katie's last slide indicated the storm water district can charge fees.

Katherine Hess: So can you repeat the question one more time? Sorry, Maureen.

Maureen: Yes, how would decentralized fall into a storm water district?

Katherine Hess: Yes, that was one of the examples of a repayment source. I actually don't have the answer to that but I can certainly add it to my slide, and then when we post the slides have it there. I'm just not sure off the top of my head.

Maureen: Okay, all right, we'll get that answered for you, Amanda, okay?

Let's see, from a design perspective what are the types of decentralized wastewater treatment systems? Which of these types qualify for Federal funding? Katie, I think that's you?

Katherine Hess: Well, I can't really answer specific design types. I'm not an expert on that kind of thing.

Maureen: Right, well, I'm not an expert so much but I can tell you that there are many design types. Each state has an individual approval process for approved systems that are allowed in the state. They each have their own process, and they have a list of their approved products that are allowed to be used in the state.

You can go to the states' websites to just determine that information, and that is actually something that we are working with the state onsite regulators to develop that to be more easily accessible for states looking at that information. And you can also go to the EPA's website, www.epa.gov/septic, and find out more information about the different types of onsites, whether they're individual or cluster.

Let's see, another question for Katie. How many decentralized wastewater projects were funded with ARRA?

Katherine Hess: Yes, I actually – sorry, go ahead and finish?

Maureen: Yes, how many dollars and what percentage of ARRA and the decentralized category?

Katherine Hess: Right, so that was like information I would have loved to have, but for ARRA we only required reporting to the degree of which category of GPR the projects fell under. We did not require reporting as detailed as what project type. And so I didn't have that specific information as to how many, how much ARRA dollars were spent on decentralized.

But I did give information for especially like 2009 collectively states spent $12.36 million on decentralized projects, and for Federal fiscal year 2010 collectively the CWSRF spent $20.52 million on decentralized projects. So that's information from the National Information Management System, which is our data collection system for CWSRF.

Maureen: Okay, great. Thank you. There's a question for Jim. On the environmental review, are they done for each system, each borrower's project, or the program as a whole?

Jim Bonk: For the purposes of ARRA, we did a programmatic assessment, going into the new year we intend to do an environmental review on each one of those. But we did submit to all the reviewing agencies, OHPO and flood plain and that. We're fortunate in that with the siting criteria for online systems here or HSTSs here in Ohio since the health department was involved in siting the facilities they would not be in flood plains, floodways, they were generally in places where the ground has been previously disturbed. Due to the nature of the installation and the location of the installation it wasn't too tough a task.

Maureen: Okay, great. We have a two-part question here. This is directed at Katie. Did

ARRA fund advanced systems or conventional? And then did the ARRA funds then create a perpetual loan program?

Katherine Hess: The first part of the question I can't specifically speak to that as to whether it funded advanced, because like I said we didn't require specific reporting, and we have to go and get that information from each individual state.

And then the second part of the question, Maureen, can you say it one more time?

Maureen: Sure. Did the ARRA funds then create a perpetual loan program?

Katherine Hess: No, I would say that, no, the ARRA funds did not create a perpetual loan program. There's two things here. First is that the ARRA also was able to provide additional subsidization, so a lot of the projects that were waiting in an – on an IUP to get funded got funded with the ARRA funds or communities that would not otherwise be able to afford a loan were able to take advantage of the additional subsidization from ARRA and get funded. So, no, I don't think that it created a perpetual loan.

Maureen: Okay.

Rebecca Fugate: Maureen, just for backup, I might try to take a stab at answering the first part of that last question.

Maureen: Sure. Okay.

Rebecca Fugate: The loans for repairs and replacements in Ohio were typically on sites that already had failures, so that meant we had some type of a site challenge to that lot so it could have been a size challenge or soil limitation challenge.

And for the most part in our state in order to repair or replace a system in those types of challenging lots, you're looking at an advanced type of treatment system. And the Ohio Department of Health did have a list of approved systems and components that were authorized for use based upon the site conditions that were evaluated, and that was a requirement of receiving that funding.

So I would say even though we don't know specifically every type of system that were in there, and actually we're going to try to go back and collect that data, they would have been mostly all advanced type systems with either components or else looking at enhanced components with full absorption, whether that be a drip or mounds or some types of low-pressure pipes or some type or kind of those systems.

Maureen: A question for Ohio, how did Ohio address the bias to want to connect onsites to central sewers versus repair or replacement of failing ones?

Jim Bonk: Go ahead, Rebecca?

Rebecca Fugate: Well, we have specific requirements in Ohio law that if you are within 200 feet of a publicly funded sewer you were required to connect. There's no option not to. So if they were within 200 feet they have to connect. Otherwise, the replacement and repairs were based upon the state criteria.

Jim Bonk: Right, and in many of these areas due to the economic conditions, even if they would have been a cost effective distance to a sewer, just the cost of laterals and these are really high growth areas, much of it, a good portion of it was in Appalachia and Ohio. There's not quite the growth pressures or the bias, let's say, against decentralized treatment in these rural areas.

Maureen: Okay, another question for Ohio. How many straight pipe systems have been upgraded near streams rather than lakes?

Jim Bonk: I don't have that information.

Rebecca Fugate: Yes, I don't think we collected that data.

Maureen: Okay.

Rebecca Fugate: I mean you saw our statistics; 37% of our systems are discharging.

Maureen: Right.

Rebecca Fugate: And most of them are discharging to streams and road ditches, the vast majority.

Jim Bonk: Rebecca, we might point out, though, of the systems that were done each one was required to have an MPDS discharge permit from Ohio EPA.

Rebecca Fugate: Ohio does have a general permit for household systems, so if they were a replacement, if the funding was for a replacement discharging system then they had to obtain the coverage under the general permit and register their systems. And then there were other requirements for discharging system because they have to have a service provider contract and annual sampling, as well.

Maureen: Great, thanks. Another Ohio question, were rural nonresidential, for example, schools, small business, church with a failing onsite system allowed to participate?

Jim Bonk: No, we just strictly focused on owner occupied homes, existing homes.

Maureen: Okay. Thank you. To Katie, how does a state that has never funded decentralized

treatment go about changing that? Any upcoming deadlines to watch out for?

Katherine Hess: No, no upcoming deadlines to look out for. I would suggest maybe speaking with your region about setting up your decentralized program.

Maureen: One of the questions I've had from a few folks is about the information on our slides. They will be made available. We are going to post them on our website and also on our Wiki page, as many of you are registered, we will get that information out to all of you as we have all of your registration information, your e-mail from registering for this webcast, so we will get that all out to you.

Has any water quality monitoring taken place within the states that have upgraded most systems? There seems to be a limited loan reduction data associated with onsite system upgrades. I'm not sure we can answer this at this point.

Jim Bonk: Yes, here in Ohio I don't have that information on hand, but all of our streams are sampled on a schedule of every so many years depending on the resource. And that data will become part of the ongoing TMDLs and water quality reports. So it just becomes part of the ongoing evaluation of water quality in the watersheds throughout Ohio.

Maureen: Okay, another question for Ohio. How did Ohio handle the requirements that funding recipients have all onsite systems under contract by the February 17th deadline? Washington State had applicants that could not have all residential failures identified since they usually handle individual septic loans on a case-by-case basis.

Jim Bonk: Oh, could you repeat that once more please?

Maureen: Sure. How did Ohio handle the requirement that funding recipients have all onsite systems under contract by the February 17th deadline? Washington had applicants that could not have all residential failures identified since they usually handle the individual septic loans on a case-by-case basis.

Jim Bonk: Go ahead?

Rebecca Fugate: I was going to say maybe if you want me to start with that. We reached out to our local health district, so when we first decided that we were going to move forward with this. Our local health districts, most of them had like existing list of nuisances, where people never had the money to get them corrected, get these systems corrected. So we reached out quickly and early to our local health districts and said start to put together your list. Some of you have these lists already. If you don't, start to pull them together.

If you'll recall, I talked about the operation of the failure rate survey that we did, so it was fortunate in that many of them had already pulled those lists together so they knew right off the bat where their failing systems were. And then I'll let Jim finish-up with how we got the

contracts in place that quick.

Jim Bonk: Well, I'm sure it's the same way throughout the country. Some of our counties were very adept already at issuing contracts. We had several counties which chose three contractors and had them agree to do all of their upgrades, and by parsing them out to those three contractors first of all you spread the workload, and second of all they were experienced and had done a lot of work with the county in the past, so it sped the process up quite a bit. But it was a challenge.

Maureen: Okay. Thank you. Let's see, I think that is all the questions that we have. You've answered everything. Anything that was – of the questions that we have, and the presentations will be made available. And the contact information for Jim, Rebecca, myself, and Katie will also be made available. We'll put it all together and make that – post that and get that out to everyone.

If there's any final comments from any of the presenters to our audience?

Jim Bonk: Just thank you for your time.

Maureen: Okay, great. As this is a webcast series, our next one will be in late January, early February, so look out for the next one to be coming out. And the topic to be determined, but we have several lined up. And we look forward to coming to you soon. Thanks, everyone, for your participation and your attendance.

[End of Webcast]