



2015 Annual Report

Clean Water State Revolving Fund Programs



Dear Colleagues,

It is my pleasure to provide the Clean Water State Revolving Fund's (CWSRF) Annual Report for 2015. The 51 state-managed CWSRF programs had a banner year, providing over \$5.8 billion in assistance to municipalities and other recipients.

Over the past 28 years, the CWSRF has collectively delivered over \$111 billion to much-needed water quality and public health projects. Funds come from federal and state contributions, interest earnings from loans as they revolve, investment earnings, and proceeds from the sale of bond issues. The environmental, economic and societal benefits derived from this important investment in water infrastructure are invaluable.

This report includes financial results and performance highlights that show the cumulative progress of the CWSRF program as of 2015. There is a section on program eligibilities, which were expanded by the Water Resources Reform and Development Act of 2014. The report spotlights some of our most compelling recent projects and provides a list of agencies that manage the state CWSRF programs.

Looking to 2016 and beyond, the CWSRF continues to be a critical and foundational financial resource for states, local governments, and other partners. As the program has grown, new opportunities have arisen to expand our assistance to a wide range of eligibilities and a diverse set of public and private sector recipients. The implementation of a broadly based marketing program in 2016 will help lay the foundation of the program's future.

Lastly, I want to underscore that none of the impressive progress reported herein would have been possible without the dedication and hard work of the state and federal employees in the CWSRF program.

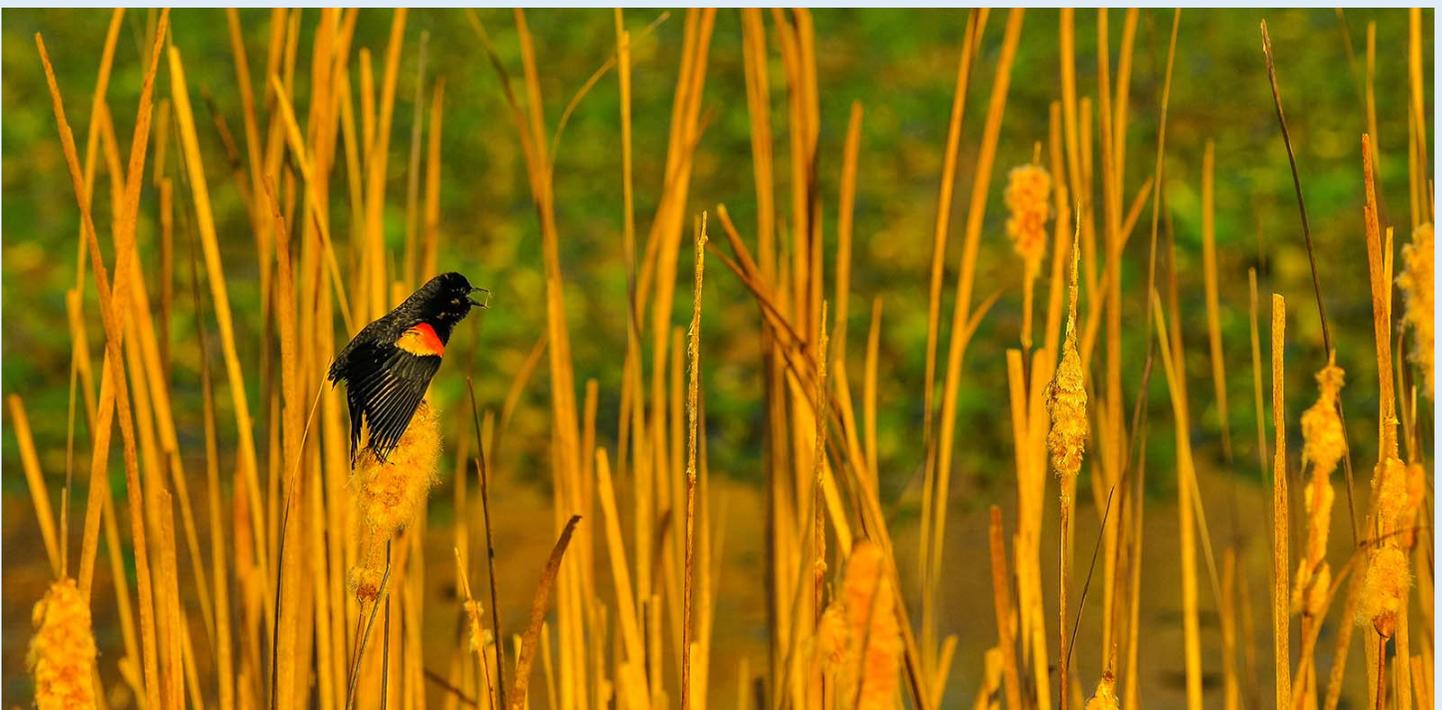
Sincerely,

Andrew Sawyers, Ph.D., Director
EPA Office of Wastewater Management



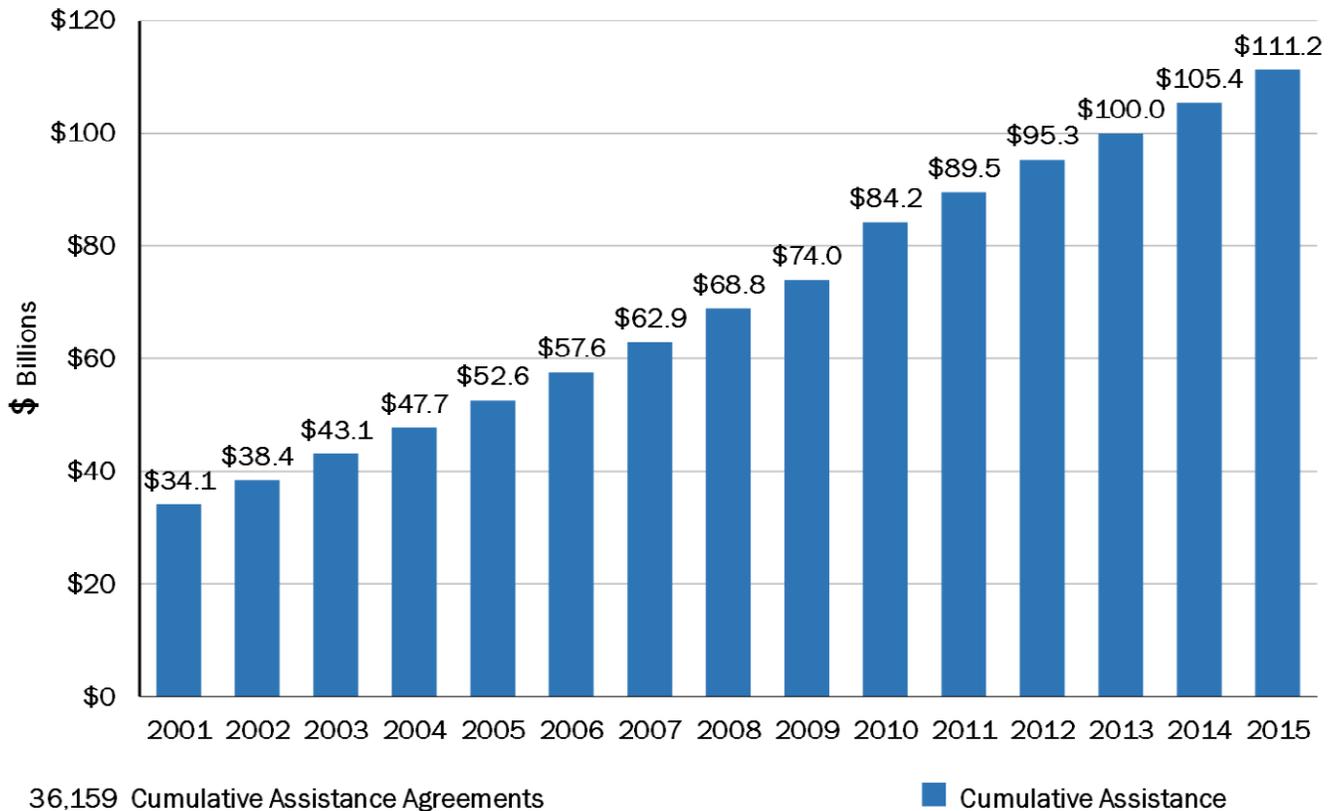


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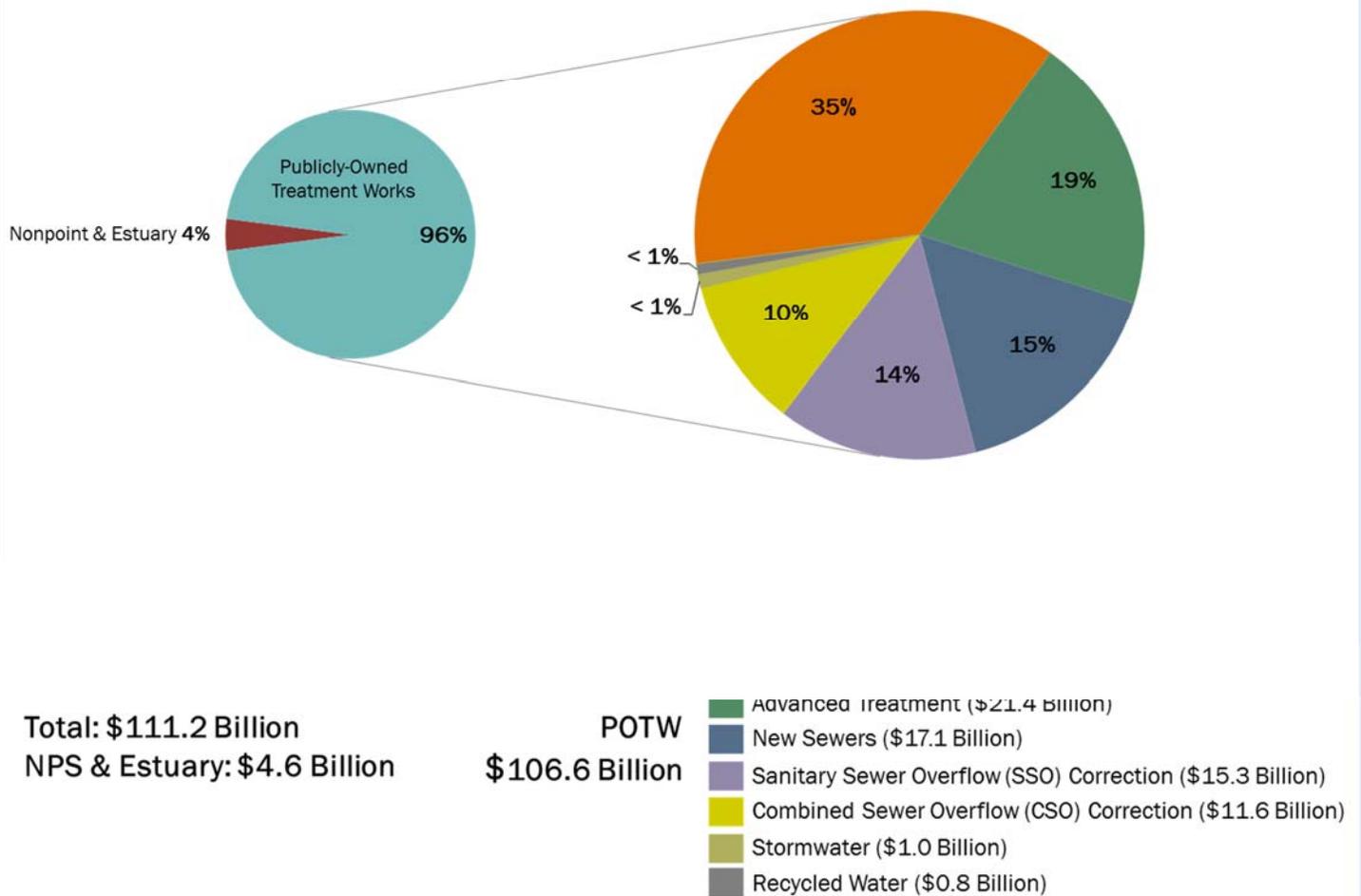


CWSRF Performance Highlights

Since its inception under the 1987 amendments to the Clean Water Act (CWA), the CWSRF has established itself as the largest public source of water-quality financing in the country. The continued growth and success of the 51 CWSRF programs operating in all 50 United States and Puerto Rico is a vital component of addressing our nation's infrastructure challenges. The flexible financing terms and beneficial subsidies offered by these state programs allow thousands of communities and other entities to upgrade and replace their wastewater treatment and sewer infrastructure, protect waterbodies from nonpoint sources of pollution, and achieve a wide variety of other environmental benefits—all at a much lower cost to the public.

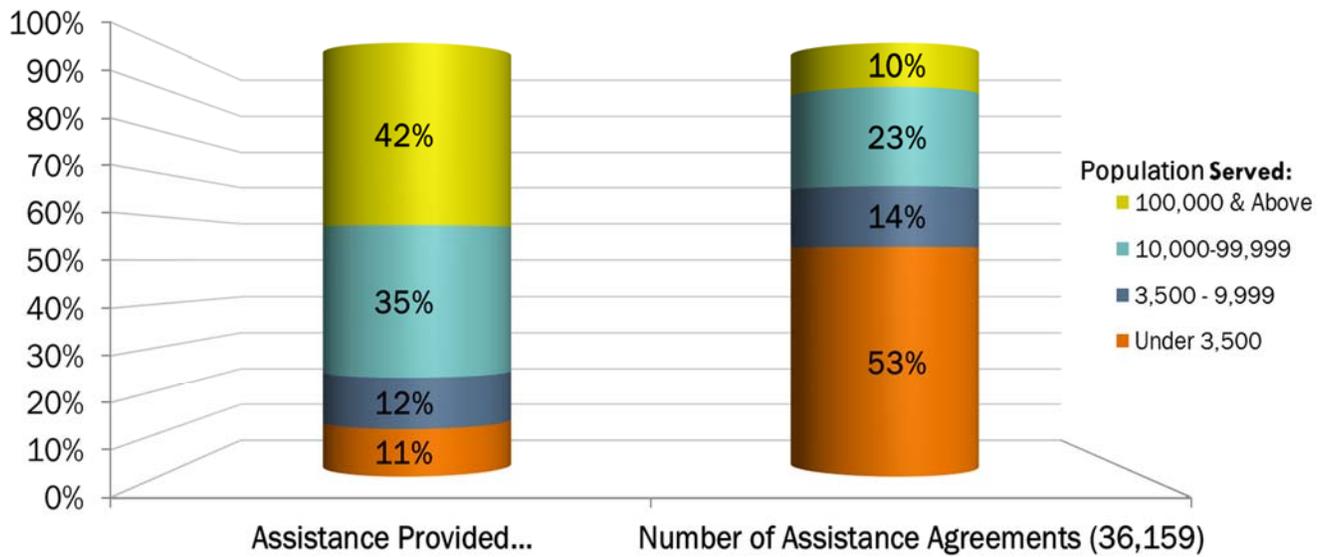


During FY 2015, the CWSRF provided \$5.8 billion in assistance to eligible projects. Over its lifetime, the program has provided \$111 billion through over 36,000 assistance agreements. Cumulative assistance will continue to grow with Congressional appropriations, state matching funds (states match 20 percent of federal contributions), interest earnings, and loan repayments. In addition, states with high demand for CWSRF funds will continue to increase funding capacity by issuing revenue or general-obligation bonds.



CWSRF programs rank applications for funding according to public health and compliance criteria. These ranking systems help ensure that CWSRF funding goes first and foremost to projects with the greatest impact on public health and the environment. The ranking systems also allow for a great degree of flexibility. States fund projects based on their own unique water quality priorities. As of June 30, 2015, CWSRF programs cumulatively provided \$106.6 billion in financing for a variety of publicly owned treatments works projects ranging from secondary and advanced treatment technologies to water recycling. In addition, \$4.6 billion went towards a wide variety of projects that address nonpoint source pollution estuary protection.

Figure 3: CWSRF Programs Serve Communities of All Sizes



The CWSRF programs serve communities of all sizes. CWSRF programs provide affordable financing to small, medium, and large communities across the country. In FY 2015, 64 percent of all CWSRF assistance agreements, totaling approximately \$1.2 billion, went to projects serving communities of less than 10,000 people. 14 percent, totaling \$2.5 billion dollars went to project serving communities of 100,000 or more.

Since 1988, these borrowers have benefitted from billions of dollars in interest savings. According to a popular municipal borrowing index, the average municipal borrowing rate was 3.8 percent in FY 2015. By comparison, the average CWSRF interest rate was 1.7 percent. The CWSRF remains one of the most affordable sources of public water quality financing in the country. For example, a community would save 18 percent by financing its project with a 20-year loan at 1.7 percent from the CWSRF instead of using commercial financing at 3.8 percent.



2015 Financial Overview

The Clean Water Act requires an annual financial audit of the 51 state-level CWSRF programs. Each state and Puerto Rico conducts these audits according to the generally accepted accounting standards established by the Governmental Accounting Standards Board (GASB). States often define their CWSRF programs as ongoing enterprise funds under the GASB definitions of funds. The standardized financial statements used for CWSRF programs include a statements of fund activity, revenues, expenses, earnings, and assets. Because the 51 constituent CWSRF programs are independent state-level entities, no nationally audited CWSRF program financial reports are available. However, national aggregate financial statements have been developed using data entered in EPA's National Information Management System between July 1, 2014 and June 30, 2015. The statements are best viewed as non-audited, cash flow-based financial reports.

Statement of Fund Activity

This statement provides an overview of major indicators of fund activity, including capitalization grant levels, project commitments, project disbursements, and subsidies provided. Both annual and cumulative data are given.

Statement of Revenues, Expenses, and Earnings

This statement describes the overall performance of the CWSRF fund over the reporting period that is reflected in the increase or decrease in Net Assets.

Statement of Cash Flows

This statement provides a detailed accounting of the actual flow of cash into and out of the CWSRF fund.

Statement of Net Assets

This statement describes CWSRF assets and liabilities through the end of the fiscal year. Assets include financial assets and capital assets. Liabilities include both current and long term liabilities. CWSRF assets include grant funds that have been drawn from the federal treasury to date, but do not include total grant awards. CWSRF assets also include state matching contributions that have been deposited in the fund.

Financial Highlights

- Total assets increased by \$2.0 billion, a 4.6 percent increase from 2014
- CWSRF program equity (net assets) totals \$46.3 billion, a 4.6 percent increase from 2014
- Total operating revenues exceeded expenses by \$143 million, with interest earnings from loans and investments totaling approximately \$1.3 billion
- Loan principal repayments to the CWSRF were \$3.9 billion
- Loan disbursements increased by \$440 million in FY2015 compared to the previous year.

Statement of Fund Activity (Millions of Dollars)

Statement of Fund Activity

Annual Fund Activity	FY2014	FY2015
Federal Capitalization Grants	1,349.5	1,870.6
State Matching Funds	308.8	259.0
New Funds Available for Assistance	4,999.8	5,383.3
Project Commitments (Executed Loan Agreements)	5,492.7	5,784.9
Project Disbursements	4,658.8	5,102.7
Cash Draws from Federal Capitalization Grants	1,595.1	1,715.7
Total Annual Subsidy*	175.5	130.4
Grants	48.6	28.4
Negative Interest	0.0	0.0
Principal Forgiveness	126.9	102.0
Cumulative Fund Activity		
Federal Capitalization Grants	37,593.7	39,464.3
State Matching Funds	7,099.9	7,358.9
Funds Available for Assistance	108,131.0	113,514.3
Project Commitments (Executed Loan Agreements)	105,424.7	111,209.6
Project Disbursements	92,321.9	97,424.6
Cash Draws from Federal Capitalization Grants	36,027.8	37,743.5
Total Cumulative Subsidy*	3,970.8	4,101.1
Grants	462.5	490.9
Negative Interest	0.0	0.0
Principal Forgiveness	3,508.3	3,610.2

In 2015, CWSRF programs had \$5.8 billion in executed loan agreements, an increase of \$290 million from the previous year. Cumulative executed loan agreements top \$111 billion since the beginning of the program in 1987, with more than \$27 billion in agreements in the last five years. CWSRF programs remain enormously successful, providing \$2.82 in loan funding for every \$1 in federal capitalization awarded.

Cumulative Executed Loan Agreements as a percent of Funds Available for Assistance ("pace") was 98 percent in FY2015, which shows that states have remained very successful in directing funds toward projects that address important water quality problems. This strong rate of fund utilization demonstrates a high demand for CWSRF financing and is a direct result of the program's below market interest rates and flexible financing options, targeted marketing and outreach initiatives, and effective program management.

Statement of Revenues, Expenses and Earnings (Millions of Dollars)

Statement of Revenues, Expenses and Earnings

	FY2014	FY2015
Operating Revenues		
Interest on Investments	253.6	270.9
Interest on Loans	1,039.1	997.0
<i>Total Operating Revenues</i>	1,292.7	1,267.9
Operating Expenses		
Bond Interest Expense	975.6	917.9
Amortized Bond Issuance Expense	20.7	25.3
Administrative Expenses	64.3	54.6
Additional Subsidy Provided	175.5	130.4
<i>Total Expenses</i>	1,236.2	1,128.2
Nonoperating Revenues and Expenses		
Federal Contribution	1,595.1	1,715.7
State Contributions	146.8	146.2
Transfers from (to) DWSRF	(91.9)	13.4
<i>Total Nonoperating Revenues (Expenses)</i>	1,650.1	1,875.3
Increase (Decrease) in Net Assets	1,706.6	2,015.0
Net Assets		
Beginning of Year	42,544.3	44,250.9
End of Year	44,250.9	46,265.9

Operating revenues exceeded operating expenses by \$143 million. While the current low interest environment continued to depress CWSRF interest earnings, states have reduced their expenditures on bonds by refinancing their debt at lower interest rates. The impact of reduced interest expenses on bonds could be expected to benefit growth in net assets for the foreseeable future, particularly as rising market rates increase earnings on investments.

Operating revenues are also affected by the additional subsidies in the form of grants or principal forgiveness that have been required since the FY2010 CWSRF appropriation. The subsidies reduce the principal and interest repayments to the program, which benefit borrowers but at the same time reduce program revenues. The subsidy also increases the operating expenses. Administrative expenses were at their lowest level since 2009.

CWSRF program equity (net assets) increased by \$2.0 billion in FY2015. Program equity has increased by at least \$1 billion in 24 of the last 25 years. This reflects the states' efforts to minimize expenses while maximizing funds awarded for projects.

Statement of Cash Flows (Millions of Dollars)

Statement of Cash Flows

	FY2014	FY2015
Operating Activities		
Cash Draws from Federal Capitalization Grants	1,595.1	1,715.7
Contributions from States	146.8	146.2
Loan Disbursements (Including Additional Subsidy)	(4,658.8)	(5,102.7)
Loan Principal Repayments	3,455.7	3,915.9
Interest Received on Loans	1,039.1	997.0
Administrative Expenses	(64.3)	(54.6)
<i>Total Cash Flows from Operating Activities</i>	1,513.7	1,617.5
Noncapital Financing Activities		
Gross Leveraged Bond Proceeds	403.4	322.6
Bond Issuance Expense	(9.6)	(6.8)
State Match Bond Proceeds	162.0	112.8
Cash Received from Transfers with DWSRF	(91.9)	13.4
Interest Paid on Leveraged and State Match Bonds	(975.6)	(917.9)
CWSRF Funds Used for Refunding	(375.6)	(167.3)
Principal Repayment of Leveraged Bonds	(1,461.1)	(1,713.7)
Principal Repayment of State Match Bonds	(90.6)	(90.0)
<i>Net Cash Provided by Noncapital Financing Activities</i>	(2,439.0)	(2,446.8)
Cash Flows from Capital and Related Financing Activities		
Investing Activities		
Interest Received on Investments	253.6	270.9
Release (Deposit) of Leveraged Bond Debt Service Reserve	840.0	217.4
<i>Net Cash Provided by Investing Activities</i>	1,093.6	488.3
Net Increase (Decrease) in Cash and Cash Equivalents	168.3	(341.0)
Cash and Cash Equivalents		
Beginning of Year	11,910.5	12,078.8
End of Year	12,078.8	11,737.8

Statement of Net Assets (Millions of Dollars)

Statement of Net Assets

Assets	FY2014	FY2015
Cash and Cash Equivalents	12,078.8	11,737.8
Debt Service Reserve - Leveraged Bonds	4,637.0	4,419.6
Loans Outstanding	47,611.7	48,668.2
Unamortized Bond Issuance Expenses*	268.5	249.9
<i>Total Assets</i>	64,596.1	65,075.5
Liabilities		
Match Bonds Outstanding	635.6	658.4
Leveraged Bonds Outstanding	19,709.6	18,151.2
<i>Total Liabilities</i>	20,345.1	18,809.6
Net Assets		
Federal Contributions	36,027.8	37,743.5
State Contributions	5,174.4	5,320.6
Transfers - Other SRF Funds	(492.9)	(479.4)
Other Net Assets	3,541.5	3,681.2
<i>Total Net Assets</i>	44,250.9	46,265.9
Total Liabilities & Net Assets	64,596.1	65,075.5

* Unamortized Bond Issuance Expenses are costs that have been incurred but have not been fully recognized (amortized). These costs will be recognized (amortized) over time over the remaining life of the bonds outstanding, similar to a pre-paid expense, and consistent with GAAP.

Total assets increased by \$483 million while total liabilities decreased by \$1.5 billion; as a result, net assets increased by \$2.0 billion, or 4.6 percent. Total program assets have grown by 28 percent in the last ten years while liabilities decreased by 8 percent, reflecting the strong overall growth of the CWSRF. Total Assets have grown at a slower rate from FY2012 through FY2015 than in many of the previous years. This is believed to be due lower overall levels of leveraging activity, combined with a steady reduction of funds held in debt service reserves.



WRRDA Expands CWSRF Project Eligibilities

The CWSRF can fund a wide variety of water quality protection efforts. State innovations and statutory changes have resulted in an evolution of project eligibilities since the program was authorized in 1987. The program's flexibility and range of project eligibilities enable states to target CWSRF funds to their specific water quality priorities. Congress established the program in 1987 with three eligibilities: the construction of publicly owned treatment works (POTWs), the implementation of a state nonpoint source management program, and the development and implementation of a National Estuary Program Comprehensive Conservation and Management Plan.

In 1996, EPA published *The Clean Water State Revolving Fund Funding Framework*, which established guidance for identifying and prioritizing nontraditional projects in an effort to move toward a watershed approach to water quality management that addresses both point and non-point sources of pollution. Building on the solid foundation laid by the *Funding Framework*, EPA completed the final draft of *The Clean Water State Revolving Fund Program: Tapping Its Untapped Potential* White Paper in 2007. The White Paper is a compilation of the many nontraditional CWSRF eligibilities under its original statutory authority.

In 2009, the American Recovery and Reinvestment Act created the Green Project Reserve, which increased the CWSRF's focus on green infrastructure, water and energy efficiency, and environmentally innovative projects by requiring states to direct a percentage of their capitalization grant to these types of projects. Subsequent appropriations maintained this focus. Most recently, the Water Resources Reform and Development Act (WRRDA) of 2014 amended the CWSRF. This expanded the program's eligibilities from three to 11. The new eligibilities are broadly defined, providing the opportunity to fund many new project types, especially in the areas of water conservation and stormwater.

The flexibility provided by the new eligibilities offers the CWSRF additional opportunities to address the most pressing state water quality issues. Many states on the East Coast face challenges managing stormwater. Privately owned, regulated stormwater is now eligible, opening the door to such opportunities as public-public and/or public-private partnerships for green infrastructure.

As the Western U.S. faces record drought, the SRFs now have greater flexibility to fund water reuse projects. Not only can SRFs provide financial assistance to POTWs for water reuse, they can now fund industrial reuse and recycled water distribution lines on private property. Even some aspects of desalination projects may be eligible for CWSRF assistance.

The states have already taken advantage of WRRDA's expanded eligibilities. For example, several states are considering funding projects that correct inflow and infiltration of privately owned sewer laterals for houses. These projects will prevent excess water from entering the sewage system, resulting in a reduction in pumping and treatment needs. This leads to energy savings at the POTW.

The WRRDA amendments add a great deal of flexibility to the types of projects and activities fundable under the CWSRF program. But at the end of the day, what is funded is a state decision. EPA has several initiatives underway to facilitate the sharing of ideas amongst states.

CWSRF Program Eligibilities

- Construction of POTWs
- Nonpoint source projects
- National estuary program projects
- Decentralized wastewater treatment systems
- Stormwater
- Reducing the demand for POTW capacity through water conservation, efficiency, and reuse
- Watershed pilot projects
- Energy efficiency
- Reusing or recycling wastewater, stormwater, or subsurface drainage water
- Security measures at POTWs
- Technical assistance to POTWs



CWSRF Success Stories

Region 10

Hood River, OR: Restored in-stream flow to the Hood River and its tributaries by converting open irrigation canals to a pressurized, sub-surface piping system that annually conserves 6 billion gallons of water and produces enough energy to power 2,000 average homes.

Region 7

Monona, IA: Replaced crushed stone parking lot with permeable pavers to infiltrate stormwater runoff and reduce the impact of erosion on nearby Silver Creek.

Region 8

Coalville, UT: Because the state classified the assistance recipient as a hardship community the CWSRF program partnered with USDA to provide a loan and grant package that will finance a new WWTP at zero percent interest over the twenty year repayment period.

Region 9

Glendale and Mesa, AZ: These cities partnered to develop Low Impact Development design standards and guidelines that were compiled to develop a LID toolbox for the communities. The Cities endeavored to lead by example by considering the integration of LID into all municipal projects.



The Clean Water State Revolving Fund is an essential source of affordable financing to communities across the country. Each program demonstrates the power of partnerships to innovate and excel in protecting public health and water quality.

Region 5

Berne, IN: Installed a system for more effective removal of ammonia-nitrogen, bringing the assistance recipient into compliance with NPDES permit limits and saving more than \$1.5 million dollars in interest as compared to other sources of financing.

Region 1

Maine Forest Service: Provides CWSRF financing, through a linked-deposit program, for the implementation of forestry best management practices throughout the state. The state has provided/authorized up to \$12 million to increase the use of environmentally friendly logging equipment and improving water quality in and around logging operations.

Region 2

Rome, NY: Planted street trees and urban forests to improve water quality and provide other benefits such as increased wildlife habitat, carbon sequestration, and improved neighborhood aesthetics.

Region 3

Moorefield, WV: Built a new regional WWTP incorporating nutrient removal technologies that eliminate 90,000 pounds of nitrogen and 93,000 pounds of phosphorous annually from wastewater discharges in the Chesapeake Bay watershed.

Region 4

Albertville, AL: Upgrades to sludge drying equipment allowed the local WWTP to reduce biosolid volume and reclassify it as safe for land application. The process also generates biogas that is redirected as fuel for the dryers, saving 300,000 kilowatt hours per year.

Region 6

El Reno, OK: Financed the construction of a modern WWTP that will eliminate impermissible discharges from the old lagoon treatment system. CWSRF financing will save the assistance recipient an estimated \$5 million in interest as compared to other sources of financing.

State Agencies That Manage CWSRF Programs

EPA Region 1—Boston, Massachusetts

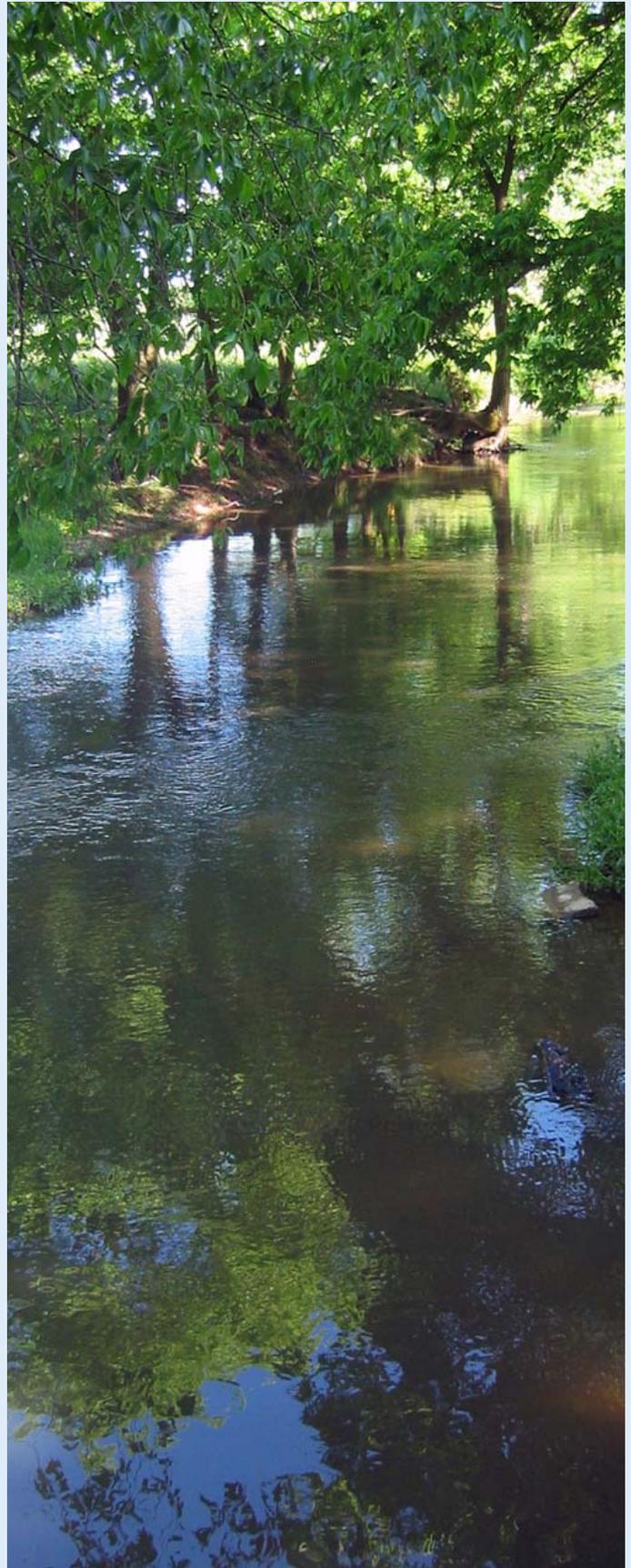
Connecticut Department of Environmental Protection
Connecticut Office of the Treasurer
Maine Municipal Bond Bank
Maine Department of Environmental Protection
Massachusetts Water Pollution Abatement Trust
Massachusetts Department of Environmental Protection
New Hampshire Department of Environmental Services
Rhode Island Clean Water Finance Agency
Rhode Island Department of Environmental Management
Vermont Department of Environmental Conservation
Vermont Municipal Bond Bank

EPA Region 2—New York, New York

New Jersey Department of Environmental Protection
New Jersey Environmental Infrastructure Trust
New York State Environmental Facilities Corporation
New York Department of Environmental Conservation
Puerto Rico Environmental Quality Board
Puerto Rico Infrastructure Financing Authority

EPA Region 3—Philadelphia, Pennsylvania

Delaware Department of Natural Resources and Environmental Control
Maryland Department of the Environment
Pennsylvania Infrastructure Investment Authority
Pennsylvania Department of Environmental Protection
Virginia Department of Environmental Quality
Virginia Resources Authority
West Virginia Development Authority
West Virginia Department of Environmental Protection
West Virginia Infrastructure and Jobs Development Council



EPA Region 4—Atlanta Georgia

Alabama Department of Environmental Management
Florida Department of Environmental Protection
Georgia Environmental Facilities Authority
Kentucky Infrastructure Authority
Kentucky Division of Water
Mississippi Department of Environmental Quality
North Carolina Department of Environmental and
Natural Resources
South Carolina Department of Health and Environmental
Control
South Carolina Budget and Control Board
Tennessee Department of Environment and
Conservation
Tennessee Comptroller of the Treasury

EPA Region 5—Chicago, Illinois

Illinois Environmental Protection Agency
Indiana Department of Environmental Management
Indiana Finance Authority
Indiana State Budget Agency
Michigan Department of Environmental Quality
Michigan Municipal Bond Authority
Minnesota Pollution Control Agency
Minnesota Public Facilities Authority
Minnesota Department of Agriculture
Ohio Environmental Protection Agency
Ohio Water Development Authority
Wisconsin Department of Natural Resources
Wisconsin Department of Administration

EPA Region 6—Dallas, Texas

Arkansas Natural Resources Commission
Arkansas Development Finance Authority
Louisiana Department of Environmental Quality
New Mexico Environment Department
Oklahoma Water Resources Board
Texas Water Development Board



EPA Region 7—Kansas City, Missouri

Iowa Department of Natural Resources
Iowa Finance Authority
Kansas Department of Health and Environment
Kansas Department of Administration
Kansas Development Finance Authority
Missouri Department of Natural Resources
Missouri Environmental Improvement and Energy Resources Authority
Nebraska Department of Environmental Quality

EPA Region 8—Denver, Colorado

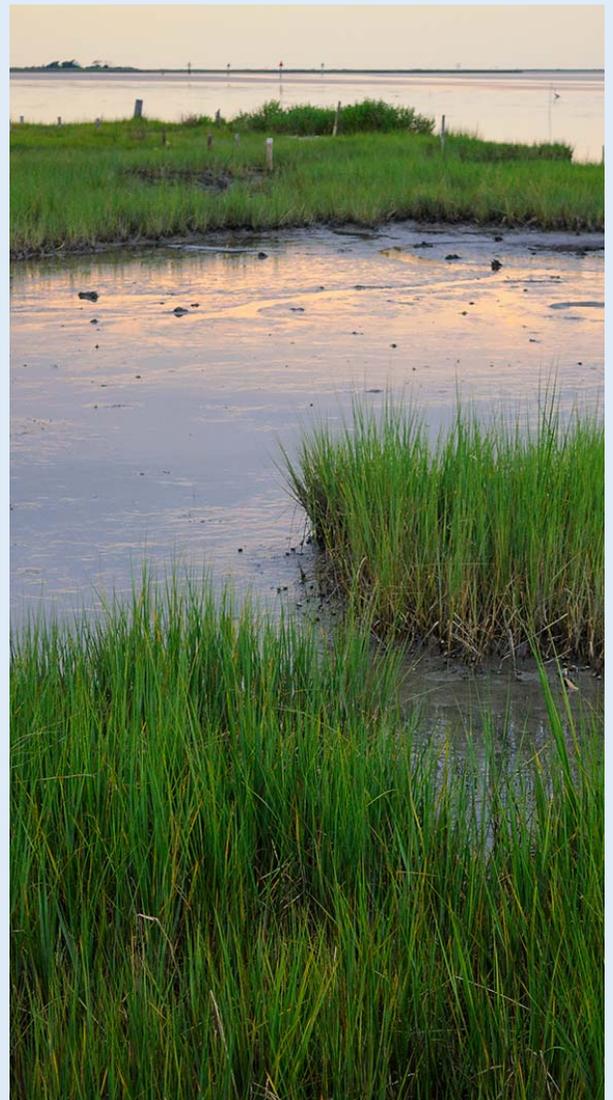
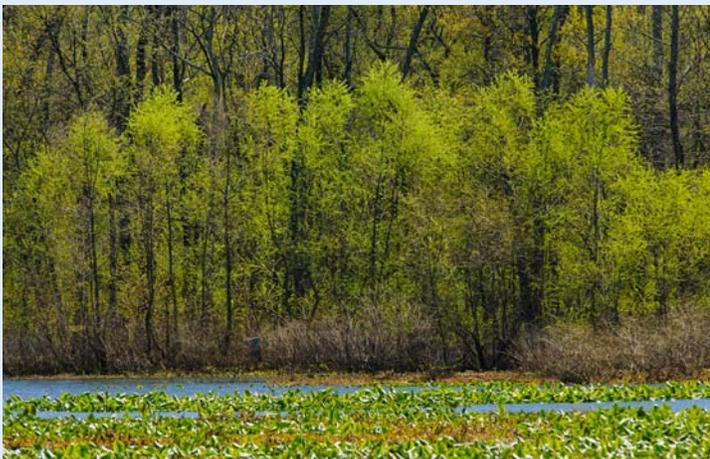
Colorado Water Resources and Power Development Authority
Colorado Department of Public Health and Environment
Colorado Department of Local Affairs
Montana Department of Environmental Quality
Montana Department of Natural Resources and Conservation
North Dakota Department of Health
North Dakota Public Finance Authority
South Dakota Department of Environment and Natural Resources
Utah Department of Environmental Quality
Wyoming Department of Environmental Quality
Wyoming Office of State Lands and Investments

EPA Region 9—San Francisco, California

Arizona Water Infrastructure Finance Authority
California State Water Resources Control Board
Hawaii Department of Health
Nevada Department of Conservation and Natural Resources

EPA Region 10—Seattle Washington

Alaska Department of Environmental Conservation
Idaho Department of Environmental Quality
Oregon Department of Environmental Quality
Washington Department of Ecology



To access these state program web sites please visit:

<http://www.epa.gov/cwsrf/forms/contact-us-about-clean-water-state-revolving-fund-cwsrf#state>



The public health and environmental protection benefits provided by the CWSRF wouldn't be possible without the dedicated implementation efforts of EPA's state partners. Their work is the foundation of the program's success.



For more information about the Clean Water State Revolving Fund, please contact us at:

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