

Drinking Water Board Packet

April 27, 2020

Agenda



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

L. Scott Baird
Executive Director

DIVISION OF DRINKING WATER
Marie E. Owens, P.E.
Director

Drinking Water Board

Roger Fridal, Chair
Kristi Bell, Vice-Chair
Scott Morrison
Jeff Coombs
David O. Pitcher
Eric Franson, P.E.
Barbara Gardner
Blake Tullis, Ph.D.
L. Scott Baird
Marie E. Owens, P.E.
Executive Secretary

DRINKING WATER EMERGENCY ELECTRONIC BOARD MEETING

April 27, 2020 1:00 PM

Via GoToWebinar –

To Register: <https://attendee.gotowebinar.com/register/2170076819235427084>

Marie Owens' Cell Phone #: (801) 505-1973

1. Call to Order
2. Roll Call – Marie Owens
3. Public Comment Period
4. [SRF Loan Relief](#) (Board Action Needed)
5. COVID-19 Discussion
6. Other
7. Next Board Meeting

Date: June 9, 2020

Time: 1:00 PM

Place: Multi Agency State Office Building
Division of Drinking Water
195 N 1950 W
Salt Lake City, Utah 84116

8. Adjourn

Agenda Item

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MEMORANDUM

TO: Utah Drinking Water Board

THROUGH: Marie E. Owens, P.E., Executive Secretary

FROM: Michael J. Grange, P.E., Assistant Executive Secretary

DATE: April 27, 2020

The COVID-19 pandemic and the current state of emergency associated therewith has the potential to cause significant impacts on our citizens. Among these are, decreased income levels, access to drinking water service, and their health. Another potential impact deals directly with drinking water system revenue, and the possibility that lower revenue will strain systems' abilities to both maintain services and meet loan obligations.

To gain a better understanding of this potential impact to drinking water systems the Division of Drinking Water's Drinking Water State Revolving Fund (DWSRF) program staff has reviewed active loans with a loan repayment due between May and December 2020. Staff has also discussed options that may be available to the Board to provide financial relief to drinking water systems that find themselves financially distressed due to the current state of emergency. Staff prepared the following information and summaries in response.

Loan Repayments

Staff assembled loan repayment schedule information for all borrowers with an annual loan payment due through the end of 2020. Tables 1 through 3 below detail the loan recipients, scheduled payment amounts, and due dates. In summary:

- There are 17 loan payments due between May 1 and June 30, 2020
- There are 28 loan payments due between July 1 and September 30, 2020
- There are 33 loan payments due between October 1 and December 31, 2020
- There are 10 recipients with multiple loans, some with payments due at different times through the end of 2020

Staff has contacted many of the DWSRF loan recipients with loan payments due through the end of this year. Questions asked of the systems included, any measures the systems were taking to provide their customers with financial relief, what if any impact the system expected on revenue as a result of those measures, and if the system expected any issues making their loan payment this year due to lack of revenue.

Responses varied, however a common theme did emerge that systems are doing what they can to relieve financial stress on their customers using measures such as delaying payment due dates, accepting partial payments, or not shutting off water due to non-payment during the state of emergency. Most systems responded that they did not expect issues with payments due in 2020, but that payments for 2021 and beyond could be impacted if the emergency is not resolved quickly enough.

Potential Impact to the SRF Program

Based on loan repayment data through the end of 2020 and the information staff has gathered from existing loan recipients, it appears that the probability of a negative impact to the Revolving Fund program in 2020 may be minimal. Although financial data shows that loan repayments of \$4,872,403 are due between May 1, and December 31, 2020, with half that amount due in the last quarter, most systems staff contacted do not believe there will be a material impact to their ability to make loan payments in 2020.

However, looking at a potential worst-case scenario, if all of those systems with payments due in the last quarter of 2020 failed to make their payments the revolving fund would lose a total of \$2,049,800 in revenue. This is approximately 7.9% of the projected total revenue to both the Federal and State programs for all of 2020 and could have some negative impact on the Board's ability to provide financial assistance to Utah's drinking water systems in 2021.

The greater threat to the revolving fund programs comes if the COVID-19 emergency, and its related economic impacts, extends into the Summer months and beyond. Financial data shows there are 101 SRF loan payments due in January 2021, with a combined value of \$4,190,000. There are 112 loan payments due the first quarter of 2021 with a total value of \$4,523,000.

Again, looking at a worst case scenario, if all 112 loan recipients defaulted on their first quarter 2021 loan obligations it would be a 17.4% reduction in total revenue to the SRF programs, added to the potential 7.9% loss from the fourth quarter of 2020. This data, combined with the information staff collected from water systems indicating there is a greater chance of impact to 2021 loan repayments, indicates a cautious approach to deferring loan repayments or approving loan restructuring is warranted.

Water Quality Board Actions

The Water Quality Board directed Division of Water Quality (DWQ) staff to review active loans with upcoming loan repayment, as well as evaluate options that may be available to the Board to provide financial relief to cities that may be financially distressed as a result of the current state of emergency. DWQ staff contacted five communities with upcoming loan repayment requirements, including one that had just made its payment, to inquire about concerns they may have in their ability to make their next payment as well as other financial concerns they may have with respect to the state of emergency. The communities contacted communicated they had a low level of concern about being able to make their 2020 loan payment. Two of the communities indicated that they have worked hard to maintain reserves.

DWQ staff supports a debt relief policy similar to the policy approved by the Permanent Community Impact Fund Board (CIB), as outlined below and in the attachments, and have recommended the Water Quality Board adopt a similar policy.

Community Impact Board State of Emergency Debt Relief Policy

The CIB approved a debt relief policy at its April 2, 2020 Board meeting. This policy and the associated request form are provided here as Attachment 1. The essence of the policy is that a community may request debt relief in the form of payment deferral or debt reorganization and it can be provided by staff, without additional Board action. There is no provision for debt forgiveness but loan repayments can be restructured in a number of ways including a mechanism to extend the loan term.

Other Relevant Information

Other agencies are also proposing, recommending, and implementing financial relief policies and programs to assist with hardship situations resulting from the COVID-19 pandemic. USDA Rural Development has announced several assistance policies to help individuals and rural communities remain safe and secure.

The Council of Infrastructure Financing Authorities (CIFA) sent letters to congress recommending broad changes to both the Clean Water and Drinking Water SRF program requirements to streamline the financing process for water infrastructure projects. CIFA's letter is included as Attachment 2.

Finally, the Utah State Treasurer, David Damschen, has formed a COVID-19 Joint Fiscal Information Team (JFIT) for the state of Utah. The team will work to strengthen our collective ability to collaborate and communicate effectively and efficiently on fiscal matters stemming from this crisis, as well as on particular points of interaction between state and political subdivisions.

As a member of this team, Marie Owens will be able to share information with the Board as discussions progress across the state.

Division of Drinking Water Staff Recommendation

Staff submits the following recommendations for Drinking Water Board consideration and approval:

- The Drinking Water Board adopt the attached debt relief policy and authorize Staff to modify the policy to reference the Division of Drinking Water and Drinking Water SRF Program requirements.
- The Drinking Water Board authorize Staff to develop policies and procedures to set the criteria water systems must meet to qualify for debt relief under the policy.

Table 1
Loan Recipients with Payments due May-June 2020

Water System	Remaining Principal Balance	Scheduled Payment Amount	Payment Due Date
PROVIDENCE CITY	324,000.00	105,000.00	01-May-20
WENDOVER CITY	364,000.00	26,000.00	01-May-20
PINE MEADOW MUTUAL	2,409,312.98	12,820.00	01-May-20
PORTAGE TOWN	430,000.00	24,000.00	01-May-20
SPRINGDALE TOWN	1,399,000.00	64,000.00	01-May-20
LINCOLN CULINARY	277,987.37	10,000.00	01-May-20
PINE MEADOW MUTUAL	2,521,506.78	13,510.00	01-May-20
BIG PLAINS WTR & SWR	349,000.00	10,000.00	01-May-20
EAGLE MOUNTAIN	1,905,000.00	109,000.00	15-May-20
WASHINGTON TERRACE CITY	480,000.00	33,000.00	01-Jun-20
SPANISH FORK CITY	1,410,000.00	97,000.00	01-Jun-20
HATCH TOWN	10,000.00	5,000.00	06-Jun-20
LOGAN CITY	1,394,000.00	151,000.00	15-Jun-20
MOUNTAIN REGION	1,662,000.00	152,000.00	15-Jun-20
OGDEN CITY	2,982,000.00	183,000.00	15-Jun-20
OGDEN CITY	3,993,000.00	244,000.00	15-Jun-20
FAIRVIEW CITY	7,600.00	7,600.00	30-Jun-20

Table 2
Loan Recipients with Payments due July-September 2020

Water System	Remaining Principal Balance	Scheduled Payment Amount	Payment Due Date
PRICE CITY	347,000.00	113,000.00	01-Jul-20
EMIGRATION IMP DIST	326,000.00	79,000.00	01-Jul-20
MONTE VISTA COM	45,028.95	11,000.00	01-Jul-20
DRAPER CITY	1,320,000.00	96,000.00	01-Jul-20
BICKNELL TOWN	67,000.00	6,000.00	01-Jul-20
UINTALANDS	554,600.77	10,872.68	01-Jul-20
MANILA TOWN	331,000.00	21,000.00	01-Jul-20
WOODS CROSS CITY	2,880,000.00	79,000.00	01-Jul-20
WOODS CROSS CITY	1,070,000.00	31,000.00	01-Jul-20
SNOWVILLE TOWN	454,718.25	19,000.00	01-Jul-20
GREENDALE WATER CO.	1,312,000.00	28,000.00	01-Jul-20
TICABOO ELECT	301,589.63	12,000.00	01-Jul-20
GLEN CANYON SSD	1,003,000.00	25,000.00	01-Jul-20
CEDARVIEW MONTWELL SSD	2,214,000.00	43,000.00	01-Jul-20
NORTH VALLEY RANCHES	360,000.00	12,000.00	01-Jul-20
MONTICELLO CITY	39,000.00	7,800.00	01-Jul-20
OREM CITY	994,000.00	160,000.00	15-Jul-20
PARK CITY MUNICIPAL	1,250,000.00	125,000.00	15-Jul-20
BRIDGE HOLLOW WATER CO.	150,000.00	4,000.00	15-Jul-20
DANIEL TOWN	778,000.00	36,000.00	01-Aug-20
GRANTSVILLE CITY	3,500,000.00	151,000.00	01-Aug-20
PAROWAN CITY	1,058,000.00	96,000.00	31-Aug-20
WHITE HILLS WATER CO.	443,000.00	24,000.00	01-Sep-20
BLUFFDALE CITY	2,511,000.00	176,000.00	01-Sep-20
AMERICAN FORK CITY	567,000.00	37,000.00	01-Sep-20
BOULDER FARMSTEAD	940,000.00	20,000.00	01-Sep-20
TAYLOR-WEST WEBER ID	5,704,000.00	135,000.00	01-Sep-20
FAIRFIELD TOWN	532,000.00	18,000.00	01-Sep-20

Table 3

Loan Recipients with Payments due October-December 2020

Water System	Remaining Principal Balance	Scheduled Payment Amount	Payment Due Date
KANOSH TOWN	61,000.00	15,000.00	01-Oct-20
TIMBER LAKES	284,000.00	55,000.00	01-Oct-20
MIDVALE CITY	2,774,000.00	253,000.00	01-Oct-20
ERDA ACRES WTR	945,900.00	42,000.00	01-Oct-20
PRICE CITY	1,143,000.00	94,000.00	01-Oct-20
CENTRAL UTAH WCD	2,200,000.00	200,000.00	01-Oct-20
STOCKTON TOWN	264,000.00	18,000.00	01-Oct-20
SKYLINE MTN SSD	2,570,000.00	79,000.00	01-Oct-20
MENDON TOWN	513,000.00	29,000.00	01-Oct-20
MENDON TOWN	278,000.00	16,000.00	01-Oct-20
WOODLAND HILLS	737,000.00	40,000.00	01-Oct-20
DUCHESNE CO WCD	2,860,000.00	110,000.00	01-Oct-20
PLYMOUTH TOWN	827,000.00	19,000.00	01-Oct-20
BIG PLAINS WATERC& SEWER	17,000.00	9,000.00	01-Oct-20
SPRINGDALE TOWN	5,429,000.00	179,000.00	01-Oct-20
BIG PLAINS WATER & SEWER	80,000.00	4,000.00	01-Oct-20
SAN JUAN SPANISH VALLEY SSD	1,785,000.00	59,000.00	01-Oct-20
LAKETOWN	1,110,000.00	30,000.00	01-Oct-20
FOREST GLEN HOA	824,000.00	33,000.00	15-Oct-20
WALES TOWN	115,000.00	4,000.00	15-Oct-20
COALVILLE CITY	6,400.00	6,400.00	20-Oct-20
PANGUITCH CITY	171,000.00	41,000.00	01-Nov-20
EAST GROUSE CREEK	177,000.00	10,000.00	01-Nov-20
JOSEPH TOWN	183,000.00	8,000.00	01-Nov-20
DAGGETT COUNTY	556,000.00	21,000.00	01-Nov-20
PLEASANT GROVE	510,000.00	81,000.00	01-Dec-20
PLEASANT GROVE	119,000.00	18,000.00	01-Dec-20
PLEASANT GROVE	663,000.00	47,000.00	01-Dec-20
PLEASANT GROVE	2,300,000.00	95,000.00	01-Dec-20
GOSHEN TOWN	22,000.00	4,400.00	03-Dec-20
LOGAN CITY	1,689,000.00	321,000.00	15-Dec-20
MARBLE HILLS	30,715.94	2,000.00	15-Dec-20
MOUNTAIN REGIONAL SSD	1,000,000.00	107,000.00	15-Dec-20

ATTACHMENT 1

CIB DEBT RELIEF POLICY AND APPLICATION FORM



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

**Department of
Workforce Services**

JON S. PIERPONT
Executive Director

CASEY R. CAMERON
Deputy Director

GREG PARAS
Deputy Director

**Permanent Community Impact Fund Board Policy Regarding the COVID-19
Emergency**

Utah Code Ann. §35A-8-307(4) allows the Permanent Community Impact Fund Board (CIB) to restructure all or part of a borrower's liability to repay under extenuating circumstances.

During the COVID-19 declared state emergency, and for 120 days following, the CIB will accept requests from CIB loan recipients to defer loan payments based on hardship due to the emergency. Payment deferrals may be granted for one year from the date a request is approved, with an option for another year upon further showing of hardship. A payment deferral request must be accompanied by the CIB Loan Payment Deferral Request Form and must be signed by the borrower's presiding official. A borrower's governing body must approve a loan payment deferral request.

The Board directs CIB Staff to review and grant requests for loan deferrals due to hardship.

The Board directs CIB Staff to waive the delinquent interest charge for deferred payments during the term of the payment deferral.

The Board directs CIB Staff to work with borrowers during the payment deferral period to restructure debt payments.

The Board directs CIB Staff to prepare a written report for each Board meeting detailing the total number of payment deferrals granted, the total amount of payments deferred, and the names of borrowers approved for payment deferrals.

APPROVED: this 2 day of April, 2020.

Jonathan Hardy
Chair, Permanent Community Impact Fund Board



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Department of Workforce Services

JON S. PIERPONT
Executive Director

CASEY R. CAMERON
Deputy Director

GREG PARAS
Deputy Director

Permanent Community Impact Fund Board Loan Payment Deferral Request Form - COVID-19 Emergency – FY2020-21

Name of Borrowing Entity:*

Project:

Due Date of Annual Payment:

Amount of Annual Payment:

Loan Number :

Terms of the Agreement:

Due to the COVID-19 declared state emergency, the * is requesting one annual payment deferral for the (name of project).

As a result of this request, the debt payments may be restructured. This signed request acknowledges there may be a series of increased annual payments for the remainder of the loan or the loan may be extended to accommodate full repayment of the project funding and bonds.

It is the intent of the * to repay the entire amount of the loan in the restructured payment schedule. Delinquent interest charges for deferred payments during the term of the payment deferral will be waived.

I, the undersigned presiding official of the requesting entity agree to make future annual payments on the specified annual payment dates of the existing loan resuming one year from deferred payment as amounts state on the restructured payment schedule provided. Upon default in one year, without additional deferral, the entity will pay accrued late penalties which may be incurred on any future annual payment owed as well as the interest accrued until the entire payment due is received.

The Entity and the Permanent Community Impact Fund Board agree to the payment agreement terms listed above.

Presiding Official Signature

Date

Presiding Official Printed Name

Date

Jonathan Hardy, Housing and Community Development

Date



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ATTACHMENT 2

COUNCIL OF INFRASTRUCTURE FINANCING AUTHORITIES



March 23, 2020

The Honorable John Barrasso
Chairman
Environment and Public Works
Committee
United States Senate
410 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Thomas R. Carper
Ranking Member
Environment and Public Works
Committee
United States Senate
456 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Peter DeFazio
Chairman
Transportation & Infrastructure Committee
U.S. House of Representatives
2164 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Sam Graves
Ranking Member
Transportation & Infrastructure Committee
U.S. House of Representatives
2164 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Frank Pallone, Jr.
Chairman
Energy & Commerce Committee
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Greg Walden
Ranking Member
Energy & Commerce Committee
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairmen Barrasso, DeFazio and Pallone and Ranking Members Carper, Graves and Walden:

America's Clean Water and Drinking Water State Revolving Funds (SRFs) are the nation's premier programs for financing water infrastructure that protects public health and the environment. If the Congress pursues a comprehensive infrastructure package in response to the coronavirus, the SRFs are a proven federal-state partnership that can quickly, effectively and efficiently deliver federal funding for construction of water infrastructure projects to communities recovering from the current unprecedented public health emergency.

To support communities in the immediate aftermath of this crisis, the Council of Infrastructure Financing Authorities (CIFA) has identified specific measures that could accelerate the disbursement of federal funding for water infrastructure projects through the SRFs.

- I. Recommendation: Eliminate the 20% state match requirement for the 2020 capitalization grants for the Clean Water and Drinking Water SRFs.

Background: States are required to contribute 20% of the capitalization grant for the SRFs to be awarded federal funding. State contributions must be deposited into the SRF account before federal funding is released. The America Recovery and Reinvestment Act of 2009 didn't require state match because of concern that the requirement could delay deployment of federal funds.

Benefit: Eliminating the state match will help states dealing with a sudden loss of tax revenue or inability to access financing for state match through the municipal bond market, ensuring federal funding for SRF subsidized loans for water infrastructure projects is available as soon as possible.

- II. Recommendation: Ensure Principal Forgiveness continues to be an eligible form of additional subsidization for both the Clean Water and Drinking Water SRFs.

Background: Additional subsidization is funding that doesn't need to be repaid. Additional subsidization comes in three forms – Principal Forgiveness, grants and negative interest loans. All states use Principal Forgiveness which works the same as a grant but without the additional federal grant requirements associated with federally funded projects, such as those funded by the capitalization grant. Compliance with these additional federal requirements increases the administrative cost of loans without increasing protection for public health or the environment. Additionally, some states, like Oklahoma and Washington, prohibit the use of grants by the SRFs.

Benefit: Ensuring Principal Forgiveness is an eligible form of additional subsidization ensures all states will be able to access federal funding for the SRFs and reduces the paperwork burden for loan recipients while maintaining protection for the public health and the environment.

- III. Recommendation: Increase flexibility for the use of additional subsidization, which includes Principal Forgiveness, grants and negative interest loans, by SRFs. Specifically,
- Eliminate the federally mandated minimum on additional subsidization, which is 10% of the capitalization grant for the Clean Water SRF and 20% of the capitalization grant for the Drinking Water SRF.
 - Raise the federally mandated cap on additional subsidization from 30% to 50% for both the Clean Water and Drinking Water SRFs and allow all applicants to be eligible for additional subsidization.

Background: The 2020 Appropriations Act allows all eligible SRF applicants to be eligible for federally mandated additional subsidization while the Clean Water Act and Safe Drinking Water Act limit eligibility for optional additional subsidization (30%) based on affordability criteria.

Additional subsidization is an important tool to help communities build water infrastructure projects that wouldn't otherwise be undertaken. However, additional subsidization also reduces the total number of water infrastructure projects that can be funded by the federal capitalization grant.

Many states provide state grants to complement the SRF subsidized loans and could benefit from the ability to provide more subsidized loans rather than more additional subsidization. Conversely, other states are currently using the maximum allowed additional subsidization for one or both programs so maintaining the total level of additional subsidization is critical.

Benefit: Providing flexibility for additional subsidization and allowing all SRF applicants to be eligible for additional subsidization allows states to help communities in need, whether it's funding more water infrastructure projects or providing more financial support to fewer water infrastructure projects.

IV. Recommendation: Suspend the following requirements on water infrastructure projects funded by SRFs:

- Architectural and Engineering Procurement
- Cost-and-Effectiveness Analysis and Certifications (Clean Water SRF)
- Fiscal Sustainability Plans and Certifications (Clean Water SRF)

Background: Since 2014, Clean Water SRF loans, including loans made with 100% state funds, have required recipients to conduct a cost-and-effectiveness analysis and develop a fiscal sustainability plan for all treatment works projects, including replacement of pipes and rehabilitation of minor components. Also, water infrastructure projects that are federally funded are required to use the federal procurement process for architectural and engineering services which can delay projects in states with a different procurement approach. Some states don't fund architectural and engineering services with federal funding because of this requirement.

Benefit: Eliminating the federal mandates and allowing SRF managers to determine appropriate requirements for each SRF loan could accelerate the application and approval process for the vast majority of SRF projects, while maintaining protection for public health and the environment. Small communities are likely to experience the greatest benefit from this regulatory relief.

V. Recommendation: Waive the requirement that 10% of the Clean Water SRF capitalization grant be used for the Green Project Reserve.

Background: The 2020 Consolidated Appropriations Act requires Clean Water SRFs to allocate 10% of the capitalization grant for green infrastructure or energy and water conservation projects. Green infrastructure projects are a priority in many states and those projects will continue to be funded. However, to meet this requirement, some SRFs must use additional subsidization, primarily Principal Forgiveness, that would otherwise be used to address affordability.

Benefit: Allowing SRFs to determine the projects that are funded will ensure the highest priorities are met and additional subsidization is maximized, particularly during these challenging times.

- VI. Recommendation: Require the U.S. Department of Labor (DOL) to adopt state prevailing wages for heavy construction, just like they do for highway construction.

Background: 26 states have state prevailing wage laws. According to its Inspector General, the U.S. Department of Labor adopts state prevailing wages for highway construction but not for other types of construction, including heavy construction which encompasses most water infrastructure projects.

Benefit: Adopting state prevailing wages for heavy construction, just like for highway construction, will streamline the procurement process for water infrastructure projects funded by SRFs.

- VII. Recommendation: Maintain the requirement to pay federal prevailing wages but allow states with state prevailing wage laws to be considered in compliance with the federal Davis Bacon Act for water infrastructure projects that receive federal funding, including subsidized loans from the SRFs and WIFIA.

Background: Since 2009, all SRF loans, including loans made with 100% state funds, have required recipients to ensure mechanics and laborers on water infrastructure projects are paid the prevailing federal wage. Compliance with both federal and state law is duplicative and adds to the administrative cost of water infrastructure projects without providing additional benefits to workers.

Benefit: Allowing compliance reciprocity, coupled with the federal adoption of state prevailing wages, will significantly reduce the burden and cost of compliance for water infrastructure projects, while ensuring workers are paid the required wages.

- VIII. Recommendation: Maintain the requirement to pay federal prevailing wages but allow states without state prevailing wage laws to develop their own procedures for compliance with the federal Davis Bacon Act, just like they do with NEPA, for water infrastructure projects that receive federal funding, including subsidized loans from the SRFs and WIFIA.

Background: The Federal Water Pollution Control Act Section 602(b)(6) appears to provide the same flexibility for compliance with Davis Bacon as it does for NEPA. For more than 30 years, federal law has allowed SRFs to develop their own procedures, "as determined by the Governor of the State," to comply with NEPA. However, SRF loan recipients are instead required to comply with prescriptive federal compliance procedures, which can be complex and burdensome.

"(6) treatment works eligible under this Act which will be constructed in whole or in part with assistance made available by a State water pollution control revolving fund authorized under this title, or section 205(m) of this Act, or both, will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 511(c)(1) and 513 of this Act in the same manner as treatment works constructed with assistance under title II of this Act."

Benefit: Maintaining the requirement to pay federal prevailing wages but allowing the Governor of the State to develop state compliance procedures consistent with the federal Davis Bacon law, just like NEPA, can reduce the cost and burden of paperwork and procedures, while still ensuring workers are paid the required wages.

- IX. Recommendation: Allow the U.S. Environmental Protection (EPA) to immediately issue the Notice of Funding Availability (NOFA) for the 2020 appropriation of the Water Infrastructure Finance and Innovation Act (WIFIA).

Background: The 2020 Consolidated Appropriations Act provides \$55 million for WIFIA, including \$5 million for SRFs, which could provide as much as \$5.5 billion in loans for water infrastructure projects. However, it also requires EPA, the U.S. Treasury and the Office of Management and Budget to agree on the definition of a federal project before issuing the NOFA for the 2020 appropriation for WIFIA.

Benefit: Issuing the NOFA now can expedite the process of awarding WIFIA loans, which could move up the timetable for construction of water infrastructure projects.

- X. Recommendation: Require the EPA to accept the State Environmental Review Process (SERP) in lieu of a determination required by the National Environment Policy Act (NEPA) for projects funded through WIFIA.

Background: Two environmental reviews – SERP and NEPA – are currently required for SRFs that apply to WIFIA and projects co-funded by WIFIA and SRFs. The EPA has accepted the SERP in lieu of a NEPA determination for SRF projects since the Clean Water SRF was established more than three decades ago. In fact, federal law explicitly allows for states to “apply its own “NEPA-like” SERP for conducting environmental reviews.” To ensure the SRF process aligns to NEPA, federal law defines the elements that must be included in the SERP and EPA must approve each SERP before awarding the annual federal capitalization grant.

Benefit: Eliminating duplicative environmental reviews for WIFIA applicants will significantly expedite the application and approval process, while maintaining protection for public health and the environment.

- XI. Recommendation: Require all agencies across the federal government to accept the SERP in lieu of a NEPA determination for all projects co-funded by an SRF.

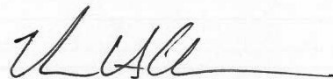
Background: Like WIFIA, other federal agencies, including the Federal Emergency Management Agency (FEMA), require a NEPA determination, in addition to a SERP, for projects co-funded by an SRF.

Benefit: Eliminating duplicative environmental reviews will expedite the application and approval process for federally funded projects, while maintaining protection for public health and the environment.

Finally, one-third of SRFs rely on tax-exempt municipal bonds to leverage their programs and increase funding for water infrastructure projects. In the event that the public finance market continues to be unable to provide that funding, access to loans through the WIFIA program for may be an alternative form of financing for SRFs.

Thank you in advance for your consideration. If you have any questions or need more information, please contact our Executive Director, Deirdre Finn, at dfinn@cifanet.org or (850) 445-9619.

Sincerely,



Kim Colson, CIFA President
Director, Division of Water Infrastructure
North Carolina Department of Environmental Quality

About CIFA

CIFA is a national not-for-profit organization that represents state government agencies, including financing authorities and departments of health and environmental protection, that manage the Clean Water and Drinking Water State Revolving Funds.

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