



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

FEB - 7 2014

OFFICE OF
WATER

Ms. Karen Massey, Chair
Environmental Financial Advisory Board
1200 Pennsylvania Avenue, NW
Washington, D.C 20460

Dear Ms. Massey:

Thank you for your letter of January 2, 2014, to Administrator McCarthy and accompanying report of the Environmental Financial Advisory Board (EFAB) entitled: "Utilizing SRF Funding for Green Infrastructure Projects." I am responding on behalf of the Administrator.

First, I want to express our appreciation to EFAB and to the authors for their hard work in producing the report. It is an impressive analytical document with much useful information on expanding leveraging in the Clean Water State Revolving Fund (CWSRF) programs.

The EPA's view of leveraging these important programs, whether by the sale of bonds, use of credit enhancements, or some other means, is that both the capacity of the programs to expand their lending through leveraging and the demand for additional funds should be established in advance of making the critical decision to leverage. Each state needs to make this assessment in the context of its own legal, policy, institutional and financial circumstances in evaluating the merits of leveraging. In recent years, we have seen increasing interest in using the guaranty authority of the CWSRFs in Title VI of the Clean Water Act (CWA) for both traditional projects and nontraditional green infrastructure and nonpoint source projects. To this end, the EFAB report is especially timely and helpful.

I have asked Andrew Sawyers, Director of the Office of Wastewater Management, to share the report with the State/EPA SRF workgroup and to provide me their feedback on the report's analysis and its recommendations as well as their ideas on how to increase the demand for CWSRF assistance through more creative use of the financial authorities in Title VI of the CWA.

Thanks again for a job well done. I look forward to further conversation on ways to expand and magnify the assistance provided by the CWSRF programs.



Sincerely,

FEB - 7 2014

Nancy K. Stoner
Acting Assistant Administrator

Mr. Bruce Stewart, Chair
Environmental Protection Agency Board
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Mr. Stewart:

I thank you for your letter of January 2, 2014 to Administrator Mallory and
accounting report of the Environmental Protection Agency Board (EPA Board)
regarding the Clean Water State Revolving Fund (CWSRF). I am responding on behalf of
the Administrator.

First, I want to express my appreciation to EPA for the support for their work in
producing the report. It is an important analytical document with much useful
information on spending investments in the Clean Water State Revolving Fund (CWSRF)
programs.

The EPA's effort in developing these important programs, whether for the sale of bonds,
the 90/10 rule, or other mechanisms, is an effort that is both the capacity of the
program to expand their lending through leveraging and the demand for additional funds
to be repaid to the states. Making the critical decision to leverage each state
needs to take into account the amount of its own legal, policy, institutional and
financial resources to covering the needs of leveraging. In recent years, we have
seen increasing interest in using the capacity authority of the CWSRF in Title VI of the
Clean Water Act (CWA) for both traditional projects and non-traditional grants.
I would encourage you to explore these options. To this end, the EPA report is especially
useful and helpful.

I look forward to further conversation with you and the staff of the Office of Water Management, as
well as the report with the states. EPA's CWSRF program and its role in providing feedback on
the report's findings and the recommendations as well as the role of states in making
the decision for CWSRF investments through state revolving funds is the focus of our
work. We will be in touch with you in the future.