

STATE WATER RESOURCES CONTROL BOARD
WORKSHOP SESSION – DIVISION OF FINANCIAL ASSISTANCE
JUNE 1, 2005

ITEM 5

SUBJECT

ADOPTION OF THE STATE FISCAL YEAR [\(SFY\)](#) 2005/06 STATE REVOLVING FUND (SRF) LOAN PROGRAM PRIORITY LIST (LIST)

DISCUSSION

The SRF Loan Program is a joint Federal and State program that provides low interest loans to local governments in California for construction of wastewater treatment and recycling facilities, implementation of non-point source and storm drainage pollution correction measures, and development and implementation of estuary enhancement and management programs. Since the program's inception in 1989, it has made almost \$3 billion in loans to local governments in California. To date, no agency has defaulted on any SRF loan.

The State Water Resources Control Board (State Water Board) suspended processing new SRF applications during SFY 2003/04 due to the limited funds in the SRF account and staffing limitations, and is currently not making new loan commitments except to projects that receive a construction grant commitment from the Small Community Wastewater Grant (SCWG) program. The State Water Board intends to resume processing applications at the earliest date possible because of the importance of the SRF program to its goals. The State Water Board anticipates resuming the program in SFY 2005/06, and is working hard to complete the tasks necessary to resume operation of the program.

In anticipation of additional funds, and in accordance with the Clean Water Act and federal regulations, the staff of the Division of Financial Assistance (Division) have updated and published the SFY 2005/06 List. A project must appear on the List to qualify for loan assistance.

The SFY 2005/06 List contained in Exhibit A reflects recommendations submitted by all nine Regional Water Quality Control Boards (Regional Water Boards) and State Water Board staff. The Staff notified subscribers of the State Water Board's electronic mailing list of the opportunity to comment on the proposed List; the List was posted on the State Water Board website for review. Division staff made changes to the List in Exhibit A to address comments submitted by the public and interested parties by the end of the comment period.

The List is based on a five-year planning period: each project on the List identifies the year the agency expects that loan funds will be needed. The first year of the five-year planning period is known as the fundable year and it is reserved for those projects that have received a preliminary loan commitment. All projects not on the fundable portion of the List, the remaining four years, compete on a first-come, first-served basis for preliminary loan commitments until all available funds are committed.

The amount of funds available at any time for new loan commitments is based on the Program's projected cash flow. The cash flow model includes anticipated Federal funding, State funds that can be used to fulfill the required State match, repayments from existing loans, projected disbursements for existing loan commitments, the sale of revenue bonds, and a minimum SRF balance of \$25 million. (Federal appropriations and project disbursements are uncertain; the amount available for loan commitments might be higher or lower than estimated.)

Three specific issues were identified in the notice advising the public and interested parties of the opportunity for public comment:

1. Adoption of the SFY 2005/06 List – Although the State Water Board is not processing new loan applications, adopting the List now will document the current need for additional SRF funds and allow the State Water Board to expeditiously resume making loan commitments once sufficient funds do become available. Division staff solicited input from all nine Regional Water Boards and State Water Board staff. The Division also provided interested parties with the opportunity to comment on the draft List. Staff have incorporated all information received on the draft List and recommend that the State Water Board adopt the SFY 2005/06 List.
2. SRF Funds for Small, Financially Disadvantaged Communities – The State Water Board is currently implementing the SCWG program and has available approximately \$30 million in grant funds from Propositions 40 and 50 for the SCWG program. The intent of the SCWG program is to provide supplementary grants to small, financially disadvantaged communities that would otherwise be unable to afford the debt service on their wastewater infrastructure projects. The State Water Board receives funds for the SCWG program on an irregular basis, and this funding is available for a limited period of time. When the State Water Board adopted the SFY 2004/05 List, it made the limited funds in the SRF program available for loan commitments to communities that also receive a construction grant commitment from the SCWG program. The Division recommends that the State Water Board continue to make the limited funds in the SRF account available to projects that receive a construction grant from the SCWG program.
3. Funding Cap – In past years the State Water Board established the funding cap when it adopted the List. This decision is based largely on the estimated amount of SRF funds available for loans in the coming year. Since the State Water Board has suspended processing new applications due to limited funds in the SRF account, the Division recommends that the State Water Board defer this decision until it determines that sufficient funds are available to resume making commitments.

POLICY ISSUES

Should the State Water Board adopt the SFY 2005/06 SRF Loan Program Priority List? Should the State Water Board continue to make available SRF loan funds for preliminary loan commitments to projects that receive SCWG construction funding?

FISCAL IMPACT

The development and adoption of the List is a requirement of the Federal Clean Water Act and associated regulations. The staff required to administer loans for projects on the fundable portion of the List is funded by a four-percent administrative set-aside from each Federal Capitalization Grant. Staffing levels approved for the Division for SFY 2005/06 will be sufficient to review and process projects from the fundable portion of the list that are expected to submit documents for review.

REGIONAL WATER BOARD IMPACT

Yes - All Regional Water Boards.

STAFF RECOMMENDATION

That the State Water Board adopt the SFY 2005/06 SRF Loan Program Priority List, and that it continue to make SRF loan funds available for preliminary loan commitments to projects receiving SCWG construction funding.

STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2005 -

ADOPTION OF THE STATE FISCAL YEAR (SFY) 2005/06
STATE REVOLVING FUND (SRF) LOAN PROGRAM PRIORITY LIST

WHEREAS:

1. The Division of Financial Assistance (Division) has developed the SFY 2005/06 SRF Loan Program Priority List based on input from the Regional Water Quality Control Boards, staff of the State Water Resources Control Board (State Water Board), and the public consistent with the Federal Clean Water Act;
2. The State Water Board has suspended processing new loan applications for the SRF Program;
3. It is expected that the federal appropriations bill for Federal Fiscal Year (FFY) 2005 not place any limitations on which Federal Clean Water Act Needs Categories can receive funding;
4. The State Water Board has available approximately \$30 million in grant funds from Propositions 40 and 50 for the Small Communities Wastewater Grant (SCWG) program to help small, financially disadvantaged communities afford wastewater infrastructure improvement projects;
5. The State Water Board made available the limited SRF funds to projects that received a SCWG construction grant commitment when it adopted the SFY 2004/2005 Loan Program Priority List; and
6. Up to four percent of the FFY 2005 Federal Capitalization Grant is available for state administration.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves the placement of projects in Priority Classes A through D on the fundable portion of the SFY 2005/06 SRF Loan Program Priority List;
2. Directs that funding for all Needs Categories be eligible for the fundable portion of the SFY 2005/06 List;
3. Directs that projects that receive SCWG funds for construction from Propositions 40 and 50 be eligible for the fundable portion of the SFY 2005/2006 List;
4. Approves the set-aside of up to four percent of the FFY 2005 Capitalization Grant for SRF Loan Program administration; and

5. Adopts the SFY 2005/06 SRF Loan Program Priority List.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on June 16, 2005.

Debbie Irvin
Clerk to the Board

EXHIBIT A
SFY 2005/06 SRF LOAN PROGRAM PRIORITY LIST