



## FACT SHEET

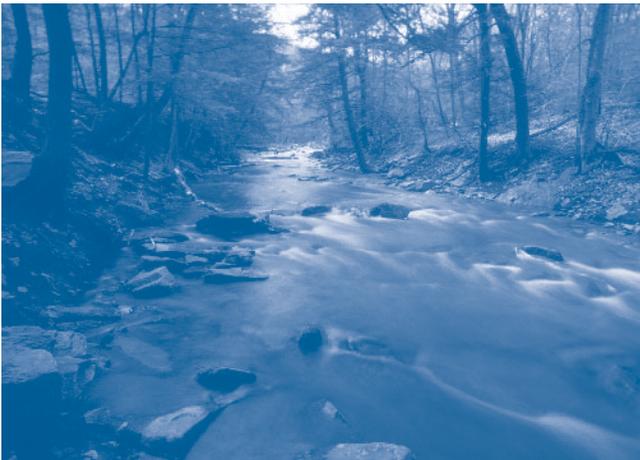
# Cleaning Up Polluted Runoff with the Clean Water State Revolving Fund

### What's In It For You?

The Clean Water State Revolving Fund (CWSRF) program has become a major source of funding to address polluted runoff. To date, 30 of the 51 CWSRF programs have provided funding for nonpoint source and estuary protection projects. Today annual funding to address polluted runoff exceeds \$200 million. CWSRF loans are issued at below market rates (zero percent to less than market), offering borrowers significant savings over the life of the loan.

### History

In creating the CWSRF program, Congress ensured that it would be able to fund most types of water quality projects, including nonpoint source, wetlands, estuary, and other types of watershed projects, as well as more traditional municipal wastewater treatment systems. The CWSRF program provisions in the Clean Water Act give no more preference to one category or type of project than any other.



### Capacity of the CWSRF

The 51 CWSRF programs work like banks (each state and Puerto Rico has one). Federal and state contributions are used to capitalize or set-up the programs. These assets are used to make low-interest loans for important water quality projects. Repaid funds are then recycled to fund other important water quality projects.

The CWSRF programs have in excess of \$42 billion in assets and average funding for the past three years exceeds \$4 billion annually. The funding of polluted runoff projects with the CWSRF is gaining momentum. Since 1989, the CWSRF program has funded 3,400 projects, investing more than \$1.6 billion in polluted runoff projects.

### Who May Qualify?

Included in a long list of eligible loan recipients are communities, citizens groups, businesses, farmers, homeowners, watershed groups, and nonprofit organizations. Since the program is managed largely by the states, project eligibility may vary according to the priorities within each state. Contact your state's CWSRF program for details.

### Polluted Runoff and the CWSRF

The CWSRF can fund virtually any type or category of polluted runoff that is included in a state approved nonpoint source (NPS) management plan.

Polluted runoff occurs when rainfall, snowmelt, or irrigation runs over land or through the ground, picks up pollutants, and deposits them into surface or ground

water. For instance, polluted runoff from agricultural sources is the leading contributor to water quality impairments in rivers, degrading over 60% of impaired river miles.



Terraces, conservation tillage and conservation buffers save soil and improve water quality

Here are a few actual project examples from states that demonstrate what the CWSRF can do:

- **California** - Stormwater management facilities, including sediment basins and constructed wetlands. Purchasing easements for wetland protection
- **Delaware** - Animal waste management facilities, including manure storage facilities and dead chicken composters
- **Massachusetts** - Septic system improvements and replacement
- **Minnesota** - Agricultural best management practices (BMPs) to prevent and reduce runoff. Purchasing conservation tillage equipment and implementing soil erosion controls
- **New York** - Purchasing land and easements for source water protection projects
- **Washington** - Rehabilitation of streambanks, riparian corridors and buffers

- **Wisconsin** - Water protection and improvement projects on brownfield redevelopment sites
- **Wyoming** - Removal of leaking underground storage tanks and remediation of contaminated ground water and soil



State of the art lagoon animal waste management system

These are just a sample of the projects that have been funded. Contact your state or visit the CWSRF web site for more examples and information ([www.epa.gov/owm/cwfinance/index.htm](http://www.epa.gov/owm/cwfinance/index.htm))

### Benefits of Loans

**First, Funds are Available.** CWSRF loans can usually be obtained much faster than grants and each year over \$200 million is spent on nonpoint source projects.

**Second, No Cash Up-Front.** Most grant programs require significant cost shares (as much as 40 percent or more). A CWSRF loan can cover 100 percent of project costs with no cash up-front.

**Third, Significant Cost Savings.** CWSRF loans provide significant cost savings over the life of the loan. The total cost of a zero percent CWSRF loan will be approximately 50 percent less than the same project financed by a commercial loan at 7.5 percent.

**Fourth, Loans can Complement other Funding Sources.** It may be possible to combine a CWSRF loan with grant dollars from other sources. Check with your state.

**Sources of Repayment**

Many users of the CWSRF program have demonstrated a high level of creativity in developing sources of repayments. The source of repayment need not come from the project itself. Some possible sources include:

- Fees paid by property owner or homeowner
- Fees paid by a developer
- Dedicated portion of local, county, or state taxes or fees
- Recreational fees (fishing license, park entrance fees)
- Stormwater management fees
- Wastewater user charges
- Donations or dues made to nonprofit groups
- Business revenues



**Making Funding Accessible - Ohio Examples**

The state of Ohio employs several innovative funding methods to ensure a variety of watershed projects receive funding. Two unique funding methods used in Ohio are the Linked-Deposit Loan Program and the Watershed Resource Restoration Sponsorship Program (WRRSP). In both examples the state shows creativity by taking existing institutional arrangements and modifying them to achieve the state’s goals and meet the needs of loan recipients.

**Linked Deposit Lending Program**

In Ohio's linked-deposit program, the state makes arrangements with local banks to provide loans for agricultural BMPs and on-site wastewater treatment projects. Under a linked-deposit arrangement the state agrees to buy a bank's investment (CD) and receive a lower than market rate of return on the investment. The bank agrees to provide reduced interest rate loans for eligible projects. The linked-deposit loan interest rate reflects the difference between the state's reduced rate of return on the investment and the market rate of return.

The linked-deposit approach benefits CWSRF programs because they support high priority nonpoint source projects and because they place risk and management responsibilities with local financial institutions. Financial institutions earn profits from the linked deposit agreements and add an additional service for their customers. Borrowers find linked deposit programs to be economical and comfortable; they save money with low-interest loans, and they are comfortable working with local financial institutions.

For more information on linked-deposit loans see EPA’s Activity Update *“Innovative Use of Clean Water State Revolving Funds for Nonpoint Source Pollution”* (EPA 832-F-02-004) found on the CWSRF web site.

**Watershed Resource Restoration Sponsorship Program (WRRSP)**

The WRRSP offers communities very low interest rates on loans for wastewater treatment plant improvements if the communities also sponsor projects that protect or restore water resources. The end payment for the wastewater treatment plant project is the same because of the lower interest rate and the simultaneous funding for the restoration project by the wastewater treatment plant. The benefit of this program is water restoration projects that normally would not receive funding are completed with the help of the wastewater treatment plants.

To date, the WRRSP program has supported projects that have acquired wetlands and riparian lands, acquired conservation easements, restored habitat, and removed dams.

Over the past two years under the WRRSP, communities in Ohio have used \$24 million of CWSRF loan funds to protect and restore 1850 acres of riparian lands and wetlands and 38 miles of Ohio's stream corridors.

For more information on Ohio's WRRSP see EPA's Activity Update "*Ohio's Restoration Sponsor Program Integrates Point Source and Nonpoint Source Projects*" (EPA 832-F-02-001) found on the CWSRF web site.

### Challenges Ahead

With increasing emphasis on watershed-based program management and implementation of Total Maximum Daily Loads (TMDLs) in impaired water bodies, it will be even more important to take advantage of the tremendous buying power of the CWSRF program.

#### How to Get More From the CWSRF

- Share information on polluted runoff priorities with CWSRF managers
- Work to enhance CWSRF programs to include funding of polluted runoff projects
- Become involved in the annual CWSRF planning and priority setting process
- Help market the program and encourage loan applications

The water quality community needs to work together to increase understanding of polluted runoff issues and facilitate the use of the powerful resources of the CWSRF to address these significant problems. EPA has been encouraging the states to open their CWSRFs to the widest variety of water quality projects and to use their CWSRFs to fund the highest priority projects in targeted watersheds. Those interested in cleaning up polluted runoff must seek out their CWSRF programs, gain an understanding of how their state program works, and participate in the annual process that determines which projects are funded.

*For more information about the Clean Water Revolving Fund, or for a program representative in your State, please contact:*

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**Phone:** (202) 564-0752 **Fax:** (202) 501-2403  
**Internet:** [www.epa.gov/owm/cwfinance/index.htm](http://www.epa.gov/owm/cwfinance/index.htm)



Clean Water  
State Revolving Fund