



Sponsorship Lending and the Clean Water State Revolving Fund

The U.S. Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) was established by the 1987 amendments to the Clean Water Act (CWA) as a low-interest source of funding for a wide range of water infrastructure projects. The program represents a powerful partnership between the EPA and the states, as it has the flexibility to fund a variety of projects that address their highest priority water quality needs. The CWSRF can finance both wastewater treatment system improvements and nonpoint source (NPS) projects; however, many NPS projects lack a revenue stream, which makes it difficult to repay a CWSRF loan. Sponsorship lending helps to address this repayment issue for NPS projects, allowing critical water quality projects to move forward.

How It Works

Sponsorship lending pairs a traditional publicly owned treatment works (POTW) project with a nontraditional one, usually an NPS project. A municipality receives a loan with a reduced interest rate as compensation for also undertaking (i.e., sponsoring) a nontraditional project thus allowing municipalities to address pressing watershed restoration or protection priorities without placing a repayment responsibility on NPS projects. This arrangement works best when the cost of the combined project is equal to or less than the cost of a stand-alone POTW project when financed at normal CWSRF interest rates. For example, a \$1,000,000 loan at 3.8% interest would result in a total repayment of \$1,436,707 over a 20-year term. A \$1,393,442 loan at 0.3% interest results in the same repayment amount. Therefore, a municipality could borrow \$1,000,000 for a traditional POTW project plus \$393,442 to implement NPS projects at no additional cost. For added incentive, a CWSRF could further reduce the interest rate so that the municipality would save money rather than break even. The transaction is illustrated in the diagram below.

Traditional POTW Project Examples:

- Upgrade, repair, and replacement of wastewater treatment systems
- Wastewater re-use and recycling projects
- Collection systems improvements
- Interceptor, force main, or pump station projects

Nontraditional Project Examples:

- Preservation and restoration of wetlands and riparian areas
- Land conservation
- Agricultural Best Management Practices
- Green street implementation of permeable pavement, bioretention cells, and green alleys

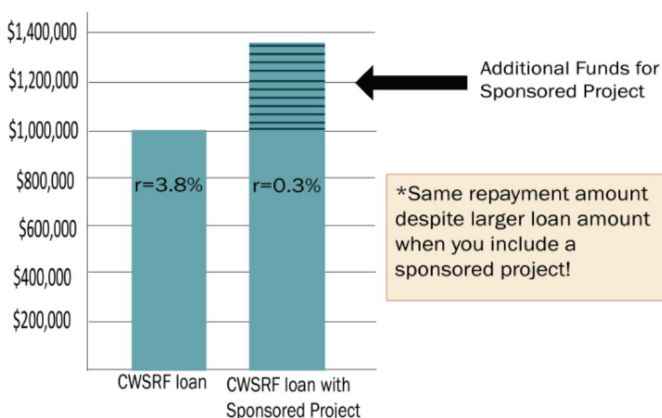
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You can also view our most recent webinar on sponsorship by visiting the following website:

<https://www.epa.gov/cwsrf/cwsrf-webinars>

	Loan Amount	Interest Rate (r)	Total Repayment Over Twenty Years
CWSRF Loan	\$1,000,000	3.8%	\$1,463,707
CWSRF Loan with Sponsored Project	\$1,393,442	0.3%	\$1,463,707



Getting A Project Funded

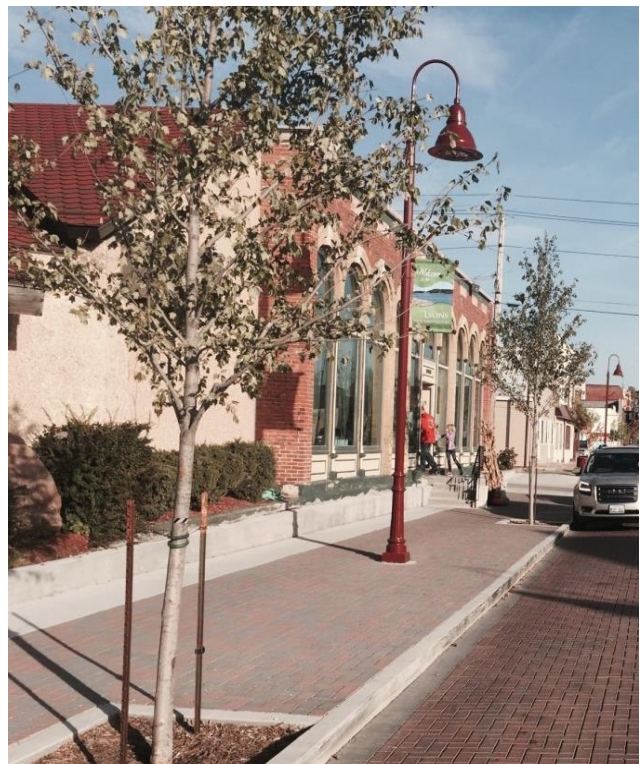
Eligible applicants who are interested in utilizing sponsorship lending should seek out the CWSRF program in their state, since there are several models of sponsorship that states may utilize when financing a loan. Additionally, financing of a project may vary depending on the priorities, policies, and laws within each state. Currently, there are five CWSRF programs that have implemented sponsorship lending: Delaware, Idaho, Iowa, Ohio, and Oregon.

Sponsorship Project Highlight: Idaho

The Idaho CWSRF sponsorship program provides an incentive to address NPS water quality issues while also implementing point source upgrades. In 2011, the City of Driggs received a \$10.5 million CWSRF loan for a point source project to improve treatment and transmission capabilities at the Teton Valley Regional WWTP by constructing a new headworks, ultraviolet disinfection building, and manholes, while backfilling two lagoons. This project was combined with a \$150,000 NPS project to stabilize over a mile of previously damaged streambed. The city's sponsorship of this project provided funding to the "nonprofit," Friends of Teton River, to construct an inset floodplain, stabilize 5,600 feet of stream channel and 11,200 feet of eroding streambanks, build and restore pools and riffles for fish habitat, and revegetate more than 10 acres of floodplain with native vegetation. Not only was the water quality improved in both Teton Creek and the Teton River, but the possibility of flooding was reduced along with an improvement in stream function and habitat for the benefit of Yellowstone cutthroat trout and other native fish and wildlife species. The overall interest rate on the total amount borrowed by the city was lowered to 0%, and \$1,877,284 of principal forgiveness was also provided. These generous funding terms allowed for the completion of the NPS project without impacting city rate payers.

Sponsorship Project Highlight: Iowa

The Iowa Clean Water SRF Water Resource Restoration Sponsored Projects effort provides an incentive for cities and wastewater utilities to address NPS water quality issues while they're addressing their point source upgrades. In 2013, the City of Clinton received a CWSRF loan to construct two pump stations as part of a sewer separation project intended to reduce the amount of untreated wastewater discharging directly into the Mississippi River. To supplement the new storm sewer system, the City also sponsored a green infrastructure project to reduce the volume of stormwater entering the system. The City installed bioretention cells with native plantings, permeable pavement and sidewalk pavers, green alleys, and Silva Cell frames for tree plantings. The total cost of this project was \$7.2 million of which \$6.5 million was borrowed for the sewer separation project plus \$655,000 for the sponsored project. The overall interest rate on the total amount borrowed was lowered to 0.76%, which has made the loan repayments equal to what they would have been for just the wastewater project at Iowa's normal CWSRF interest rate of 1.75%.



Urban tree planting in the downtown area in City of Clinton

For more information about the CWSRF please contact us at:

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Clean Water
State Revolving Fund