Clean Water State Revolving Fund

FACT SHEET

Funding Wet Weather Projects with the Clean Water State Revolving Fund

The Problem

"Wet weather discharges" refers collectively to discharges that result from precipitation events, such as rainfall and snowmelt. The primary sources of these discharges are storm water runoff from paved surfaces and other impervious areas, agricultural land and animal feeding operations, municipal separate storm sewer systems (MS4), combined sewer overflows (CSO) and sanitary sewer overflows (SSO).

Storm water discharges from MS4s are a major concern in urbanized areas due to the high concentration of pollutants found in these discharges. Urbanized areas, because of dense development, have a high concentration of impervious surfaces, such as city streets, driveways, parking lots, and sidewalks, on which pollutants settle and remain until a storm event washes them into nearby storm drains. The most common pollutants include pesticides, fertilizers, oils, salts, litter and other debris, and sediment.

Sediment accumulation at a construction site.

Runoff from agricultural sources is often the result of improper management of manure and animal wastewater as well as pesticides and fertilizers used on crop land. When left uncontrolled, these discharges can result in fish kills, the destruction of spawning and wildlife habitats, a loss in aesthetic value, and contamination of drinking water supplies and recreational waterways that threatens public health.

Combined sewer systems are sewers designed to collect rainwater runoff, domestic sewage and industrial wastewater in the same pipe. During periods of heavy rainfall or snowmelt, the total volume of wastewater within the system may exceed the system's capacity. The system is designed to overflow in a controlled manner by discharging untreated wastewater directly into nearby streams, rivers or other water bodies. These overflows contain not only storm water but also untreated human and industrial waste, toxic materials, and debris.

Sanitary sewer systems collect and transport all of the sewage that flows into them to a publicly owned treatment works. Occasionally, these systems overflow due to severe weather, improper system operation and maintenance, or vandalism. Untreated sewage from these overflows can contaminate our waters, causing serious water quality problems, and back up into basements, causing serious health concerns and property damage.

Capacity of the CWSRF

Congress created the CWSRF program to provide reduced-rate loan funding for water quality projects of all kinds. CWSRF programs were established in every state and Puerto Rico to work like banks. Federal and state contributions are used to capitalize or set up the programs. These assets, in turn, are used to make low or no-interest loans for important water quality projects. Loan repayments are then recycled to fund other important water quality projects.

Nationally, the CWSRF has in excess of $37 billion in assets (includes loans already made and current funds available to make loans). Currently, the CWSRF is funding about $3-4 billion in water quality projects each

year. Funding from the CWSRF for polluted runoff abatement projects (including animal feeding operations) is gaining momentum. These projects have received more than $1.6 billion in CWSRF funding since the program's inception. In 2002, nearly 42 percent of the CWSRF Program's assistance agreements addressed nonpoint source or estuary pollution.

Who May Qualify

The Clean Water Act (CWA) Amendments of 1987 authorized the CWSRF to fund treatment plants (§212), and nonpoint source (§319) and estuary (§320) activities. As stipulated in the CWA, §212 projects must be publicly owned to receive CWSRF funds. Nonpoint source and estuary activities, however, do not have this restriction. Included in a long list of eligible CWSRF loan recipients for nonpoint source and estuary activities are community groups, individuals, agricultural associations and nonprofit organizations.

Funding Eligibilities

Because there are many sources of wet weather discharges, there are also many types of projects related to such discharges that may be funded by the CWSRF, falling under different eligibilities. Combined sewer overflow and sanitary sewer overflow correction projects may be funded under the CWSRF's §212 point source eligibility. CSOs and SSOs are defined by the CWA as treatment works and therefore must be publicly owned to be eligible.

Storm sewer overflow following a precipitation event.

Polluted runoff from MS4s may be funded under either the CWSRF's §212 eligibility or its §319 nonpoint source eligibility. If a community is permitted, it is considered a point source, and therefore, may only be funded under the CWSRF's §212 eligibility. Communities with Phase I or Phase II NPDES permits may fund sewer system rehabilitation, new collector sewers, new interceptors, storm sewer rehabilitation, infiltration/inflow correction, and stormwater management facilities such as sediment traps and basins, constructed wetlands, street sweepers and catch basin vacuum vehicles, so long as these projects address problems in a publicly owned system.

If a community does not have a draft or final NPDES permit or is exempt from permitting, projects may be funded as non-point sources of pollution under §319, including privately-owned facilities. Types of projects include sewer rehabilitation, infiltration/inflow correction, and stormwater management facilities such as sediment traps and basins, constructed wetlands, street sweepers and catch basin vacuum vehicles. Additionally, any of the above public and private projects may be funded under the §320 eligibility if the project is located in a National Estuary and is listed in the estuary's Comprehensive Conservation Management Plan (CCMP).

Additionally, if a community has a draft or final permit, activities may be funded under the program's nonpoint source (§319) authority if the activity is not specifically required by a draft or final NPDES permit. This includes both public and private activities, such as riparian buffers. Construction BMPs are an example of activities covered by NPDES permits, and are therefore not eligible projects for private borrowers.

Getting Your Project Funded

Since the program is managed by the states, project funding varies according to the priorities, policies, and laws within each state. Eligible applicants also vary by state. The necessary first step in obtaining CWSRF funding is to get the activity/project listed in a state's priority list for §212 projects, Nonpoint Source Management Plan for §319 projects or CCMP for §320 projects. Contact your state's CWSRF, NPS, or Estuary program for details. CWSRF state contacts can be found at www.epa.gov/owm/cwfinance/cwsrf/contacts.htm.

Sources of Repayment

Each state must approve a dedicated source of loan repayment as part of the application process. Though finding a source of repayment may prove challenging, CWSRF users have identified many creative repayment sources, which need not come from the project itself. Some possibilities include:

- Stormwater utility fees
- Wastewater user fees
- Dedicated portion of local, county, state tax fees
- Fees paid by developers on other land
- Recreational fees (fishing license, entrance fees)

Restrictions

In 1990, the Environmental Protection Agency (EPA) promulgated rules establishing Phase I of the National Pollutant Discharge Elimination System (NPDES) storm water program. The Phase I program requires all medium and large municipal separate storm sewer systems (MS4), certain industrial activities, and construction activities disturbing 5 acres or more to apply for NPDES discharge permits and to implement a storm water management program. A medium MS4 is one which serves a population of 100,000 to 249,999. A large MS4 serves a population of 250,000 or more. Phase II of the program, signed in October, 1999, applies to all previously unregulated MS4s, including small MS4s and small construction activities disturbing between 1 and 5 acres of land. A small MS4 is defined as any MS4 not already regulated under the Phase I program.

Any MS4 covered under either Phase I or Phase II of the storm water permitting program will be regulated under NPDES permitting authority. Therefore, a permitted MS4 is defined under the Clean Water Act as a point source. A point source can be funded under the CWSRF program so long as it is a publicly owned treatment works. Any privately owned regulated entity will therefore not be eligible, unless the project is not specifically required by a draft or final NPDES permit and is considered a nonpoint source.

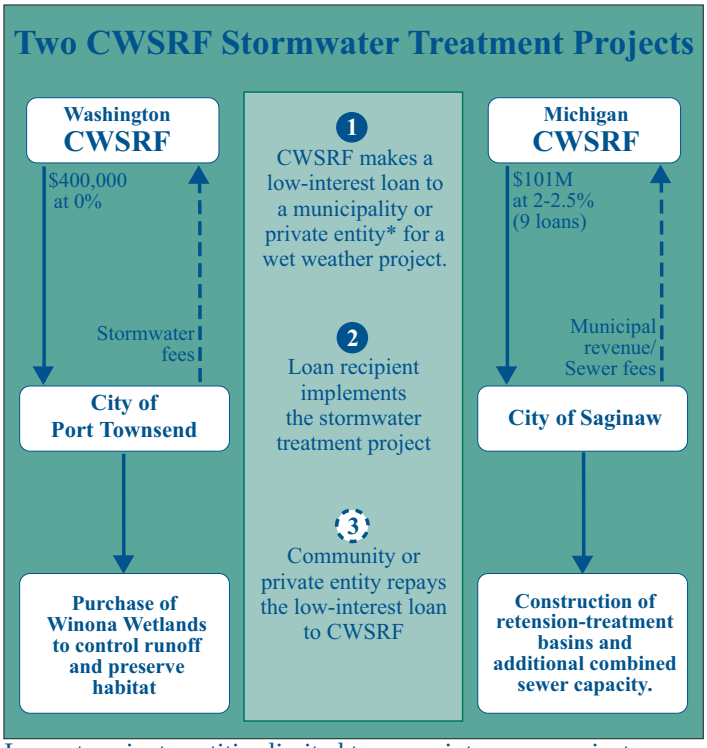
Wetlands Construction

Success Stories

The flexibility extended to state CWSRF programs and to loan recipients has enabled many innovative wet weather projects. The two projects hightlighted here have taken advantage of special low interest rates and have designated alternative repayment sources.

Wetlands Preservation and Stormwater Management

The city of Port Townsend, Washington used the CWSRF program to simultaneously meet storm water management and a wetlands preservation objectives. The city purchased an area called the Winona Wetlands, a critical storm water basin for the area that also provides a valuable wildlife habitat. The city's purchase protects the wetlands from further development. Development would have resulted in storm water management problems as well as destruction of the wetlands. The project required a $400,000 CWSRF loan at 0% interest. The loan is to be paid back in 5 years with a portion of the city's $5 per household storm water utility fee.



Loans to private entities limited to nonpoint source projects where authorized by the state.

Addressing Combined Sewer Overflows in Michigan

Of the 219 loans provided by Michigan's CWSRF program, 112 have funded combined sewer overflow projects. The state has committed over $950 million to CSO improvements, more than half of its $1.9 billion in total CWSRF assistance. Starting in the mid 1980s, Michigan initiated the NPDES permit processes for CSOs with approximately 80 communities. The Department of Environmental Quality required optimized operation to minimize discharges, implementation of measures to eliminate raw sewage discharges, and treatment plans to achieve compliance with water quality standards. CWSRF funding has helped these municipalities implement long-term CSO control plans. Close to 65 of them have not only finished the planning process, but have also completed construction. Municipalities have used several strategies to reduce CSOs. For example, new retension-treatment basins and relief combined sewers have reduced CSO discharges to the Saginaw River by 75%, restoring the walleye fishery. Data is coming in from the Rouge River Wet Weather Demonstration Project, a multi-town study of alternative treatment technologies, each designed for different stormwater flows. The project will help identify effective CSO controls for Detroit and Dearborn as well as several smaller municipalities. The CWSRF contribution to Michigan's ambitious CSO program serves as a model for other states' stormwater permitting processes.

Challenges Ahead

EPA encourages states to use their CWSRF resources to finance high-priority water quality projects. Those interested in obtaining funding for wet weather projects are encouraged to seek out their state CWSRF programs and apply for funding.

For more information about the Clean Water Revolving Fund, or for a program representative in your State, please contact:

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