

Talking Points: Why Ecology Needs to Establish a Clean Water State Revolving Fund (CWSRF) Loan Administration Charge

2013 Legislative Session

Bill Request: Establishing a water pollution control revolving loan administration charge

- The current CWSRF Capitalization Grant does not adequately cover program administration costs based on the only authorized source of SRF administration, which is a 4 percent set-aside of the annual federal Capitalization Grant award.
 - For example, the federal 2012 Capitalization Grant was \$24 million, which provides approximately \$960,000 in administrative funds. Ecology program administrative costs are approximately \$1.5 million per year.
- Ecology would already need State funds to administer the program if there hadn't been such a large infusion of money via ARRA and FFY 2010 capitalization grant.
- SRF federal Capitalization Grant amounts are decreasing and are projected to end, increasing the shortfall in administration funding.
- The CWSRF program will run a deficit on its program administration in SFY 2014.
- Ecology is requesting gap funding through its 2013-15 budget submittal request to cover the CWSRF administration shortfall that will occur by FY2014.
- Ecology needs the administration charge system in place now to prevent further administration shortfalls from occurring and to create program stability and sustainability for the future.
- Ecology's administration charge proposal is designed to have no financial impact to borrowers. The admin charge will be assessed as part of the debt service, which will remain at currently established rates based on 60% of the average tax exempt municipal bond rate, set annually.
- Ecology cannot continue to rely on Capitalization Grant funds because they are unstable and unpredictable from year to year and it is not good business practice for managing a billion dollar revolving loan fund.
- Establishing the admin charge system in conjunction with gap funding will provide a smooth transition from the Capitalization Grant to loan charges, allowing the SRF program to be self sustaining.
- The Clean Water Act and Ecology's CWSRF Operating Agreement with EPA requires that the SRF program be properly managed and administered in perpetuity, even if no federal Capitalization Grant is provided.
- SRF Loan administration charges are currently established in most states for both the Clean Water and Drinking Water programs.
- The Washington Department of Health has an established administration fee on their Drinking Water SRF loan program.
- EPA Region 10 strongly supports Ecology's proposal to establish an administrative loan charge to support the CWSRF. EPA staff can be contacted to validate and substantiate the need:

- Paula Van Hagen, Office of Water and Watersheds, Grants and Planning Unit Manager, 206-553-6977
 - Michelle Tucker, CWSRF Region 10 Coordinator, 206-553-1414
 - Tom Eaton, EPA Washington Office Director, 360-753-8080
- According to EPA Region 10, Ecology runs an efficient program, spending less on administration of the CWSRF on an annual basis than almost every other state that receives essentially the same annual capitalization grant appropriation.
- The authority of a State to charge, collect, and the allowable uses of SRF administrative charges are clearly delineated in EPA's fee guidance which was published in the Federal Register on October 20, 2005. Funds collected through an SRF loan program administrative charge can only be used for allowable SRF program purposes.