



Clean Water State Revolving Fund Green Project Reserve



Case Study: CWSRF-Funded Decentralized Wastewater Treatment Projects and Ohio's Home Sewage Treatment System Program

Decentralized wastewater systems eligible for Clean Water State Revolving Fund (CWSRF) funding include individual onsite disposal systems such as septic systems and cluster systems. These wastewater treatment systems are used to collect, treat and disperse relatively small volumes of wastewater. The upgrade and replacement of publicly and privately owned decentralized systems is eligible for CWSRF assistance. Privately owned decentralized systems are eligible as nonpoint source projects (as defined in Section 319 of the Clean Water Act) if they are included in the state's nonpoint source management plan. Many states that cannot lend directly to private entities, such as homeowners, have had success with CWSRF pass-through loans. In a pass-through loan, the CWSRF program provides financing to a local government entity, which in turn provides loans or grants to homeowners or other entities.

Ohio's Home Sewage Treatment System Program

Ohio's CWSRF program funded more decentralized projects under ARRA than any other state, providing over \$3 million in ARRA funds to decentralized wastewater projects as part of its Home Sewage Treatment System (HSTS) program. This cost-share assistance program utilized ARRA CWSRF funds for the rehabilitation or replacement of failing onsite systems to homeowners whose household earnings do not exceed 200 percent of the federal poverty level. The purpose of the program is to make these improvements more affordable for low-income homeowners. The Ohio EPA made up to \$5 million dollars in ARRA CWSRF funding available for this program, and over \$3 million was provided to forty-four local government agencies, who in turn provided the funds to homeowners for onsite septic system repair or replacement. The projects funded under the HSTS program helped the state exceed the ARRA GPR requirement with over 22 percent of its ARRA grant directed towards GPR eligible projects.

The Ohio CWSRF program entered into subsidized loan agreements that included ARRA and other federal and state funds with counties, municipalities and water/sewer districts. Funds were provided as loan funds in an amount equaling 75 percent of the cost of the improvements; the entire loan amount was forgiven at project completion. The remaining 25 percent of project costs were the homeowner's responsibility. Local government agencies partnered with local health districts to solicit, evaluate, and select local applicants with failing onsite systems in need of repair or replacement. Local health districts were responsible for conducting reviews of proposed system designs and performing site inspections to ensure system installation was compliant with local and state rules as well as with ARRA requirements.

Once the local health district reviewed and approved the completion of the rehabilitation or replacement work and made sure all program requirements were met, local government agencies could submit invoices that documented costs incurred for individual HSTS projects to the Ohio CWSRF program for reimbursement. ARRA funds in an amount equaling 75 percent of the eligible system improvement costs were then disbursed to the local government agency, who submitted payment

directly to the HSTS installer. Local government agencies were responsible for implementing signed agreements between themselves, the system owner, and contractors hired for system design or installation. Agreements detailed the terms and conditions of receipt of the ARRA funds, including Buy American and Davis-Bacon provisions, and other requirements, such as permission to enter the property, documentation of payment of the homeowner’s 25 percent cost share, agreement to obtain an operation permit as locally required, and any maintenance or service contracts required for the installed system for the life of the system.



- 1** The CWSRF program enters into subsidized loan agreements with local government agencies for the replacement or repair of onsite failing septic systems.
- 2** Local government agencies partner with local health district to solicit eligible homeowners. Health districts certify that the system repair/replacement has been completed.
- 3** Local government agencies implement signed agreements between themselves, the homeowner, and any contractors hired for design and installation. Local government disburses 75 percent of the cost of the system directly to the contractor.
- 4** Homeowner is responsible for 25 percent of the cost of the system.

Ohio’s HSTS program used state and local partnerships in a creative way to ensure ARRA funds were directed to projects that addressed the state’s water quality priorities and could be implemented quickly.

Post-ARRA, Ohio has continued to direct CWSRF funds to the HSTS program. Loans with principal forgiveness are awarded to local government agencies on a first-come, first-serve basis. The savings are passed on to homeowners to help make these needed improvements more affordable. The amount of principal forgiveness provided is based on household size and income. Both the FY 2010 and 2011 EPA appropriation bills included the Green Project Reserve requirement, and decentralized wastewater treatment projects continue to be eligible for the GPR under the environmentally innovative category.

Unlike ARRA-funded decentralized projects, Davis-Bacon wage rate provisions are no longer required to be implemented for these projects.

For more information please contact the Ohio Water Pollution Control Loan Fund Program
http://www.epa.ohio.gov/defa/wpclf_new.aspx