

H.777 An Act Relating to the Clean Water State Revolving Fund (CWSRF)

Bill Purpose

- To provide loans and funding for natural resources projects
- To increase private borrowers' access to low-interest loans for clean water projects

Background Information on the CWSRF

- The Clean Water State Revolving Fund (CWSRF) leverages federal money at a 5:1 ratio.
- The CWSRF offers 0%-interest loans to municipalities for eligible wastewater and stormwater projects.
- Municipalities pay up to 2% administrative fee rate on loans, which covers Vermont Department of Environmental Conservation (DEC) administrative costs.
- CWSRF currently has >\$75 million available for loans.
- In 2014, Congress amended the authorizing federal statutes to expand eligible borrowers and project types.
- H.777 seeks to take advantage of the federal law changes.

Bill Summary

1. Expands CWSRF eligible project types to include natural resources

- Current statute authorizes loans to municipalities for traditional wastewater treatment and stormwater projects.
- H.777 would expand eligible project types to include natural resource projects e.g.: floodplain restoration, wetland restoration, and vegetated river buffers. Natural resource investments are cost-effective ways to treat stormwater.

2. Funds natural resource projects that are sponsored by municipalities and paired with traditional projects

- The Treasurer recommended using CWSRF administrative fees to incentivize and fund natural resources projects.
- Natural resource project must be sponsored by a municipality and paired with a traditional project. Example: municipality pairs a \$1 million traditional project with a \$100,000 natural resources project. The municipality takes out a loan for \$1.1 million and the administrative fee rate is lowered from 2% to 1%. Over the life of the loan, the municipality pays back less interest than it would on a traditional project, but more principal, and therefore gets "two projects for the price of one." DEC forgoes some of its administrative fee revenue.
- Because the second project does not increase the total loan repayment, H.777 proposes to exempt the natural resource project from municipal bond vote requirements.

3. Helps private borrowers obtain access to low-interest loans for water quality projects

- Private entities are already eligible to obtain loans from the Drinking Water State Revolving Fund (DWSRF). CWSRF expansion to private entities is modeled after DWSRF.
- Typical borrowers would include homeowner's associations, mobile home parks, ski areas, and those required to comply with the 3-acre stormwater permit.
- Private entities would pay a higher interest rate and higher administrative fee rate than municipalities, which would strengthen the long-term viability of the CWSRF.
- CWSRF loans are prioritized using statutory criteria in 24 V.S.A. § 4758 and 10 V.S.A. § 1628 (2016 Act 103).
- H.777 would limit loans to private entities to 20% of available balance.
- H.777 would prioritize loans to municipalities above loans to private entities, at all times.

What is the CWSRF?

