



# Clean Water State Revolving Funds and the Bipartisan Infrastructure Law

## Disclaimer

*EPA developed this presentation as a community-focused, high-level overview of the Clean Water and Drinking Water State Revolving Funds (SRFs) and eligibilities related to the Bipartisan Infrastructure Law (BIL) of 2021. Some content has been generalized for clarity. This is not guidance for EPA or state SRF managers or staff.*

# State Revolving Funds: Overview

## What are the SRFs?

- The Clean Water State Revolving Fund (CWSRF) is a federal-state program that provides funding and financing to wastewater and storm water systems for a wide range of infrastructure projects.

## What are the Purpose of the SRFs?

- To provide government assistance that is intended to reduce the cost of critical public health and environmental infrastructure.

# State Revolving Funds: Overview

## How Do the SRFs work?

- Congress appropriates funding to EPA for the SRF programs. EPA then awards capitalization grants (i.e., seed money) to each state.
- For most appropriations, state provides a 20 percent match to those capitalization grants.
- States then provide below-market rate loans and other authorized assistance to eligible recipients (e.g., water and wastewater systems) for water infrastructure projects. Loan terms are typically 20-40 years.

# State Revolving Funds: Overview

## How Do the SRFs work?

- States disburse SRF funds to those eligible recipients on construction costs that are incurred.
- Recipients repay their loans back into the state's SRF.
- The state SRFs use these “recycled” funds to make additional loans, and the “revolving” cycle continues.



# Who is Eligible to Use the CWSRF?

- Municipalities, intermunicipal, interstate, or state agencies.
- Nonprofit entities\*
- Private, for-profit entities\*
- Watershed groups\*
- Community groups\*
- Homeowner's associations\*
- Individuals\*

*\*Some states do not fund private systems/private entities.*

# What Type of Projects Can Be Funded by the CWSRF?

- Construction of publicly owned treatment works
- Nonpoint source projects
- National estuary program projects
- Decentralized wastewater treatment systems (i.e., septic systems and tanks)
- Stormwater projects (gray and green infrastructure)
- Water conservation and efficiency
- Watershed pilot projects
- Energy efficiency projects
- Water reuse projects
- Security measures at POTWs
- Planning
- Technical assistance

**For the CWSRF Emerging Contaminants Funding**

These types of projects can be funded if they address emerging contaminants – defined in the memo!

# CWSRF: By the Numbers

- Years Active: **34**
- Loans Signed To Date: **44,555**
- Average Interest Rate: **1.0%**
- Address Nonpoint Sources of Pollutions: **\$5.4**
- Billions in Total Additional Subsidy: **\$5.9**
- Billions in Project Disbursements: **\$137.1**
- Billions in Projects Funded: **\$153.6**

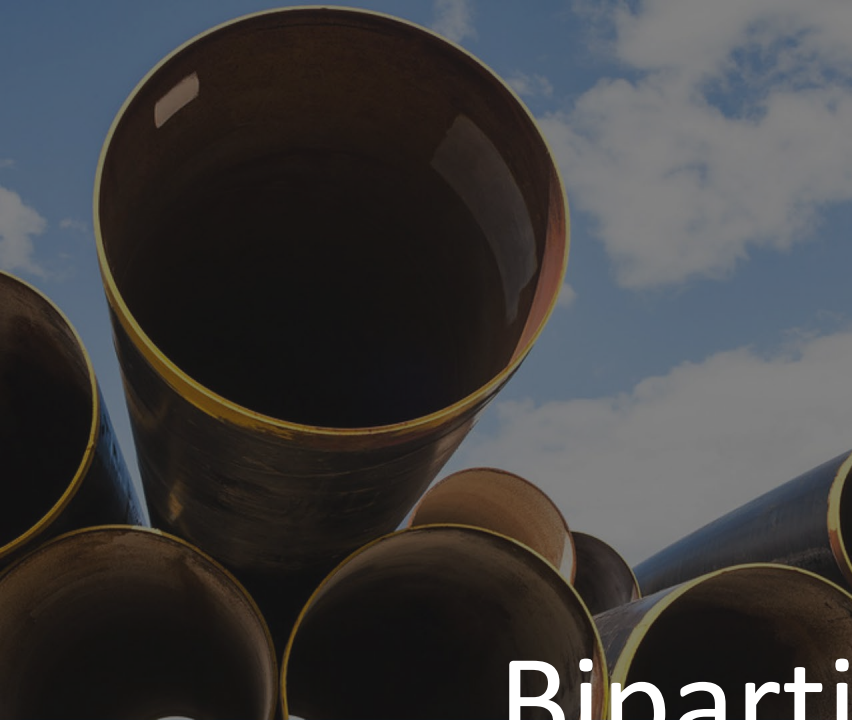


# What Are the Benefits of Using the SRFs?

- Very low-cost financing
  - Interest is typically charged at half the market rate, saving communities hundreds of thousands of dollars
  - Potential availability of “additional subsidy,” which is are grant-like funds
- Extended loan terms
  - Can go up to 30 years (or 40 years for DWSRF)
  - Repayments begin up to 12 months (or 18 months for DWSRF) after construction completion

# What Are the Benefits of Using the SRFs?

- Serves diversity of communities of all sizes and socioeconomic status
- Wide range of project dollar sizes
- Availability of technical assistance
- Funding can be paired with other sources, including WIFIA, USDA-Rural Development, and FEMA



# Bipartisan Infrastructure Law

# Bipartisan Infrastructure Law (BIL)

- Signed by President Biden on November 15, 2021.
- Historic investment in key programs and initiatives implemented by the U.S. Environmental Protection Agency to build safer, healthier, cleaner communities.
- Includes \$50 billion to the EPA to strengthen the nation's drinking water and wastewater systems – the single largest investment in water that the federal government has ever made.
- Approximately \$43.4B of this funding through the existing CWSRFs and DWSRFs.

# BIL Implementation Key Priorities

- Increase investment in disadvantaged communities
- Make rapid progress on lead service line replacement
- Address PFAS and emerging contaminants
- Resilience, climate, One Water innovation
- Support American workers and renew the water workforce
- Cultivate domestic manufacturing



# Available State Revolving Fund (SRF) Funding in the BIL

Appropriation	FY 2022 (\$)	FY 2023 (\$)	FY 2024 (\$)	FY 2025 (\$)	FY 2026 (\$)	Five Year Total (\$)
<b>CWSRF General Supplemental</b>	1,902,000,000	2,202,000,000	2,403,000,000	2,603,000,000	2,603,000,000	<b>11,713,000,000</b>
<b>CWSRF Emerging Contaminants</b>	100,000,000	225,000,000	225,000,000	225,000,000	225,000,000	<b>1,000,000,000</b>
<b>DWSRF General Supplemental</b>	1,902,000,000	2,202,000,000	2,403,000,000	2,603,000,000	2,603,000,000	<b>11,713,000,000</b>
<b>DWSRF Emerging Contaminants</b>	800,000,000	800,000,000	800,000,000	800,000,000	800,000,000	<b>4,000,000,000</b>
<b>DWSRF Lead Service Line Replacement</b>	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	<b>15,000,000,000</b>



# CWSRF Funding in the BIL: Overview

- EPA is making \$12,713,000,000 in **additional** capitalization grants available to the state CWSRFs over the next five years.
- Most of this money may fund any project eligible under the CWSRF; some funding is targeted towards projects focused on “emerging contaminants.”
- **States have the authority to waive repayment on some of this new funding** (e.g., forgive some or all of the loan’s principal or provide grants).

<b>Clean Water for Communities</b>	<b>\$12.7 billion</b>
<b>General:</b> Clean Water State Revolving Funds	\$11.7 billion
<b>Addressing Emerging Contaminants:</b> Clean Water SRFs	\$1 billion

# CWSRF 2% Technical Assistance Reserve

- BIL created a new eligible use of the CWSRF.
- States may use up to 2% of this funding to nonprofit organizations or state, regional, interstate, or municipal entities to provide technical assistance to rural, small, and tribal publicly owned treatment works (POTWs).

# SRF and BIL Information

- **CWSRF:** <https://www.epa.gov/cwsrf>
  - [State CWSRF contacts](#)
- **BIL:** <https://www.epa.gov/infrastructure>



# WIFIA

PROGRAM

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# Program features



Minimum project size for large communities.



Minimum project size for small communities (population of 25,000 or less).



Maximum portion of eligible project costs that WIFIA can fund.



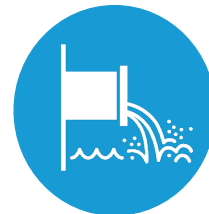
Maximum final maturity date from substantial completion.



Maximum time that repayment may be deferred after substantial completion of the project.



Interest rate will be equal to or greater than the U.S. Treasury rate of a similar maturity.



Broad eligibility allows for wide variety of borrowers and projects, plus special program for SRF borrowers (SWIFIA).



NEPA, Davis-Bacon, American Iron and Steel/BABA, and all federal cross-cutter provisions apply.



# Eligibility

## • Eligible borrowers

- Local, state, tribal, and federal government entities
- Partnerships and joint ventures
- Corporations and trusts
- State infrastructure financing authorities

## • Eligible projects

- Projects that are eligible for the Clean Water SRF, not withstanding the public ownership clause
- Projects that are eligible for the Drinking Water SRF
- Projects for repair, rehabilitation, or replacement of a treatment works, community water system, or aging water distribution or waste collection facility
- Enhanced energy efficiency projects at drinking water and wastewater facilities
- Brackish or seawater desalination, aquifer recharge, alternative water supply, and water recycling projects
- Drought prevention, reduction, or mitigation projects
- Acquisition of property if it is integral to the project or will mitigate the environmental impact of a project
- A combination of projects secured by a common security pledge or submitted under one application by an SRF program





# WIFIA Loans benefit borrowers

<b>FAVORABLE RATES</b>	<ul style="list-style-type: none"><li>• Fixed interest rate locked in at closing</li><li>• Interest does not accrue until loan is drawn</li></ul>
<b>GENEROUS TERMS</b>	<ul style="list-style-type: none"><li>• Multiple disbursements within 15 days of request</li><li>• No penalty for prepayment</li><li>• Sculpted repayment schedule to grow payments over time</li><li>• WIFIA can take a subordinate lien position</li></ul>
<b>STRUCTURING FLEXIBILITIES</b>	<ul style="list-style-type: none"><li>• Loan closing in as little as 4 months</li><li>• Bespoke loan agreements that can fit into each borrower's existing indenture structure or be stand-alone issuances</li><li>• Pairs well with other forms of funding and financing</li><li>• No prescribed format for financial models or post closing reports</li></ul>
<b>BUNDLING FEATURES</b>	<ul style="list-style-type: none"><li>• Financing available for a combination of projects under one loan</li><li>• Upfront commitment to multiple projects taking place over time via a Master Agreement</li></ul>



# BIL Funding and WIFIA

- Bipartisan Infrastructure Legislation (BIL) provides transformational funding to EPA to strengthen nation's drinking water and wastewater systems
- Significant funding will flow through the Clean Water and Drinking Water State Revolving Funds, representing a partnership between EPA, states, tribes, territories, and local communities
- EPA's WIFIA program is designed to provide supplemental credit assistance and can be leveraged in conjunction with other funding and financing programs, including the historic investment through BIL



# Financing available in 2022

- Each year, Congress allocates funds for WIFIA leverage and offer as credit assistance.
  - This funding covers the federal government's anticipated cost of providing **approximately \$5.5 billion in loans**
  - WIFIA can finance up to 49% of the anticipated project costs **and is offering up to 80% of anticipated project costs for small communities**
  - Therefore, WIFIA can support a total of \$11 billion in water infrastructure investment



# Round 5 WIFIA Selection

## **EPA has moved to a rolling letter of interest process!**

- WIFIA and SWIFIA Letters of Interest may be submitted at any time after September 6, 2022
- EPA will accept LOI submissions until WIFIA funding is exhausted or the next NOFA is published

## **WIFIA selection will continue to emphasize EPA top priorities for water infrastructure investment**

- Supporting economically stressed communities
- Protecting water infrastructure against the impacts of climate change
- Reducing exposure to lead and addressing emerging contaminants
- Implementing new or innovative approaches including cybersecurity and green infrastructure



# Contact us

- Website: [www.epa.gov/wifia](http://www.epa.gov/wifia)
- WIFIA Letter of Interest: <https://www.epa.gov/wifia/wifia-application-materials>
  - Sign-up to receive announcements about the WIFIA program at <https://tinyurl.com/wifianews>
- Email [wifia@epa.gov](mailto:wifia@epa.gov) to schedule a 1-on-1 meeting with WIFIA staff





# YOUR QUESTIONS

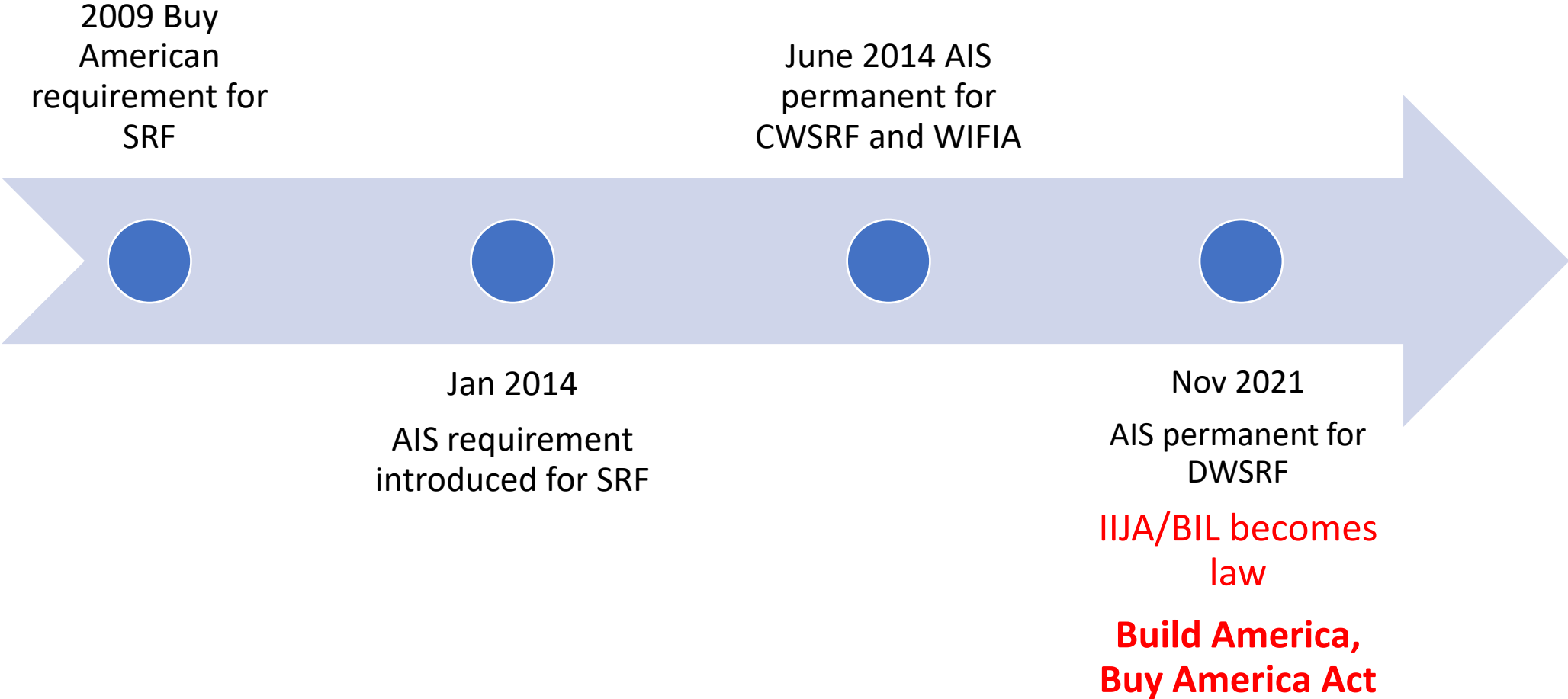






# EPA's DOMESTIC PREFERENCE REQUIREMENTS FOR INFRASTRUCTURE

# DOMESTIC PREFERENCE HISTORY



# AIS BASICS: WHAT IS AIS?

- "American Iron and Steel"(AIS) requires the use of iron and steel products that are produced in the United States for the construction, alteration, maintenance, or repair of a public water system or treatment works
- Applies to projects for *public water systems* (DWSRF), *treatment works* (CWSRF), and all WIFIA projects
- Which products must comply?
  - Must be “primarily” iron or steel
  - Must be a “listed” product
  - Must be permanently incorporated” in the project
- To comply, products must be “produced in the United States”





# AIS AND BABA



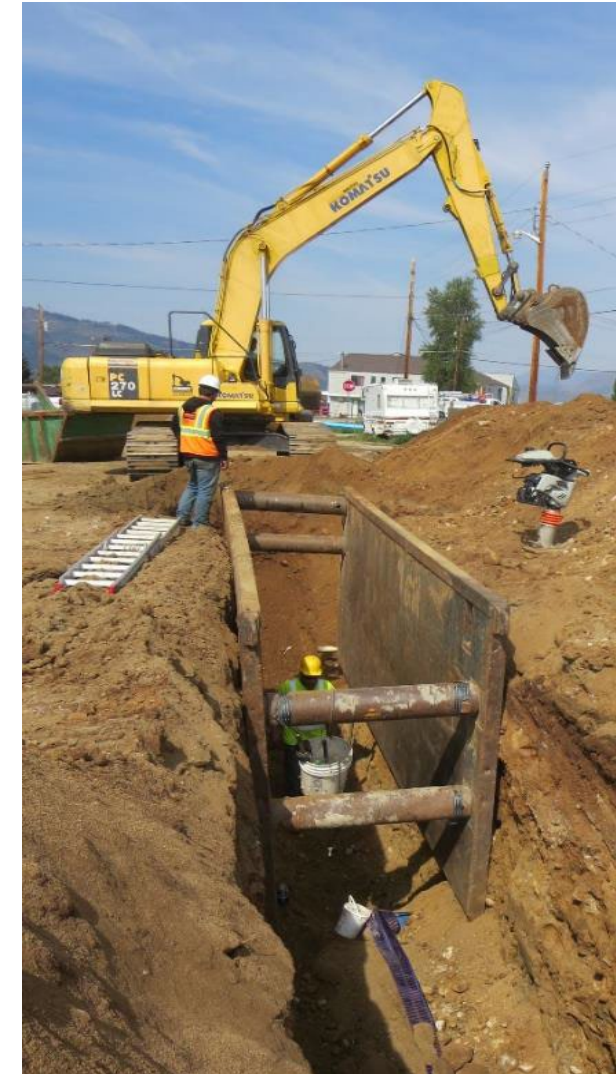
- AIS and BABA will not apply to individual projects at same time
- AIS will continue to apply to Public Water and Treatment Works projects underway and many future SRF projects
- Adjustment waivers in place.

# BUILD AMERICA, BUY AMERICA (BABA) ACT

- Included in the Infrastructure Investment and Jobs Act
  - Public Law Number 117-58, Sections 70911-70917
- Effective date: May 14, 2022
- “[**N**]one of the funds made available for a Federal financial assistance program for infrastructure...may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.”
- “**Project**” means: Any activity related to the construction, alteration, maintenance, or repair of infrastructure in the U.S.
- “**Infrastructure**” means anything fixed, permanent, and that serves the public interest.
- Covers many more products than AIS
  - For typical SRF and WIFIA projects, vast majority of purchased items would be covered
- Covered Programs: all federally funded infrastructure projects
  - Most SRF projects, all WIFIA projects, other programs water & wastewater infrastructure projects

# BABA COVERED ITEMS

- **Iron and steel + manufactured products + construction materials** (non-ferrous)
- Items classified into only ONE of the three categories
- Applies to items consumed in, incorporated into or affixed to a project (aka permanently incorporated)
  - Similar to AIS
  - Excluded = non-permanently incorporated items (trench boxes, scaffold, and similar)





# BABA: IRON AND STEEL

- Same as AIS
- Items that are primarily / predominantly iron or steel, unless another standard applies under law or regulation
- All manufacturing processes, from the initial melting stage through the application of coatings, must occur in the U.S.
  - Coatings change minor difference to AIS



# BABA: MANUFACTURED PRODUCTS

- Final Manufacturing in the United States
- Cost of components that are mined, produced, or manufactured in the U.S. is greater than 55 percent of the total cost of all components of the manufactured product
  - Likely will not include labor, testing, and other assembly additions to final product
  - Further refinements and/or explanation of test possible from OMB this Fall



# BABA: CONSTRUCTION MATERIALS

- Includes:
  - Non-ferrous metals
  - Plastic and polymer-based products (including PVC, composite building materials, and polymers used in fiber optic cables)
  - Glass (including optic glass)
  - Lumber
  - Drywall
- Excludes:
  - Items made primarily of iron or steel
  - Manufactured products
  - Cement and cementitious materials
  - Aggregates such as stone, sand, or gravel
  - Aggregate binding agents/additives
  - Flora (plantings, landscaping)

# EXISTING BABA WAIVERS

- “Adjustment Period” public interest waivers:
  - For SRF: Design Planning Waiver Final, Approved
  - For WIFIA: Design Planning Waiver Final, Approved
  - For Selected OW programs: 6-mo. Waiver Final, Approved (through Mar 1, 2023)
- Small Project/Award Threshold – projects under \$250K federal funding threshold
  - Agency-wide; Final Approved

# NEARLY THERE:

- *De Minimis* public interest waiver:
  - Agency-wide; Final Draft Waiver under OMB Review
- Program-specific BABA implementation procedures memo (EPA guidance) – readying Final Draft
  - EPA assessed unanswered questions from MIAO guidance
  - Includes info for OW programs plus SRF-specific questions
  - Will not include details on manufactured prod. and construction materials
    - OMB considering providing clarifying information this Fall
- Other Potential Waivers
  - Under evaluation

# RESOURCES

- EPA Websites:
  - [www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement](http://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement)
  - [www.epa.gov/cwsrf/build-america-buy-america-baba](http://www.epa.gov/cwsrf/build-america-buy-america-baba)
- Email Inboxes:
  - [SRF\\_AIS@epa.gov](mailto:SRF_AIS@epa.gov) (underscore!)
  - [BABA-OW@epa.gov](mailto:BABA-OW@epa.gov) (hyphen!)





# QUESTIONS?

