



Funding Assistance for Reclaimed Water Projects in Florida

The Florida Department of Environmental Protection through its State Revolving Fund (SRF) Program provides financial assistance to local governments and certain other entities to upgrade, expand, or build wastewater, reuse, and drinking water facilities or implement various other water quality improvement and water supply projects.

How The SRF Program Can Help

Both the Clean Water and the Drinking Water State Revolving Fund Programs can provide **low-interest** loans for planning, designing, and constructing reuse systems. The first step in the process for SRF funding is the submission of a Request for Inclusion (RFI) Form, which can be submitted any time during the year. The information in the RFI is used to establish a project's eligibility for funding and priority score which is then used for placement on the funding list ("priority list") at the next quarterly public meeting (held the second Wednesdays of August, November, February and May). Projects are funded, in order of their priority score¹, until funds are exhausted.

Each fiscal year, the programs establish maximum amounts ("segment cap") that can be obligated to any one sponsor (and encumbered into an agreement) during that year. The segment caps are used to ensure the available funds are spread to many different projects and project sponsors. For segmented projects that have not been fully funded, the remaining balance is placed on a waiting list for funding in future fiscal years, until the project has been fully funded to the extent possible.

There is no maximum loan amount. However, the amount that can be ultimately borrowed for a project may be limited by the sponsor's demonstration of ability to repay and the length of construction for the project (typically 1 - 4 years maximum). For multiple projects or a construction project that has multiple phases over many years may need to get separate loans (separate RFIs, separate priority list meetings, separate loan applications, etc.) for each project or phase. A sponsor may have multiple loans for different eligible projects open at one time.

There is also no minimum loan amount for a Clean Water SRF loan. However, due to the requirements of obtaining an SRF loan and the 2% service fee charged on each loan, typical construction loans do not range below \$100,000. The requirements for

¹ Both the Clean Water and Drinking Water SRF rules have established a priority points system (maximum score is 500) for listing projects. For Clean Water SRF funding, a reuse project can score points above the baseline priority score of 100 for the implementation of a Basin Management Action Plan (450 points), reuse that replaces an existing or proposed demand on water supply (350 points), or even the construction of a reclaimed water system that doesn't replace a demand on water supply (300 points). For Drinking Water SRF funding, reuse projects that replace a demand on potable water supply can score up to 300 points as a water conservation project. A score of 400 points can be given to reclaimed water projects, such as potable reuse, that provide for the development of alternative drinking water supply in areas where such is needed. Furthermore, water conservation projects can be eligible for an additional interest rate reduction of 0.25%.

planning and design loans are less rigorous, so those loans can be for lower amounts. Drinking Water SRF minimum loan amount is \$75,000.

SRF loan terms are 20-years (30-year for financially disadvantaged communities) or the useful life of the project. Small systems that meet certain financial criteria may qualify for principal forgiveness on their loans that are effectively like "grants." These "grants" are only given in conjunction with an SRF loan and can be used for planning, design, and construction activities. The amount of "grant" funding available is announced at the first public meetings of each fiscal year (second Wednesday of August).

It should be noted that there are additional state and Federal requirements to be aware of when using SRF funding². These include, but are not limited to, a facilities plan or planning document, an environmental review, meeting Davis-Bacon wage rates and American Iron & Steel provisions for a construction project, fiscal sustainability plan for Clean Water SRF construction loans³, open competitive bidding, public participation, site certification and verification of permitting documents. None of these requirements are insurmountable, however, and the potential millions saved as a result of the 1% additional interest rate breaks received (on top of the already below market rate) make SRF funding an attractive option for reuse infrastructure financing.

Loan repayments (minus any principal forgiveness) begin six months after project work is scheduled for completion. Payback consists of equal semiannual repayments. A dedicated revenue source to repay the loan is required.

Clean Water SRF Program

- \$150 - \$300 million total available annually from carry-over from previous fiscal years, U.S. EPA capitalization grant, 20% state match, interest-earned on funds, and repayments received from previous loans.
- Program eligibility is established in the federal Clean Water Act, which states that local governments (municipalities, counties, authorities, special districts, and agencies thereof) are eligible as state rules established in Chapter 62-503, F.A.C.
- Clean Water SRF (CWSRF) loan interest rates are based on sponsor's economic standing, which is measured by income, unemployment, and poverty. Generally, interest rates vary from 0% of the market rate for a financially disadvantaged community to 80% of the market rate for a more affluent community. The average is about 25% of market rate.
- In addition to principal loan forgiveness and interest break subsidies, the CWSRF Program also has a Small Community Wastewater Grants (SCWG) Program that operates in conjunction with CWSRF loans.
 - The amount available for SCWG is dependent on funds generated from interest earnings on the CWSRF loans. It is approximately \$10 million each year.

² Because of these additional requirements and approvals thereof, it is highly recommended to consider SRF funding early in the construction planning development. SRF staff are more than happy to guide a sponsor or their representative through the process.

³ Sponsors that have an adopted and implemented asset management plan qualify to receive an additional 0.1% interest rate break.

- SCWGs can fund the planning, design, and construction of wastewater collection, wastewater and reuse treatment, transmission, distribution and application facilities.
- Only small, disadvantaged local governments (municipalities, special districts and counties with a population of 10,000 or less and a per capita income less than the state per capita income) are eligible for SCWG funding.

Drinking Water SRF Program

- \$90 - \$180 million total available annually from carry-over from previous fiscal years, U.S. EPA capitalization grant, 20% state match, interest-earned on funds, and repayments received from previous loans.
- Program eligibility is established in the federal Safe Drinking Water Act and state rules established in Chapter 62-552, F.A.C. Public and private water systems are eligible. Projects that provide for water capacity development, such as potable reuse and other reuse that offsets potable water consumption, may also be eligible for a DWSRF loan.
- Drinking Water SRF (DWSRF) loan interest rates are below market rate and vary based on the sponsor's economic ability, which is measured by median household income relative to the state average. Generally, interest rates vary from 35% of the market rate for a smaller financially disadvantaged community to 75% of the market rate for a larger more affluent community. The average is about 60% of market rate.
- The amount of loan that is available for "grant," which reduces the loan amount up front for those eligible sponsors is dependent on community's ability to pay⁴ (how much below the median household income and population served), ranging from 20% up to 90% of the total loan.
 - Except where noted, to be eligible for "grant" a community must be financially disadvantaged, i.e., have a median household income below the state average. The percentage of "grant" is dependent on how much below the state average a community is.
 - Small communities have preference over available "grant" funding. Small communities are defined as having populations served below 10,000.

An SRF loan may also serve as matching funds to supplement other sources of funding, such as grants or other loans.

Other Potential Funding Sources

1. **Community Development Block Grant (CDBG) Program** – Between \$18 and \$26 million is available annually for water and sewer projects that benefit low and moderate income persons by the CDBG program through the US Dept. of Housing and Urban Development. For more information, visit www.floridajobs.org/community-planning-and-development/assistance-for-

⁴ While priority for receiving a DWSRF "grant" is given to small, disadvantaged communities, there are situations where other entities may be eligible. For example, a sponsor that is not financially disadvantaged may be "grant" eligible if their project is connecting a disadvantage area of 250 people or less served by wells or regionalizing a small community water system that is itself financially disadvantaged. Also, financially disadvantaged communities serving populations 10,000 and greater may be eligible for up to 20% "grant" if there are remaining "grant" funds available after small systems have had their preference.

[governments-and-organizations/florida-small-cities-community-development-block-grant-program](#) or contact Roger Doherty at 850.717.8417 or roger.doherty@deo.myflorida.com.

2. **Economic Development Administration (EDA) Public Works and Development Facilities Program** – The program, implemented through the US Dept. of Commerce, provides funding from \$100,000 to \$3 million to help distressed communities in economic decline to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private sector jobs and investment. For more information, visit <http://www.eda.gov/about/investment-priorities.htm> or contact Jonathan Corso at 404.730.3023 or jonathan.corso@eda.gov.
3. **Rural Development Rural Utilities Service (RUS) Guaranteed and Direct Loans and Grants** – This program provides a combination of loans and grants for water, wastewater (including reuse), and solid waste projects to rural communities and small incorporated municipalities. Up to \$300,000 in grants and up to \$1 million in loans may be requested. For more information, visit www.rurdev.usda.gov/UWEP_HomePage.html or contact Michael Langston at 352.338.3485 or michael.langston@fl.usda.gov.
4. **Florida's five regional water management districts (WMD)** may offer financial assistance for water supply development and alternative water supply projects. The amount of funding available varies by District and fiscal year. Usually there is a local match requirement up to 60% of the project cost. For information on funding opportunities, contact the water management district with jurisdiction in your area – see www.dep.state.fl.us/secretary/watman for a map and links to each of the districts.
5. **Florida General Appropriations Act** - The Florida Legislature may solicit applications directly for "Community Budget Issue Request" projects, including water projects. This process is an opportunity to secure legislative sponsorship of project funding through the state budget. The Legislature may coordinate applications with the department. You are advised to contact your local legislative representative to determine whether there are opportunities available to fund your project. Information on contacting legislators is available at www.leg.state.fl.us.

For more information, please contact:

- Shanin Speas-Frost, DWSRF Program Administrator, at shanin.speasfrost@dep.state.fl.us or 850-245-2991
- Tim Banks, CWSRF Program Administrator, at timothy.banks@dep.state.fl.us or 850-245-2869

Or visit the SRF website at www.dep.state.fl.us/wra/.