Iowa State Revolving Fund
Nonpoint Source Funding Programs

Iowa Department of Natural Resources
Iowa Finance Authority
Iowa Department of Agriculture and Land Stewardship

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Presentation Overview

- Iowa water quality issues
- Iowa SRF background
- SRF Nonpoint source programs
  - Funding mechanisms
  - Project eligibility
  - Challenges and Opportunities
  - Project examples
“Nowhere have landscape and habitat changes been more dramatic than in Iowa.”

--U.S. Geological Service
1989 - 2002

LOW-INTEREST LOANS FOR

Water and wastewater infrastructure only

(Section 212)
State Revolving Fund

- Federal Capitalization Grants
- Loan Proceeds
- Principal Repayments, Interest
- Bond Proceeds
- Bond Repayments, Interest
- State Match Bonds Leveraged Bonds
- Low-Interest Loans
Current SRF Eligibilities

- State Law allows Iowa’s SRF to fund CWSRF projects eligible under Sections 212, 319, and 320 of the CWA
- Almost any capital project with a water quality benefit may be funded by the CWSRF
- A few limitations apply, based on ownership (whether the project is owned by a public or private entity)
2003-Present Iowa SRF Toolkit
(Section 212, 319 & 320)

- Water and Wastewater
  - Planning and Design
  - Energy and Water Efficiency
  - Source Water Protection
  - Habitat Conservation/Restoration
  - Lake and Wetland Restoration
  - Stream Restoration
  - Brownfield Cleanup
  - Landfill Closure
  - Urban Stormwater
  - Onsite Septic Systems
  - Soil, Sediment, and Nutrient Management
  - Sponsored Projects

- Urban Stormwater
- Habitat Conservation/Restoration
- Brownfield Cleanup
- Landfill Closure
- Urban Stormwater
SRF Nonpoint Source Cumulative Assistance

- Green Infrastructure & Sponsored Projects
- General Nonpoint Source
- Livestock Water Quality Facilities
- Local Water Protection
- On-Site Wastewater Systems
Nonpoint Source Funding Mechanisms

1. General Nonpoint Source Program
   a) Direct Loans
   b) Loan Participations
2. Linked Deposits
3. Investments
4. Sponsored Projects
1 – General Nonpoint Source Program

- Virtually any project for the primary purpose of nonpoint source water quality improvement or protection is eligible
1a – General Nonpoint Source Loans

- Borrower is public entity
  - Stormwater BMPs/ green infrastructure
  - Brownfield cleanup
  - Landfill closure
  - Floodplain Buyouts
  - Stream Restoration
1a– General Nonpoint Source Loan Project: Dubuque Bee Branch Watershed

- Massive $232 million public works project with multiple benefits
- Water quality, flood control, community amenity, wildlife habitat
- $46 million SRF NPS funding
- [https://www.cityofdubuque.org/1546/Upper-Bee-Branch-Creek-Restoration](https://www.cityofdubuque.org/1546/Upper-Bee-Branch-Creek-Restoration)
1b – General Nonpoint Source Loan Participation: Land Conservation/ Habitat Restoration

- Lower segment of South Skunk River flows through property and is on Iowa’s impaired waters list due to high bacterial content
- Protection & Restoration of native vegetation – manage downstream flooding and reduce NPS pollution entering S. Skunk River
- Restoration of crop fields to wetlands and native prairie - permanently provide water quality benefits that mitigate the causes of S. Skunk River’s impaired water classification
1 – Challenges/Opportunities SRF for NPS: Loan Participation & Direct Loans

• State law authorizing SRF and rules governing administration of SRF programs
  – State water quality goals
  – Political/ Legislative support

• Majority of Iowa’s water quality issues are from unregulated sources = voluntary adoption of water quality practices

• Partnering with other agencies and entities
2 – Nonpoint Source Linked Deposits

- Project approval by environmental agency (DNR, IDALS, NRCS, SWCD, etc.)
- Financing approval by participating lender – currently have more than 400 across the state
- SRF deposits funds at 0%, bank cannot charge more than 3% interest
- Loan can be used with financial assistance programs (state or federal), grants, etc.
2 – Linked Deposits: Onsite Wastewater Systems

- Helps homeowners replace inadequate septic systems
- Designs approved by the county sanitarian
- 100% participation by counties
2 – Linked Deposits: Agricultural Best Management Practices

- IDALS administers through contract with SRF
- Applicants apply through local Soil and Water Conservation Districts
- Designed to NRCS standards
- Programs address
  - Soil erosion & Nutrient reduction practices
  - Manure management (non-NPDES)
2 – Challenges/Opportunities SRF for NPS: Private Ag Lands

- Local partnerships are the key to success
- Prioritize outreach around practices farmers have a history of adopting
- Recognize that market forces are likely to impact program use occasionally
  - How long since market year average price for primary commodities was cash-flow positive?
  - Anticipate a delay when market returns
2 – Linked Deposits: Private Stormwater BMPs

- IDALS administers through contract with SRF
- Applicants apply through Soil and Water Conservation Districts
- Practice must meet the Iowa Storm Water Manual standards
- Common practices include:
  - Pavement/pavers
  - Detention/retention basins
  - Soil quality restoration
2 – Challenges/Opportunities SRF for NPS: Private Urban Land

- Provide local technicians to help both the applicant and engineers through the process
- Use the state stormwater standard as a marketing point for the program to spread costs out
- Understand how banks complete loans for development and integrate loan into process
3 – SRF Investment: Soil and Water Outcomes Fund

- Signs up landowners to practice no till and plant cover crops to create carbon, phosphorus, and nitrogen credits
- Landowners are paid $30-$50/acre (a portion up front and the rest after practices have been verified by ISU)
- Credits are sold to:
  - Private Industries for carbon credits
  - Regulated wastewater facilities for nutrient credits
  - IDALS for nutrient credits – to use toward Nutrient Reduction Strategy
  - RCPP/NRCS grant to purchase nutrient credits
- SRF committed to investing up to $7.5 million
  - 2% interest for 20 years, 5-year interest only draw down investment
  - The funds can only be used on land in Iowa
4 – Sponsored Projects

• 2009 Iowa legislature allowed the use of sewer revenues to finance locally directed, watershed-based nonpoint source projects

• ~$10 million budgeted for Sponsored Projects per year
  – Interest rate hit to the Clean Water SRF – based on how much interest can we afford to lose?

• Current CWSRF interest rate is 1.75%
  – Up to 1% of interest can be used for non-point source project (interest rate will not go below .75%)
  – Approximately $100,000 per $1,000,000 borrowed
Graph showing loan costs for $1 million CWSRF loan and $1 million loan with sponsored project, with categories labeled as follows:

- Loan Costs (interest and fees)
- Sponsored project principal
- Wastewater principal
Challenges to Implementing a CWSRF Program

• Iowa does not have regulatory drivers
  – Conservation adoption on private agricultural lands the decision of the landowner
  – Few cities MS4 regulated cities.
    • Lack of adoption of stormwater water quality ordinance/standards
  – Nutrient water quality standards are qualitative
Partnering for CWSRF NPS Success

- Allow broad eligibility and flexibility for project types & assistance
- Create NPS programs for which there is a need and demand
- Market practices in which participants are interested
- Utilize existing processes for project approval – keep things simple
- Enable technical staff that is local to market the program and be the face of the program for applicants
A SOURCE of funding for your drinking water and wastewater projects. Get started with low-interest loans for a cost-effective way to complete your improvements.

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