

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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INVESTING IN IOWA'S WATER
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Presentation Overview

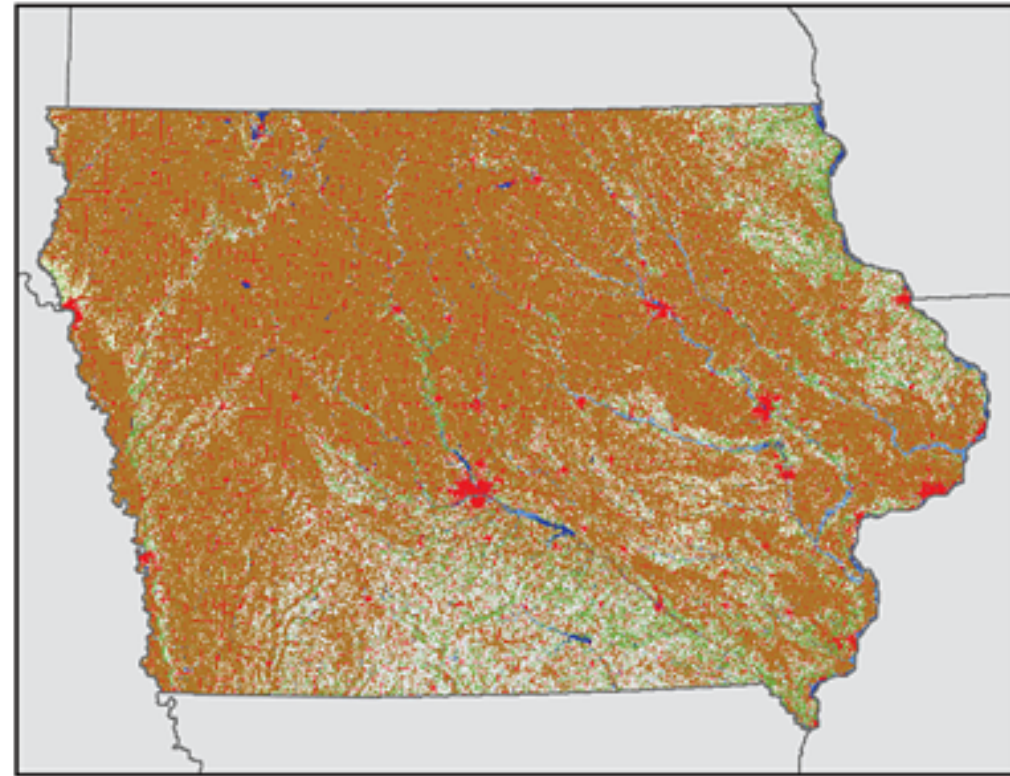
- Iowa water quality issues
- Iowa SRF background
- SRF Nonpoint source programs
 - Funding mechanisms
 - Project eligibility
 - Challenges and Opportunities
 - Project examples



Iowa's Landscape Transformed



(A)



(B)



“Nowhere have landscape and habitat changes been more dramatic than in Iowa.”

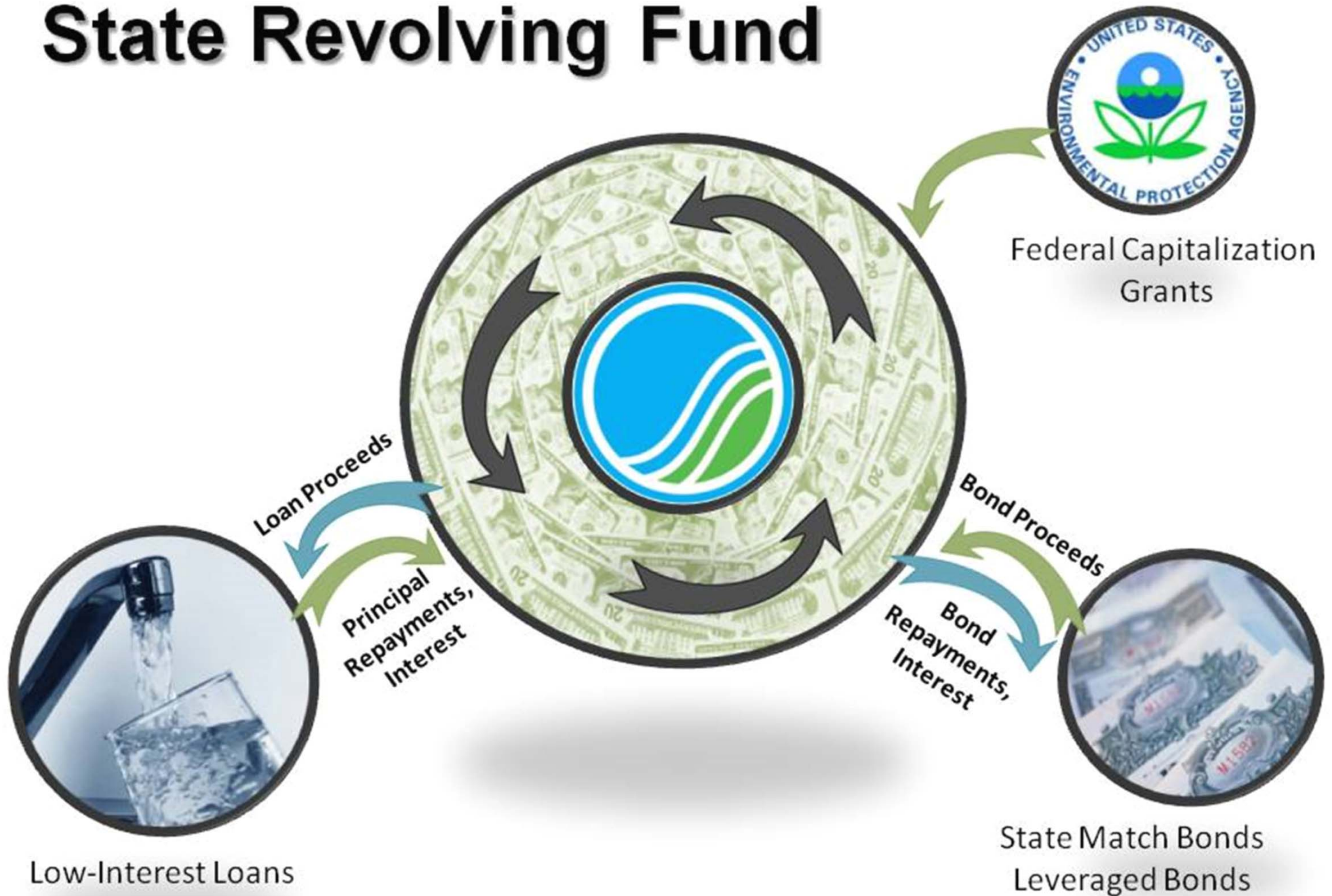
--U.S. Geological Service

1989 - 2002

**LOW-INTEREST LOANS FOR
Water and wastewater
infrastructure only
(Section 212)**



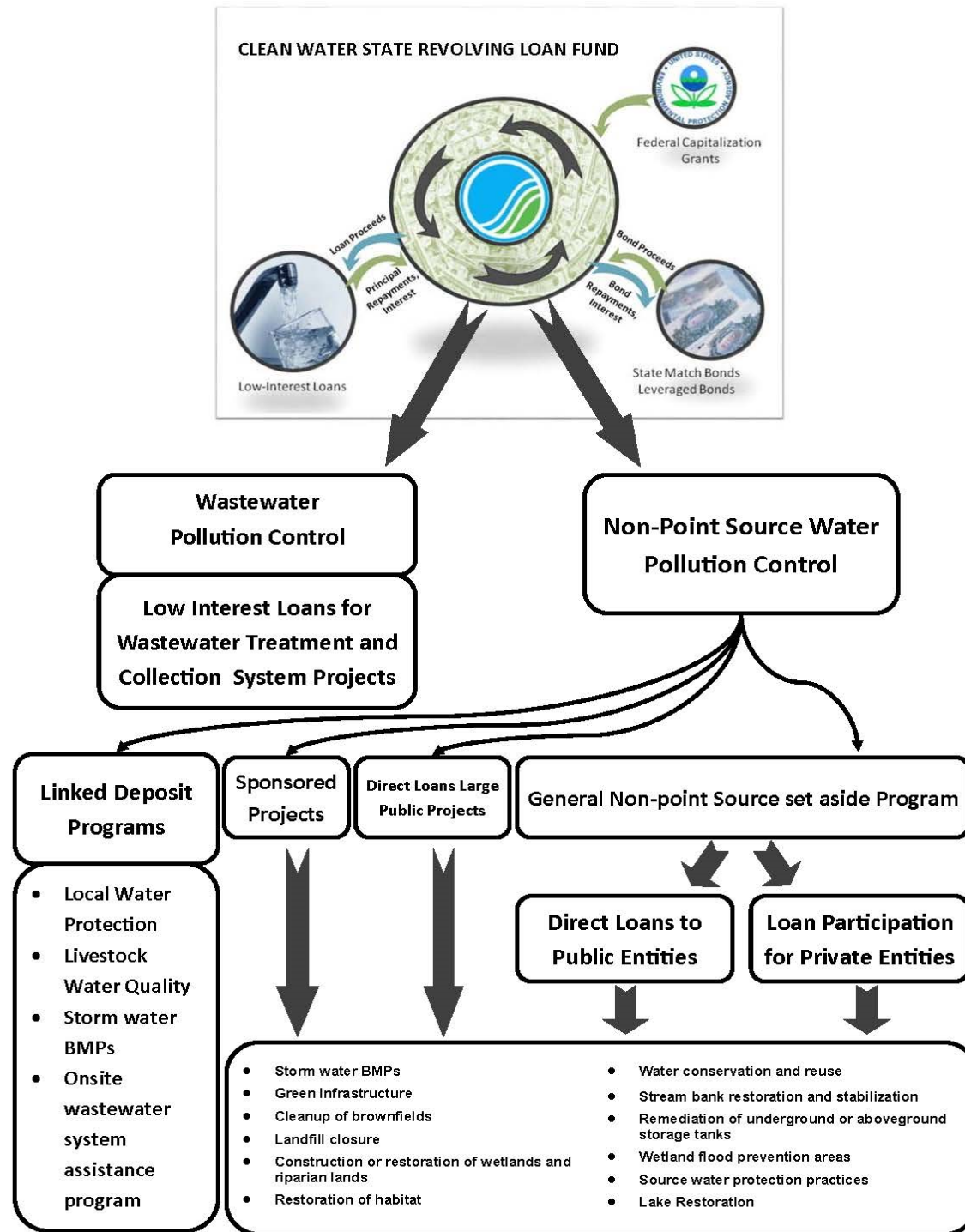
State Revolving Fund



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

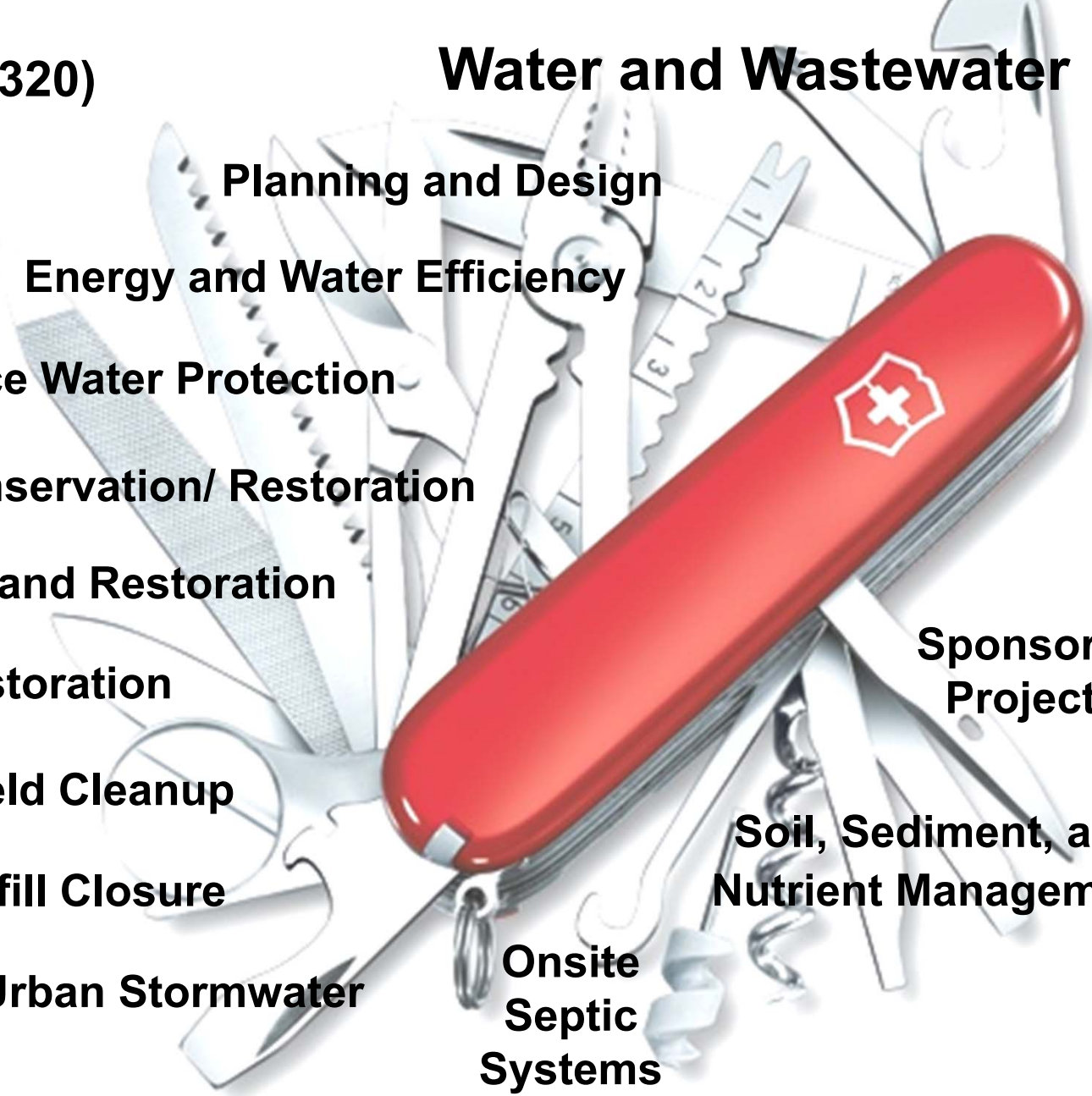
Landfill Closure

Urban Stormwater

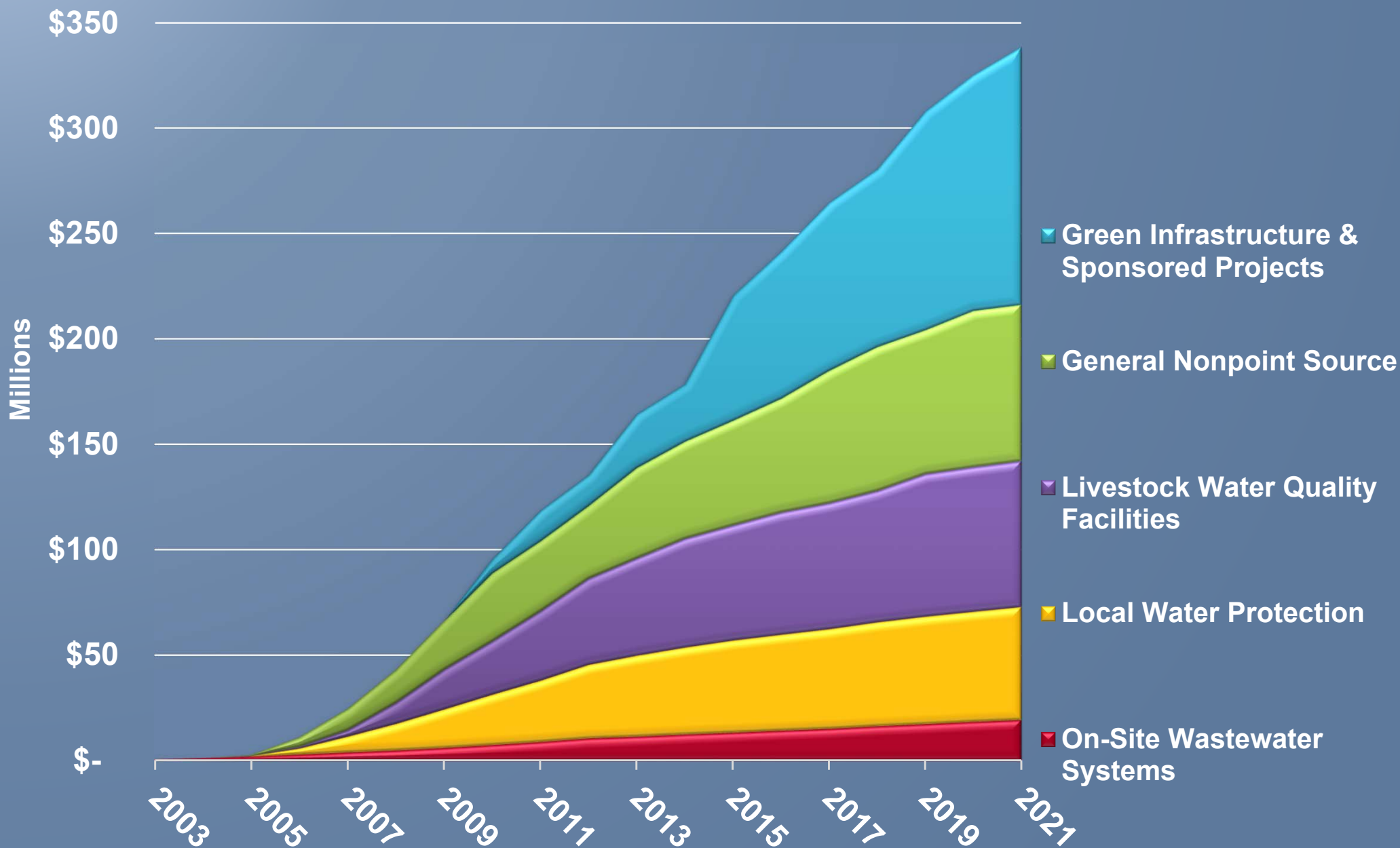
**Onsite
Septic
Systems**

**Soil, Sediment, and
Nutrient Management**

**Sponsored
Projects**



SRF Nonpoint Source Cumulative Assistance



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

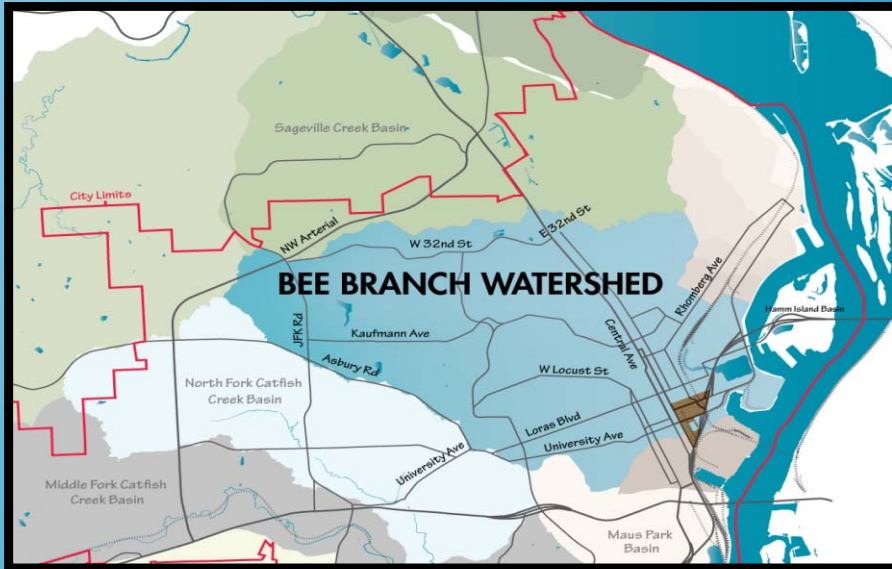


1a – General Nonpoint Source Loans



- 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>



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

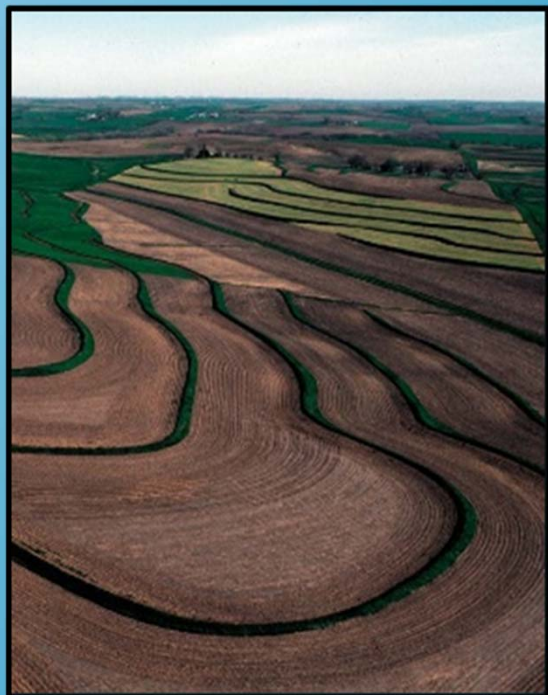


1 – Challenges/Opportunities SRF for NPS: Loan Participation & Direct Loans

- 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



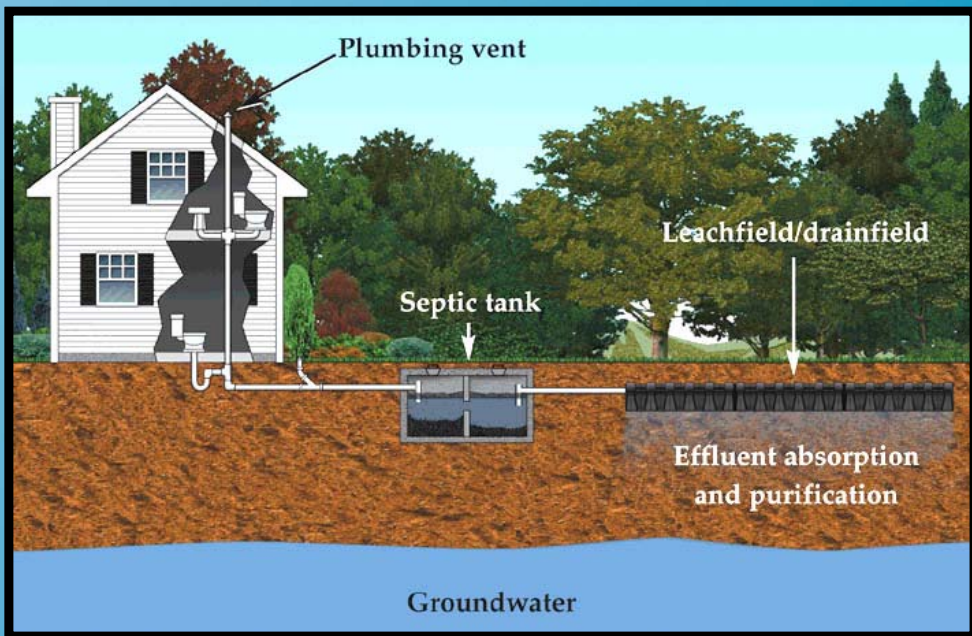
2 – Nonpoint Source Linked Deposits



- 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

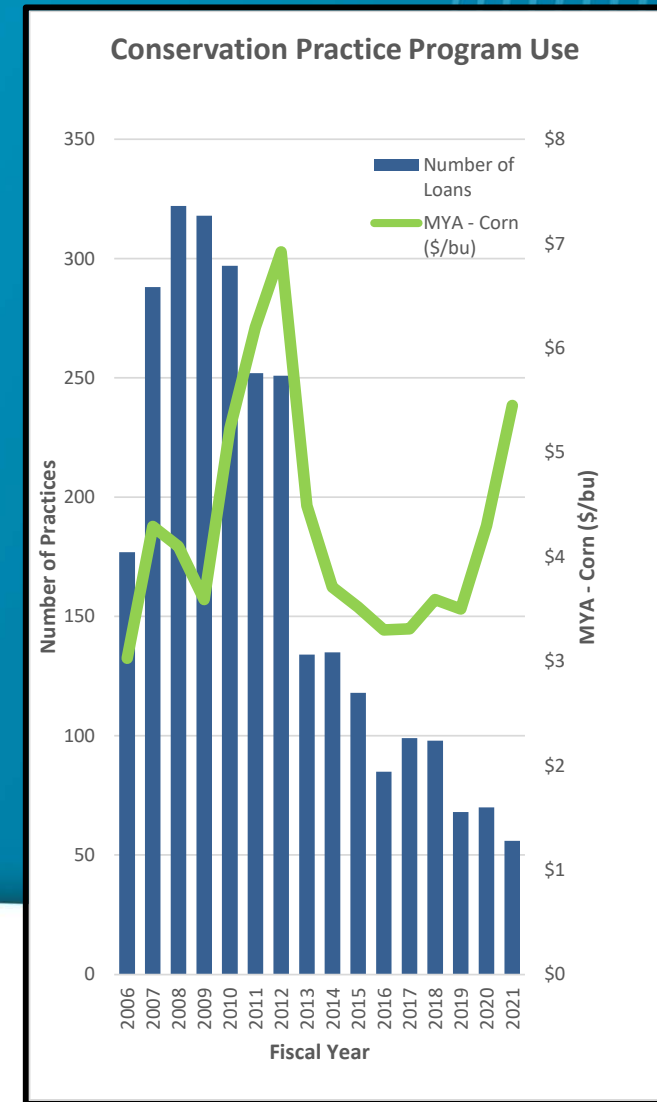
2 – Linked Deposits: Agricultural Best Management Practices

- 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



IOWA STORMWATER
EDUCATION PARTNERSHIP



IOWA BANKERS
ASSOCIATION



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3 – SRF Investment: Soil and Water Outcomes Fund

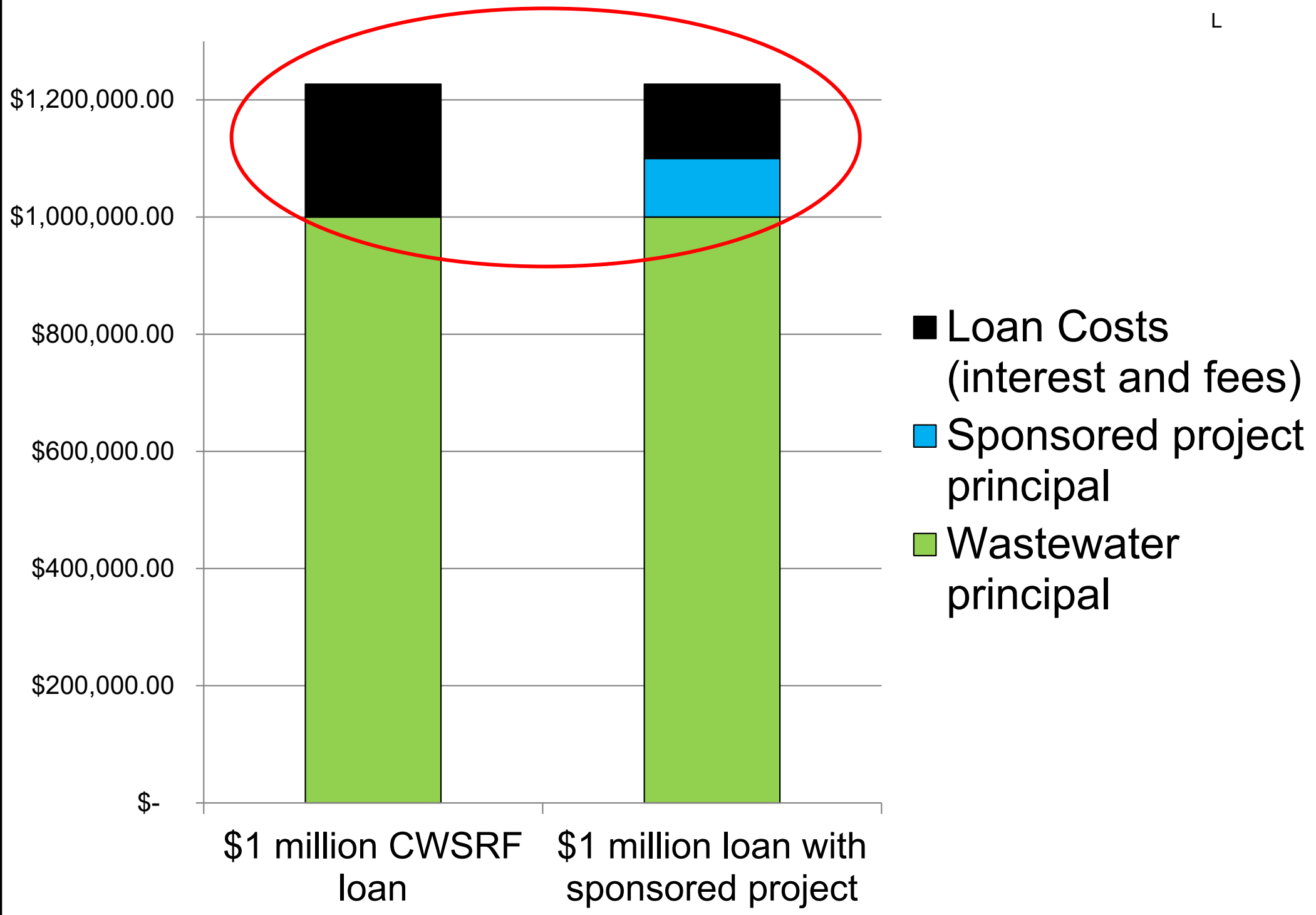
- Signs up landowners to practice no till and plant cover crops to create carbon, phosphorus, and nitrogen credits
- Landowners are paid \$30-\$50/acre (a portion up front and the rest after practices have been verified by ISU)
- Credits are sold to:
 - Private Industries for carbon credits
 - Regulated 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

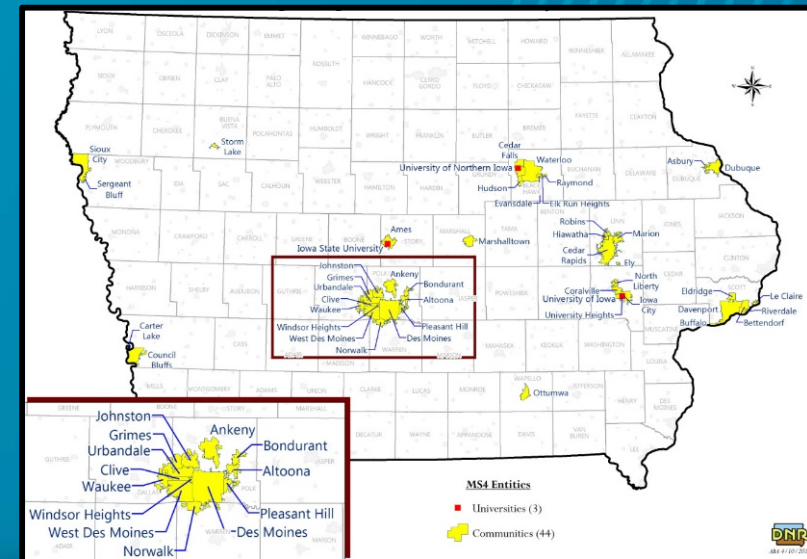




Challenges to Implementing a CWSRF Program

- 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

IOWA NUTRIENT REDUCTION STRATEGY
A science and technology-based framework to assess and reduce nutrients to Iowa waters and the Gulf of Mexico



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



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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.

The State Revolving Fund: **Investing in Iowa's Water**

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