

# 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?

