What Would You Do with $165 180 Million for Stream and Wetland Restoration and Protection Projects?

OR

What Can Your SRF Program Do for You?

U.S. EPA National NPS Workshop
November 5-8, 2018

Pond Brook Wetlands Protection Project
Ohio EPA’s Division of Environmental and Financial Assistance

- DEFA’s Office of Financial Assistance, comprised of approximately three dozen engineers, environmental scientists, and loan coordinators, manages the two largest public water and wastewater funding (SRF) programs in the state of Ohio.
State Revolving Funds

**Water Pollution Control Loan Fund (WPCLF)**

WPCLF provides funding primarily to public wastewater systems for planning, design and construction of wastewater projects.

**Water Supply Revolving Loan Account (WSRLA)**

WSRLA provides funding primarily to public water systems for planning, design, and construction of drinking water projects.
State Revolving Fund Programs: what are they and where did they come from?

- The Clean Water Act of 1987
- Title VI – State Water Pollution Control Revolving Funds

“Title VI establishes a system of federal grants to capitalize state-operated water pollution control revolving funds (SRFs). SRFs may be used to finance POTW design and construction and (eventually) for projects under the nonpoint source and estuary programs.”

- Section 1452 of the Safe Drinking Water Act amendments of 1996 created a similar SRF program to help states fund drinking water projects.
How State Revolving Funds Operate

- Federal Capitalization Grants
- State Matching Funds

State Revolving Fund

- Project Disbursements
- Public Water or Wastewater Improvement Project

- Repayments
- Proceeds
- Leveraged Bonds

Loan Repayments
# State Revolving Funds

<table>
<thead>
<tr>
<th></th>
<th>WPCLF</th>
<th>WSRLA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>This is what we have accomplished over 29 (or 19) years</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Loans</td>
<td>Over 2,400 Projects</td>
<td>Over 633 Projects</td>
</tr>
<tr>
<td>Total Investment In Ohio</td>
<td>Over $ 9.0 Billion</td>
<td>Over $ 1.4 Billion</td>
</tr>
<tr>
<td>Total Estimated Savings for Communities</td>
<td>$1.3 Billion</td>
<td>$210 Million</td>
</tr>
<tr>
<td>Sustainable Annual Capacity</td>
<td>Over $500 million/year</td>
<td>$150 million/year</td>
</tr>
</tbody>
</table>
Clean Water Act Goals

National water quality objective, as contained in the federal Clean Water Act:

“... to restore and maintain the chemical, physical, and biological integrity of the Nation’s waters...”
Achieving Clean Water Act Goals

CWA Toolbox

- NPDES (402) permits
- TMDLs
- Storm water permitting
- 208 Areawide planning
- 319 grants
- Sections 404 and 401
- State revolving funds

Fishable/Swimmable

Lower East Fork Little Miami River, Clermont Co.
Water Pollution Control Loan Fund

Eligible Projects Include:

- New wastewater treatment plants (WWTP)
- WWTP upgrades and rehabilitation
- New sanitary sewers for unsewered areas
- Sanitary sewer rehabilitation or replacement
- Storm water improvements
- CSOs (special incentives)
- Nutrient Reduction (special incentives)
- NPS Projects:
  - Stream/wetland protection and restoration
  - Landfill closure
  - HSTS replacement programs
Potential SRF Program Funding Mechanisms

- Direct loans
- Linked deposit loans
- Principal forgiveness
- Sponsorship
Direct SRF Loans for NPS Projects

- Below-market rate loans to public or private entities for water quality-related projects that implement a nonpoint source management program. Determining ability to repay is critical.

- Landfill closures
- Brownfield site clean-ups
- Manure collection/treatment facilities
- Storm water management (traditional, green infrastructure)
- Stream/wetland protection/restoration activities
Linked Deposit Program

• A funding mechanism using the SRF/WPCLF to “buy-down” the interest rate offered through local/regional lending institutions to qualified private borrowers participating in Ohio EPA-approved NPS program activities. Highly dependent upon existing interest rates.

• Agricultural BMPs
• Home sewage treatment system (HSTS) improvements
• Forestry BMPs
Principal Forgiveness

• Principal forgiveness – a limited pool of “free money” dedicated to addressing public health issues in hardship communities

• Qualifying communities compete for limited funds, based on priority scores and readiness to proceed

• Annual PF $$ amount determined by Congressional appropriations
How do nonpoint source concerns fit into the Principal Forgiveness world?

• Through the WPCLF, Ohio EPA offers PF to county/local health departments to be used for repairing or replacing failing home sewage treatment systems (HSTS).
• Qualifying homeowners (based on income levels) can receive 50%, 85%, or 100% of the cost for this HSTS work.
• The health departments administer the funds, approve project designs, inspect installation work, and generally manage all local aspects of the program.
......so, about that $180 million “tease” at the beginning of this presentation......
In Ohio, the Water Resource Restoration Sponsor Program was developed and implemented in 2000, with the goal of helping to restore and protect high quality water resources throughout the state.

To date, the WRRSP has provided $180 million for sponsorship projects, including preservation of more than 5,200 acres of wetlands and 90 miles of streams.

Among the many restoration activities funded by the WRRSP are twelve (12) dam removal projects, with three (3) more anticipated to receive funding approval in the next year.
and why did we create this unique program?

- Because of the ongoing threat to Ohio’s remaining wetlands and the nature of the (nonpoint source) water quality impairments in Ohio’s streams, and
- Because of the lack of an effective funding mechanism to address the problem.
One Problem with a Loan Program

City of Toledo - WWTP

This generates revenue through payments from sewer bills...

Wyandot Wetlands

This does not...
Challenge

City of Toledo - WWTP

Wyandot Wetland Meadows
Solution: Sponsorship

- Enable a WPCLF applicant to **sponsor** a stream or wetland restoration/protection project

Toledo’s Wastewater Treatment Plant in Bay View Park

Wyandot Wetland Meadows, Erie Co.

One WPCLF Project
WRRSP is *Not* a Grant Program

Federal Capitalization Grants

State Matching Funds

Bond Sales (Leveraging)

Disbursements

Repayments P&I (20 yr. loan)

Water Pollution Control Loan Fund

Advance portion of interest payment to a WRRSP project when the WPCLF loan is awarded.

WRRSP Project
WRRSP Sponsors

- Borrower (WPCLF loan recipient) voluntarily “sponsors” a project
- Borrower enters into a formal Sponsorship Agreement
- Borrower receives an additional interest rate discount on their WPCLF loan of up to 0.1%

Mike Kelly at Massie Creek, Greene Co.
WRRSP Implementers

• Implementers can be:
  • political entities such as municipalities or park districts
  • other qualifying not-for-profit organizations under the Internal Revenue Code

• Implementers are responsible for the planning, design, construction and monitoring of the WRRSP project
WRRSP Annual Funding

In a typical year, $15 million is made available for stream and wetland projects:

- ~ $7.5 million for restoration projects
- ~ $7.5 million for protection projects

Burton Swamp, Geauga Co.
WRRSP Project Types

- **Restoration Projects**: involve restoring wetlands or streams and buffers necessary to address identified sources of impairment.

- **Protection Projects**: involve the fee simple purchase of an area containing existing high quality wetlands and/or streams and buffers.
Required Sponsorship Outcomes

• Projects must result in permanent and full restoration and/or protection of the resource
• Full attainment of the WWH, EWH, CWH or SS aquatic life use designations for stream projects
• Category 3 (highest quality) for wetland projects
• Permanent protection with an Environmental Covenant

Lake Erie Shoreline, Turkey Creek, Ashtabula Co.
Steps in the WRRSP Process

• Pre-nomination Consultation
• Nomination Submission/Scoring and Ranking
• Year 1 – Project Review and Approval
• Year 2 – Project Funding and Implementation
• Post Implementation Monitoring and Reporting
Pre-Nomination Site Visits

Rose McLean at Scioto River Preserve, Pickaway County
Cuyahoga Falls Dam Removal
City of Cuyahoga Falls, 2011
Aurora Golf Course Restoration, 2014

Pre-Restoration

Post Restoration

Photo Credit - Joel Bingham, Enviroscience Inc.
Post-Implementation Monitoring

- Ensure compliance with environmental covenant and management plan;
- Unauthorized structures, access roads, vegetation clearing;
- Proposed trails;
- Habitat monitoring;
- Plans for more biological data collection
Common Challenges

• Land owners who want to sever and retain mineral rights

• Upfront costs to implementers (title search and appraisals, ecological evaluations, conceptual plan development) with no assurance they will rank high enough to be funded

• Identifying property owners - especially for dam removal projects

• Streams and wetlands in urban settings – may score too low to fall into funding range
Setting up a Program in Your State

• Ohio’s SRF is robust and can afford to make $15 M/yr. available
  – Chose a biological/habitat based program

• Tailor to your state’s possible needs
  – TMDL implementation
  – Nutrient reduction strategy
  – Watershed action plans

• Need to get SRF program managers on board
  – Green reserve
  – Nutrient trading
  – Program budget
Setting up a Program in Your State

- Ohio EPA dedicates 4 FTEs to this program
  - Warranted by the size of the program
  - Each state will be different

- We recently created a separate unit dedicated to administering the WRRSP
The WRRSP Team

Steve Malone, Manager

WRRSP Team:
• Angela Adkins
• Tom Harcarik
• Mike Kelly
• Rose McLean
• Linda Merchant-Masonbrink

Steve Malone and a friend
Questions?

Steve Malone
Division of Environmental & Financial Assistance
614-644-3663
steven.malone@epa.ohio.gov