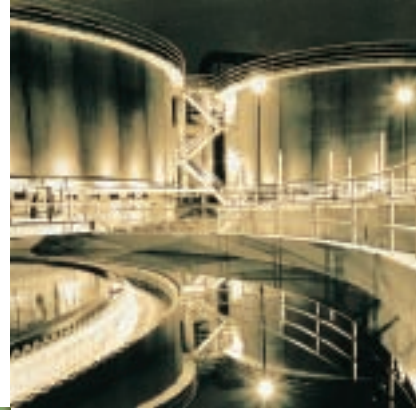


Clean Water State Revolving Fund Programs / 2005 Annual Report

RECOGNIZING
PERFORMANCE,
DEMONSTRATING
RESULTS



Dear Colleagues,

The Clean Water State Revolving Fund (CWSRF) was created in 1987 by Congress with the intent of providing states with a continuous source of funding to address water quality projects. Since its inception, this unique collaboration between EPA and the states has grown to become the largest federal funding program for water infrastructure projects across the country. This 2005 Annual Report on the Clean Water State Revolving Fund provides an overview of the activities, accomplishments, and future plans for this highly successful program.

Over the past 18 years, state CWSRF programs have loaned \$52.7 billion for projects to maintain and improve publicly owned treatment works, mitigate non-point source pollution, and promote estuary management. The CWSRF continues to serve as a cost-effective water infrastructure financing mechanism. The low interest rates offered by state CWSRF programs make more projects possible, and the revolving nature of the fund provides high return on federal investment. These attributes ensure that the CWSRF will remain a key source of financing water infrastructure into the future.

I am particularly pleased that the 2005 Report brings to light progress made in linking CWSRF financing to environmental benefits. In 2005, all 51 CWSRF programs agreed to use a suite of environmental indicators to show how their CWSRF projects impact water quality and public health. States and EPA can now link assistance to Clean Water Act goals: swimming areas protected and fisheries restored.

Much of the success of the CWSRF program can be attributed to the high level of professionalism among program managers. Recognizing that innovations lead to greater performance, EPA created the PISCES Awards (Performance and Innovation in the SRF Creating Environmental Success) in 2005. The PISCES Awards allow EPA to acknowledge and promote program innovations that advance EPA goals of performance and water quality protection.

I am pleased to share with you the 2005 activities and successes of the Clean Water State Revolving Fund.

Sincerely,



Benjamin H. Grumbles
Assistant Administrator
Office of Water



CWSRF Programs: Recognizing Performance and Demonstrating Results2

Funding for Water Quality: Reporting Environmental Results4

Highlights from EPA’s CWSRF Business Plan8

CWSRF PISCES Awards: Performance and Innovation in the SRF11

CWSRF 2005 Performance Highlights.....14

2005 Financial Performance Overview18

Table of Contents

CWSRF Programs : Recognizing Performance and Demonstrating Results

Over the past 18 years, the Clean Water State Revolving Fund (CWSRF) has proven to be an efficient and innovative federal-state program for funding projects that protect the nation's waters. Since last year's first edition of the Clean Water State Revolving Fund Annual Report, the CWSRF program has realized many goals and continues to build upon an already strong foundation set down in 1987. This 2005 Annual Report details the program's accomplishments and highlights new developments from 2005, including the progress made on reporting environmental benefits and the distribution of awards to state CWSRF programs exemplifying superior performance.

The CWSRF has made nearly 16,800 loans for projects, amounting to over \$55 billion in funds available for assistance since the first loans were made in 1988. The CWSRF has averaged nearly \$4.5 billion in annual assistance since 2000. The program has accomplished this feat without experiencing any loan losses. Given these strong financial conditions, state CWSRF programs have achieved high regard in the banking industry. The next page summarizes the CWSRF's funding levels for investment in water quality.

To demonstrate the environmental benefits of projects being funded by the CWSRF, states and EPA have advanced the process for benefits reporting rapidly over the past year. States have begun entering data in

an online database that tracks environmental benefits derived from projects. This reporting provides an accounting of the environmental achievements of the CWSRF nationally and for each state.

2005 also marked the first presentation of the CWSRF PISCES Awards, which recognize outstanding performance and innovative strategies within state CWSRFs. The awards highlight individual achievements and offer a model for others to follow.

Looking to the future, recent natural disasters underscore the importance and vulnerability of our nation's water resources and infrastructure. The CWSRF program is prepared to play an important role in meeting our continuing need for investment in sustainable infrastructure. The program is also ready to address wet weather runoff, failing decentralized wastewater systems, and nonpoint sources of pollution, all of which pose significant threats to water quality nationwide. The CWSRF can provide key funding resources to respond to these problems as it continues to foster innovation in finance and management to adapt to changing demands.



**Clean Water State Revolving Fund National Performance Summary Statement
Fund Activity - Estimated (\$ Millions)**

	2005	2004
Annual Fund Activity		
Federal Capitalization Grants	1,355.6	1,092.8
State Matching Funds	203.9	255.3
New Funds Available for Assistance	3,807.5	5,317.6
Project Commitments (Executed Loan Agreements)	4,856.5	4,602.2
Project Disbursements	4,165.7	4,297.5
Cash Draws from Federal Capitalization Grants	1,310.2	1,415.3
Cumulative Fund Activity		
Federal Capitalization Grants	23,251.5	21,895.9
State Matching Funds	4,806.0	4,602.1
Funds Available for Assistance	55,266.2	51,458.7
Project Commitments (Executed Loan Agreements)	52,703.7	47,847.2
Project Disbursements	44,864.6	40,698.9
Cash Draws from Federal Capitalization Grants	21,135.7	19,825.5

Source: EPA's CWSRF National Information Management System.



Funding for Water Quality: Reporting Environmental Results

In 2005, all 51 CWSRF programs agreed to use a suite of environmental indicators to show how their CWSRF projects impact water quality and public health. Reporting is underway in over 40 states. States and EPA can now link assistance to Clean Water Act goals such as swimming areas protected and fisheries restored. Such outcomes show the environmental value of the CWSRF's excellent financial record.

RESULTS FOR STATES AND EPA

Recognizing that key program stakeholders value results-oriented information, states and EPA jointly developed the environmental reporting system. A 2001 taskforce report, performance measurement efforts in Georgia, Washington, and Oklahoma, and a working session with California, Nevada, and Hawaii CWSRF managers helped identify opportunities for documenting environmental gains.

A workgroup of state representatives and EPA met in the fall of 2004 and designed a set of core measures that gather benefits data while minimizing the burden on CWSRF programs. Key indicators fall into four areas: savings to borrowers, utility improvements, addressing water quality problems, and protection and restoration of public health and biological communities. Following an initial comment period, over 20 states piloted these measures, recording benefits derived from over \$3 billion of assistance. Data review

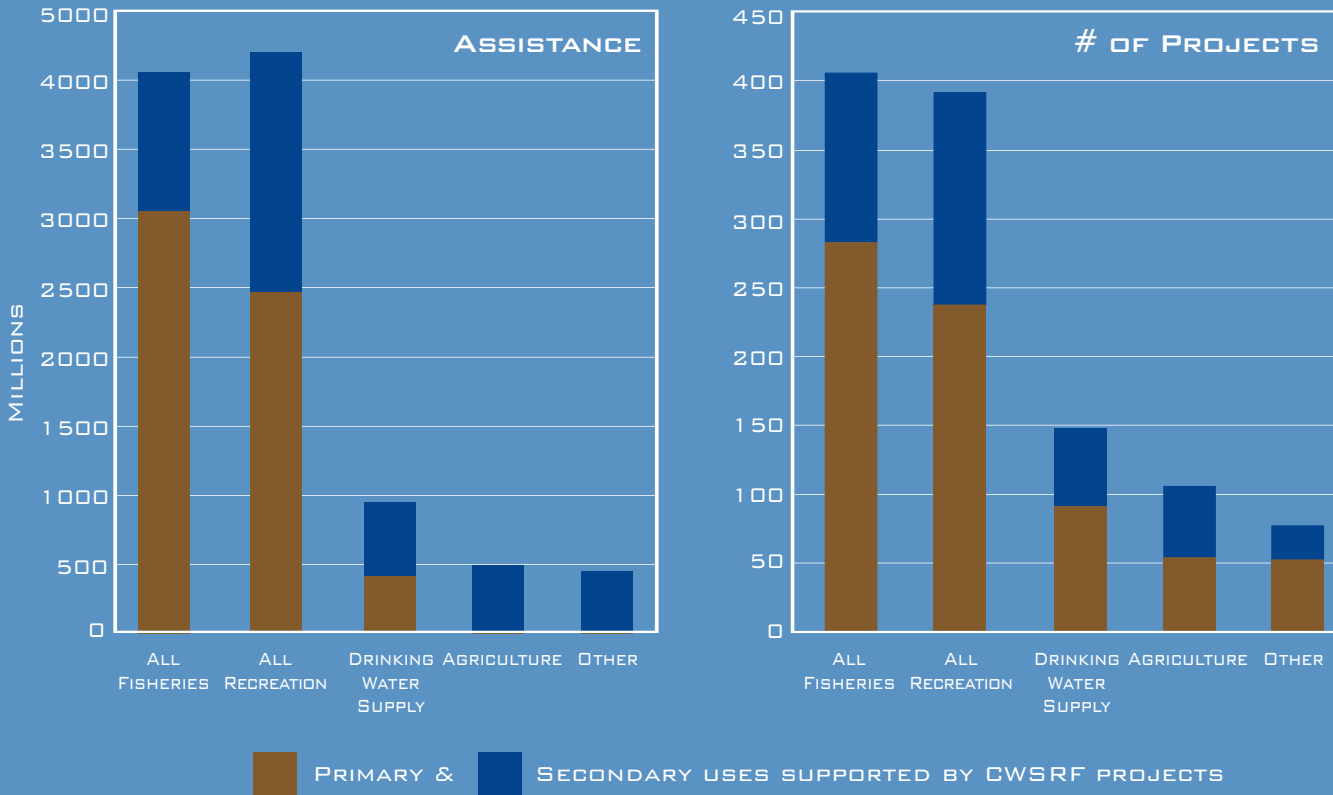
and user feedback led to the release of a web-based reporting form in August 2005.

The CWSRF benefits reporting website facilitates use of project water quality information at the state and federal levels. New fields allow users to enter nonpoint source projects and to pinpoint affected waterbodies. Customized state listings of designated surface waterbody uses make the information more relevant to state-level stakeholders.

For immediate use of this valuable information, state managers can now automatically generate reports detailing how their CWSRF programs fund projects that address water quality problems and that affect public uses of their states' waterbodies. Access to reports opens the door for EPA Regions to help states demonstrate performance and outcomes.

States and EPA will continue to work together to improve the data entry and reporting portions of the environmental benefits system. As program managers download and work with their states' data, EPA will incorporate their ideas for new reports. A state-led steering committee has begun discussions on data quality issues and new opportunities for reporting.

CWSRF Assistance Supports Surface Waterbody Designated Uses



NATIONAL ENVIRONMENTAL RESULTS

The \$5.4 billion in CWSRF loans reported in the environmental benefits effort have financed almost 800 projects that serve nearly 65 million people. Over 600 borrowers have saved \$1.6 billion in interest costs as they cleaned up rivers, lakes, and streams for fishing and swimming. The following graphs not only illustrate overall support for Clean Water Act goals, but show how the CWSRFs focus on water quality problems. All graphs represent the cumulative data submitted by states to date.

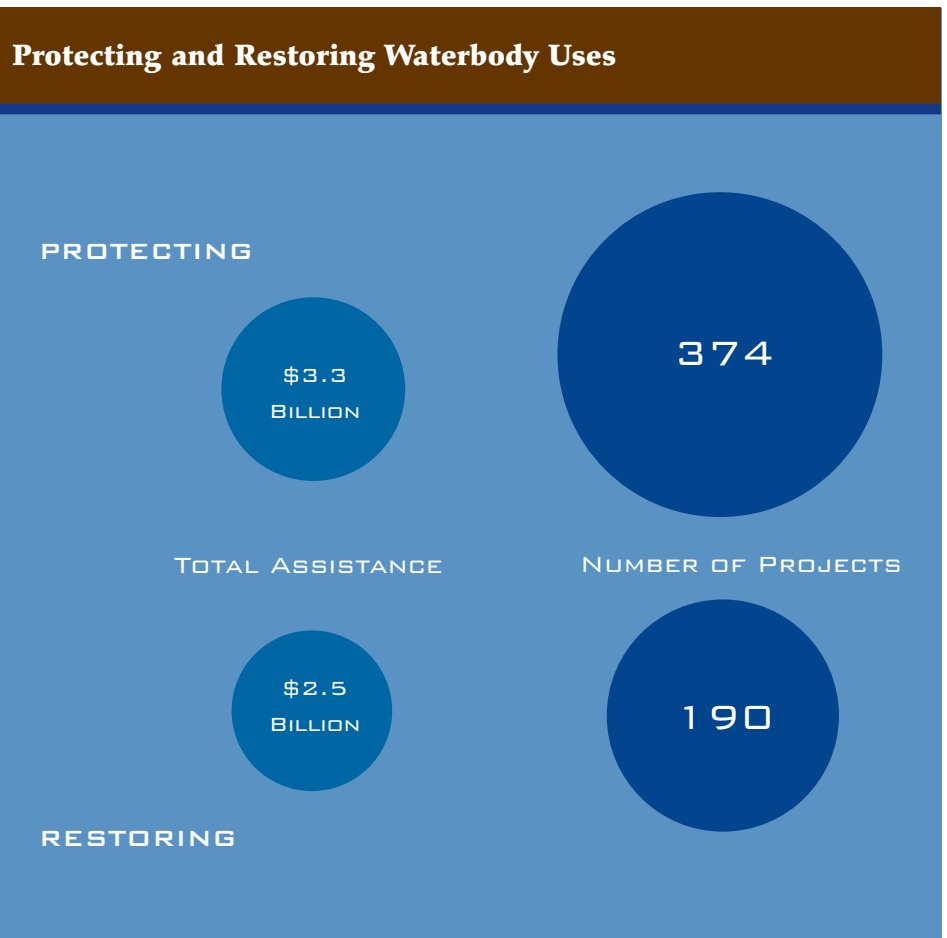
FUNDING FOR CLEAN WATER ACT GOALS

The measures show that the CWSRF directly supports the goals of the Clean Water Act by linking each project to a river, lake, or stream and to beneficial uses of that waterbody such as fishing and swimming. \$3.3 billion, over 60% of the total funding reported, goes to projects that aim first and foremost to preserve fish habitat, provide for water recreation, and protect drinking water. The proportion of CWSRF assistance to protect or restore these priority

uses--\$3 billion for freshwater fisheries, \$2.5 billion for recreational uses, and \$0.4 billion for drinking water sources--mirrors the distribution of these uses in the nation's waterbodies. The corresponding interest rate savings to municipalities, and ultimately to utility customers, also illustrate the CWSRF's ability to provide access to financing to achieve Clean Water Act goals.

TARGETING ASSISTANCE TO PROTECT AND RESTORE WATERBODIES

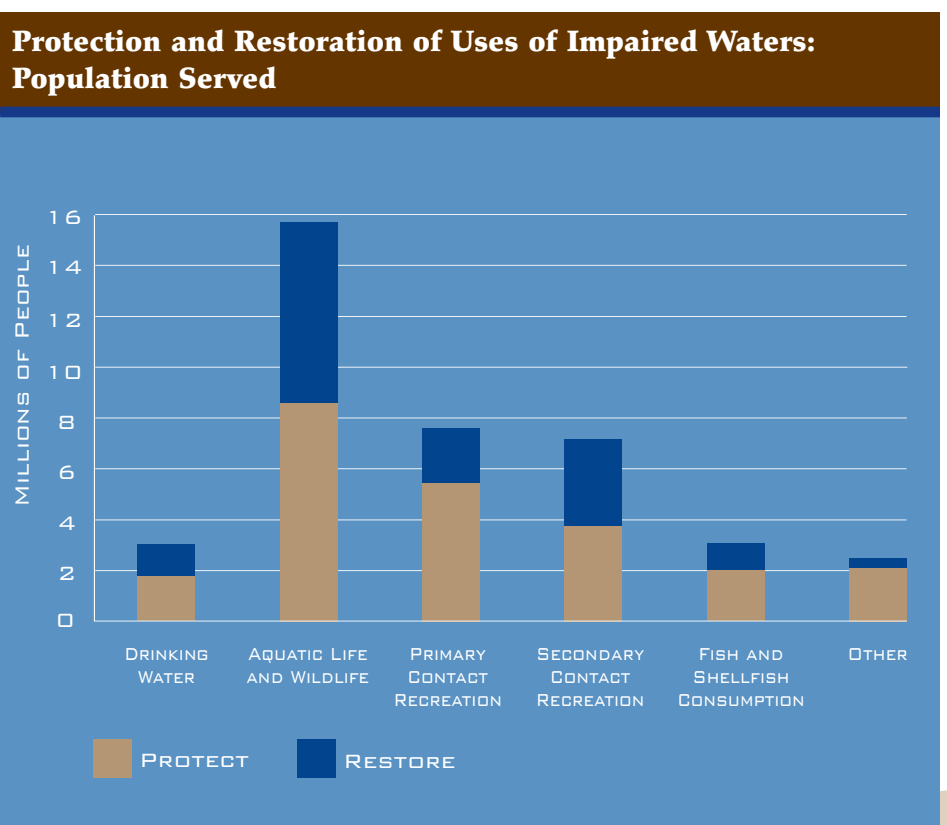
Maintaining high quality waters and returning polluted waters to a point where they are swimmable and fishable are equally important reasons for funding. CWSRF programs reported more funding and an even higher percentage of projects to protect waterbody uses, but demonstrate a strong commitment to individual projects that help to restore water quality.



ADVANCING PUBLIC HEALTH

The CWSRF not only gives utility customers savings on their sewer bill and improved wastewater services, but also better local water quality. Projects that clean up polluted streams, rivers, lakes, and estuaries will protect drinking water supplies for 3 million people, preserve recreational waters for nearly 16 million, and provide for safer fish and shellfish supplies for more than 3 million.* In addition, over 15 million people will benefit directly from the protection and restoration of fish and wildlife habitat. Water quality gains downstream of the improved treatment systems benefit many more people than the utility customers accounted for here.

* Total users of the utility systems where reported CWSRF projects occur.



ADDRESSING WATER QUALITY PRIORITIES

CWSRF programs rank all project applications for funding according to public health and compliance criteria. The benefits data evidences this approach, showing that more than twice as much funding goes to projects that achieve compliance versus those that simply maintain compliance. Projects that affect impaired or threatened waterbodies received \$3.4 billion, far more than the \$0.8 billion spent on projects where the waterbody is meeting standards. These differences are

more pronounced in the distribution of subsidy* and in the average loan amount per project.

ECONOMIC BENEFITS

Environmental performance adds to the significant, documented economic benefits of the CWSRF's investment in water quality. Clean rivers, lakes, and beaches sustain tourism revenues, commercial and recreational fisheries, irrigated agriculture, public water utilities, and industry. As sustainable infrastructure needs are projected to increase substantially over the next 20 years, the CWSRF

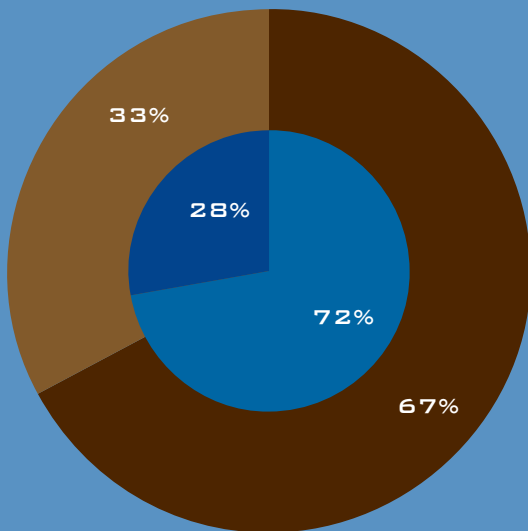
will provide important economic benefits as a key source of financing for wastewater treatment.

A recent EPA-commissioned study concluded that a sustained one billion dollar increase in debt-financed water infrastructure, such as CWSRF funding, would permanently add approximately 5,000 jobs over the next ten years. These gains, plus an initial increase of 16,000 to 22,000 jobs, would come mostly in local infrastructure projects and in equipment manufacturing.

* Subsidy indicates the interest rate savings for the full loan term when using the SRF interest rate instead of the market rate.

Funding Priorities: Comparing the Distribution of Assistance and Subsidy

COMPLIANCE



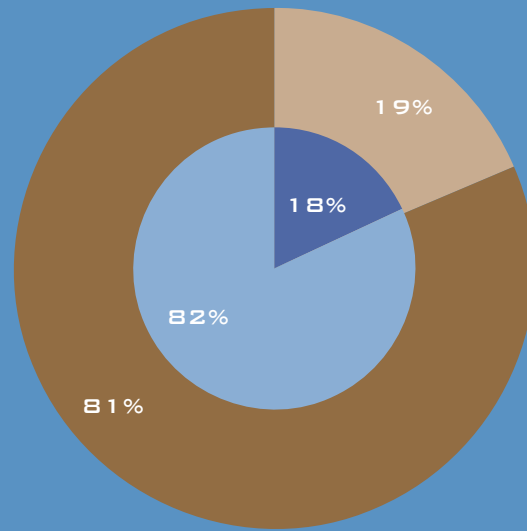
ASSISTANCE TO

- ACHIEVE COMPLIANCE
- MAINTAIN COMPLIANCE

SUBSIDY TO

- ACHIEVE COMPLIANCE
- MAINTAIN COMPLIANCE

WATERBODY STATUS



ASSISTANCE TO

- IMPAIRED WATERBODIES
- WATERBODIES THAT ARE MEETING STANDARDS

SUBSIDY TO

- IMPAIRED WATERBODIES
- WATERBODIES THAT ARE MEETING STANDARDS

Highlights from EPA's CWSRF Business Plan

Part of EPA's ongoing efforts to support the CWSRF program is an annual business plan for continuing and developing new CWSRF program initiatives. The initiatives planned or underway demonstrate the Agency's commitment to maximizing the performance of the CWSRF program. Two key components of the business plan, the effort to develop a system to report on environmental results (described in the previous section of this report) and the CWSRF awards program (described in the next section of this report) began successfully in 2005. Additional major business plan activities are described below.

ENHANCING STATE OUTREACH TECHNIQUES

As the CWSRF program has matured, a significant number of state programs have become interested in evaluating their approaches to conducting outreach to potential CWSRF borrowers. States' interest in this topic illustrates their desire to continue to improve the program and to ensure that CWSRF funding will be used to address critical water quality projects.

In 2005, EPA began working with the states of Michigan, Indiana, Oklahoma, and Hawaii on this project. It is expected that additional states will join the effort in 2006. This project will proceed in two phases:

- Phase I: Conduct research to determine local borrowers' perceptions of their states' CWSRF programs. States are considering the use of surveys, focus groups, and interviews to gather this information.

- Phase II: Develop and test useful outreach techniques, such as annual borrowers meetings and communications plans, that states may adopt to market the CWSRF program to prospective borrowers for high priority water quality projects. It will be helpful for EPA to learn more from the state and from prospective borrowers about real and perceived barriers and concerns inhibiting use of CWSRF financial assistance. After initial trials, states will settle on a suite of outreach techniques to use in the future.

EPA will work alongside states to support their efforts. In addition, the Agency will document the marketing tools and techniques while developing a resource guide and other supporting materials (e.g., helpful tips; Q's and A's) that will be available to all states.

TRAINING

From the very beginning of the CWSRF program, EPA has provided annual training events to bolster the capabilities of state and EPA personnel. Training workshops focus on the technical and financial aspects of SRF program management. The workshops are tailored to meet the needs of the intended audience, reflecting their experience/skill level and program interests. EPA conducts a rotating series of workshops in regions every other year for all CWSRF program personnel. EPA also supports the annual Council of Infrastructure Financing Authorities training workshop – a multi-day event that draws together all 51 state programs to discuss salient management issues.

To reach even more CWSRF program managers and staff, the Agency is also developing a complete set of training videos. Basic and more advanced video training will become available over the internet and on DVD within the next several years.

ACCREDITATION

EPA Headquarters is developing a voluntary financial accreditation program for EPA Regional CWSRF personnel. Proper financial management oversight of the CWSRF programs within their respective regions is a major responsibility of the EPA Regional offices. The CWSRF financial accreditation program's goal is to provide a set of educational and diagnostic resources that will enhance the Regions' ability to maintain and improve SRF financial management capacity. It is hoped that EPA's Regional offices will use the accreditation process as a training tool to strengthen their ability to evaluate the financial-related capabilities of the SRF programs. Also, the accreditation process will serve as a useful guidepost for planning future training activities.

For EPA's Regional staff, the accreditation program will provide an opportunity to be recognized as specialized experts in SRF financial management. As experts, they will be sought out during efforts to address difficult or unique SRF-related issues. As new staff join EPA's Regional offices, the accreditation program will help guide them as they develop their SRF management capabilities.

During the next year, an initial exam will be developed that incorporates the most important financial elements of the CWSRF program. Topics will range from financial assistance options allowed under the CWSRF program regulations to the requirements for proper financial management oversight of state programs. A study fact sheet will describe the topics to be covered by

the exam. A comprehensive reference guide will provide the resources needed for self-paced study and will include a list of printed materials, related available certification programs, continuing educational courses, and other resources that would be helpful to individuals seeking to increase their financial knowledge and their ability to analyze and support CWSRF programs.



STATE AGENCIES THAT MANAGE CWSRF PROGRAMS

EPA Region 1 – Boston, Massachusetts

Connecticut Department of Environmental Protection
Connecticut Office of the Treasurer
Maine Municipal Bond Bank
Maine Department of Environmental Protection
Massachusetts Water Pollution Abatement Trust
Massachusetts Department of Environmental Protection
New Hampshire Department of Environmental Services
Rhode Island Clean Water Finance Agency
Rhode Island Department of Environmental Management
Vermont Department of Environmental Conservation
Vermont Municipal Bond Bank

EPA Region 2 – New York, New York

New Jersey Department of Environmental Protection
New Jersey Environmental Infrastructure Trust
New York State Environmental Facilities Corporation
New York Department of Environmental Conservation
Puerto Rico Environmental Quality Board
Puerto Rico Infrastructure Financing Authority

EPA Region 3 – Philadelphia, Pennsylvania

Delaware Department of Natural Resources
and Environmental Control
Maryland Department of the Environment
Pennsylvania Infrastructure Investment Authority
Pennsylvania Department of Environmental Protection
Virginia Department of Environmental Quality
Virginia Resources Authority
West Virginia Department of Environmental Protection
West Virginia Water Development Authority

EPA Region 4 – Atlanta, Georgia

Alabama Department of Environmental Management
Florida Department of Environmental Protection
Georgia Environmental Facilities Authority
Kentucky Infrastructure Authority
Kentucky Division of Water
Mississippi Department of Environmental Quality
North Carolina Department of Environment and Natural Resources
South Carolina Department of Health and Environmental Control
South Carolina Budget and Control Board
Tennessee Department of Environment and Conservation
Tennessee Comptroller of the Treasury

EPA Region 5 – Chicago, Illinois

Illinois Environmental Protection Agency
Indiana Department of Environmental Management
Indiana State Budget Agency
Michigan Department of Environmental Quality
Michigan Municipal Bond Authority
Minnesota Public Facilities Authority

Minnesota Pollution Control Agency
Minnesota Department of Agriculture
Ohio Environmental Protection Agency
Ohio Water Development Authority
Wisconsin Department of Natural Resources
Wisconsin Department of Administration

EPA Region 6 – Dallas, Texas

Arkansas Soil and Water Conservation Commission
Arkansas Development Finance Authority
Louisiana Department of Environmental Quality
New Mexico Environment Department
Oklahoma Water Resources Board
Texas Water Development Board

EPA Region 7 – Kansas City, Missouri

Iowa Department of Natural Resources
Iowa Finance Authority
Kansas Department of Health and Environment
Kansas Department of Administration
Kansas Development Finance Authority
Missouri Department of Natural Resources
Missouri Environmental Improvement
and Energy Resources Authority
Nebraska Department of Environmental Quality
Nebraska Investment Finance Authority

EPA Region 8 – Denver, Colorado

Colorado Water Resources and Power Development Authority
Colorado Department of Public Health and Environment
Colorado Department of Local Affairs
Montana Department of Environmental Quality
Montana Department of Natural Resources and Conservation
North Dakota Department of Health
North Dakota Municipal Bond Bank
South Dakota Department of Environment and Natural Resources
Utah Department of Environmental Quality
Wyoming Department of Environmental Quality
Wyoming Office of State Lands and Investments

EPA Region 9 – San Francisco, California

Arizona Water Infrastructure Finance Authority
California State Water Resources Control Board
Hawaii Department of Health
Nevada Department of Conservation and Natural Resources

EPA Region 10 – Seattle, Washington

Alaska Department of Environmental Conservation
Idaho Department of Environmental Quality
Oregon Department of Environmental Quality
Washington Department of Ecology

The high level of professionalism among program managers has resulted in many innovations that have made the CWSRF a model government subsidy program. The 2005 PISCES Awards (Performance and Innovation in the SRF Creating Environmental Success) acknowledge the important work conducted by state program managers and the advancement of EPA goals of performance and water quality protection through the use of the Clean Water State Revolving Fund.

Besides recognition, the PISCES Awards serve to highlight program innovations to allow other programs the opportunity to replicate program designs or build upon a preexisting idea to further enhance performance. In 2005, state programs were recognized for their accomplishments. In 2006, borrowers with superb planning, implementation, and management strategies will be recognized. Individual projects will be showcased from each EPA region.

This past year, ten states, one from each region, received awards for their outstanding achievements. Each Regional office nominated a candidate state program based on multiple criteria. First, each nominee needed a fund utilization rate (pace) greater than 80% and audits

that revealed no serious programmatic or financial problems with the program. Each nominee also had to demonstrate outstanding performance for at least two out of nine additional criteria: better management practices, full-cost pricing, efficient water use, watershed approach, promotion of creative use of technologies, leveraging practices, innovative partnerships, innovative lending practices, and replicability.

The winners of the 2005 CWSRF PISCES Awards are:

- Region 1 – Maine
- Region 2 – New York
- Region 3 – Delaware
- Region 4 – Florida
- Region 5 – Ohio
- Region 6 – Oklahoma
- Region 7 – Kansas
- Region 8 – Montana
- Region 9 – California
- Region 10 – Oregon

These ten states serve as excellent examples of high quality performance, integrity, and creativity in the CWSRF program. Winners were recognized at the national meeting of the Council of Infrastructure Financing Authorities (CIFA) in Chicago, IL in October of 2005. Short descriptions of each state's exemplary practices follow.

CWSRF PISCES Awards: Performance and Innovation in the SRF



2005 PISCES Award Winners: Performance and Innovation in

REGION 10: OREGON



The Oregon Department of Environmental Quality (ODEQ) makes efficient water use a priority by promoting the use of wastewater effluent for irrigation and appropriate urban uses and by making loans to irrigation districts that support water efficiency. One loan was used to move an irrigation district's water supply out of a stream into a pipeline, reducing erosion and turbidity in a stream that is habitat for an endangered species.

REGION 9: CALIFORNIA



After making sustainability of water and environmental resources a core value for its CWSRF program, the California State Water Resources Control Board (SWRCB) worked with staff to incorporate sustainability into the CWSRF's policy and future funding decisions.

REGION 8: MONTANA



The Montana CWSRF program has used almost 25 percent of its funding over the past five years, \$23 million, for implementation of the state's Section 319 non-point source management plan. The Departments of Environmental Quality and Natural Resources and Conservation also developed the *Uniform Application Supplement for Montana Public Facilities Projects*, which helped to increase pace from 65 to 100 percent.

REGION 7: KANSAS



The Kansas Department of Health and Environment uses its CWSRF program to encourage development and use of new treatment processes and plant designs including the use of state-of-the-art technologies, such as UV disinfection technology, BNR activated sludge designs, long detention lagoons, and non-over-flowing lagoons.

REGION 6: OKLAHOMA



With its Integrated Priority Ranking System, the Oklahoma Water Resources Board adopted a watershed approach that ranks projects for funding based on the goals of the Clean Water Act and the state's Unified Watershed Assessment to eliminate human health threats, restore impaired surface waters, and protect high quality waters and their uses.

the CWSRF

REGION 1: MAINE

Demonstrating innovative lending practices, the Maine Municipal Bond Bank and Maine Department of Environmental Protection have set aside \$2 million for private septic repair and replacement loans and give farmers access to 2% loans for the construction of manure storage facilities. Using creative financial approaches, Maine refinanced \$36 million in loans and leveraged the money that was freed up, resulting in over \$20 million of additional available funding.

REGION 5: OHIO

With \$3 billion in loans, the Ohio EPA and Water Development Authority are leaders in financing non-traditional projects. Ohio's latest innovation, the Water Resource Restoration Sponsor Program (WRRSP), has made over \$67 million worth of loans for projects that have acquired wetlands, riparian lands, and conservation easements, restored habitat, and modified dams.

REGION 2: NEW YORK

New York's CWSRF program leads the country in funding nonpoint source projects, with over \$739 million in loans made through 2005. The New York State Environmental Facilities Corporation also implemented a new leveraging technique that allowed it to sell subordinated SRF bonds without a reserve fund pledge, resulting in a loan interest rate of 1.94%.

REGION 3: DELAWARE

Through innovative partnerships, the Delaware Department of Natural Resources and Environmental Control streamlined project review and management processes, enhanced marketing and implementation of agricultural best management practices, and promoted the use of CWSRF loans to implement nonpoint source projects.

REGION 4: FLORIDA

To promote efficient water use, the Florida Department of Environmental Protection funded 83 projects totaling over \$260 million for water reuse projects. The CWSRF-financed Holloway Tree Farm irrigation system has conserved over 100 million gallons of water without compromising plant growth.

CWSRF 2005 Performance Highlights

A GROWING SOURCE OF PROJECT FINANCING

In 2005, the CWSRF program funded \$4.9 billion in projects, raising cumulative assistance to nearly \$53 billion. The program funds an estimated 10 to 20 percent of the nation's annual wastewater capital projects. Municipalities, states, and other federal programs provide the remaining funding.

FUNDING CRITICAL PROJECTS

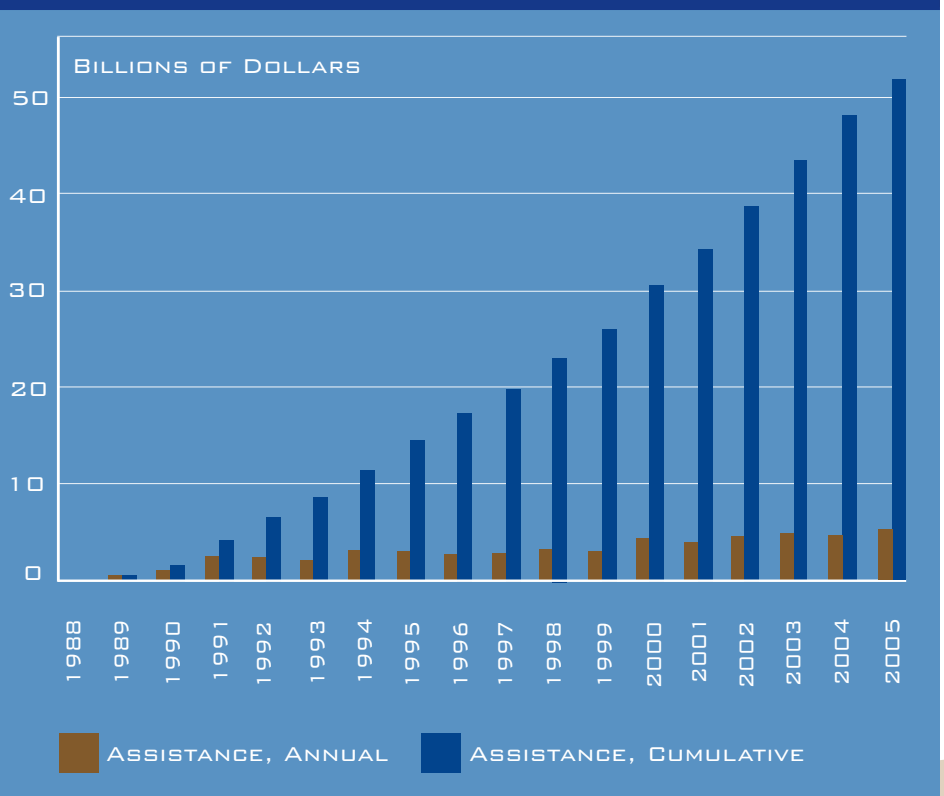
In 2005, the CWSRF continued to fund a broad range of projects. Wastewater system projects accounted for 96 percent of the total funding and 61 percent of the total number of agreements. Funding for nonpoint source pollution control projects remains strong. Projects such as agricultural controls to

reduce runoff and measures to protect drinking water sources accounted for \$232 million of total funding in 2005, a remarkable increase from the \$168 million allocated to nonpoint source projects in 2004. While this only accounts for 4 percent of total funding, it represents 39 percent of assistance agreements. From 1988 to 2005, nonpoint source projects represented 27 percent of all assistance agreements.

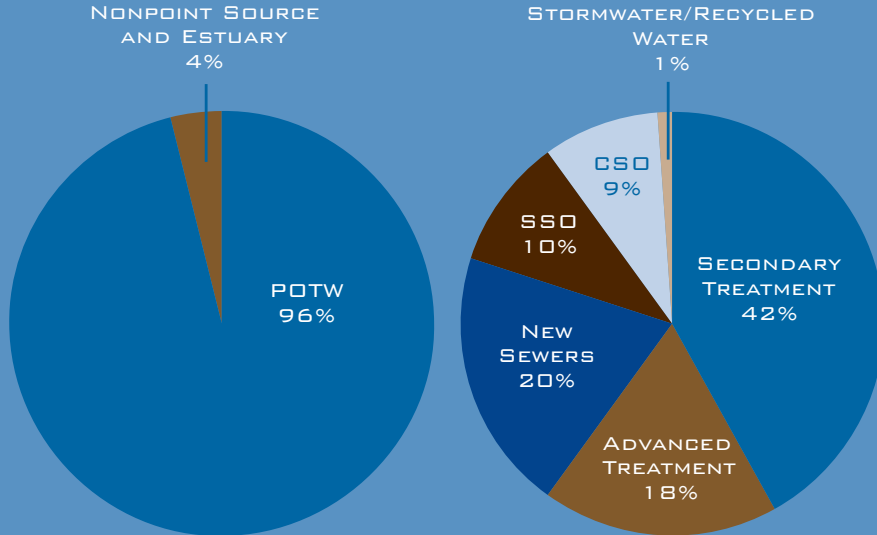
SERVING ALL COMMUNITIES

The CWSRF program has traditionally funded many small and medium-sized communities. In 2005, 53 percent of all loan agreements went to communities with populations of fewer than 3,500, and 67 percent of all loans went to communities with populations below 10,000.

CWSRF Cumulative Assistance Reaches \$52.7 Billion in 2005



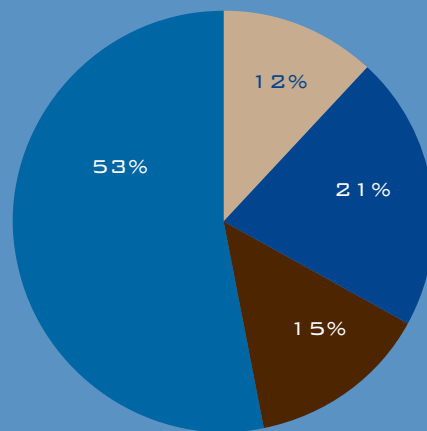
CWSRFs Fund \$52.7 Billion in Clean Water Needs through 2005



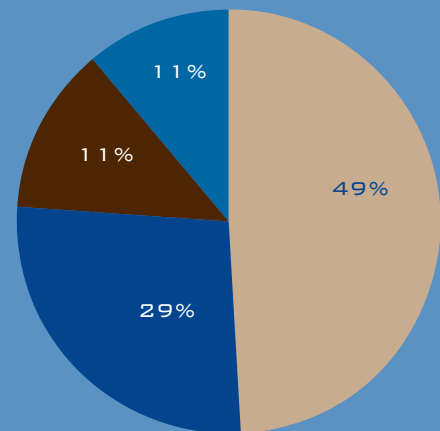
POTW: PUBLICLY OWNED TREATMENT WORKS
 CSO: COMBINED SEWER OVERFLOW
 SSO: SANITARY SEWER OVERFLOW

Communities Served by CWSRFs in 2005

NUMBER OF ASSISTANCE AGREEMENTS (1,448)

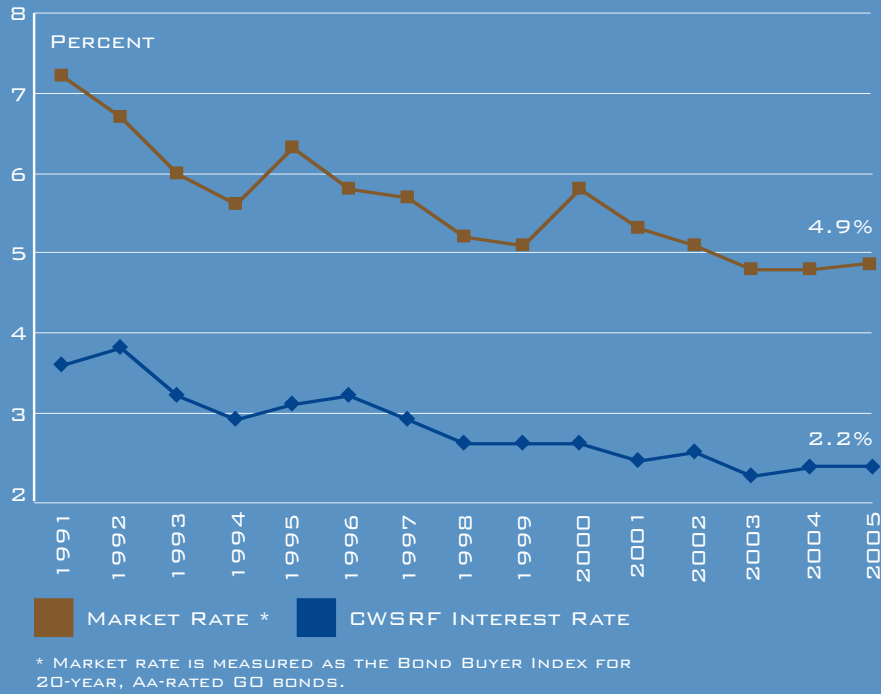


DOLLAR AMOUNT OF ASSISTANCE (\$4.9 BILLION)



POPULATION: 100,000 AND ABOVE 10,000-99,999
 3,500-9,999 UNDER 3,500

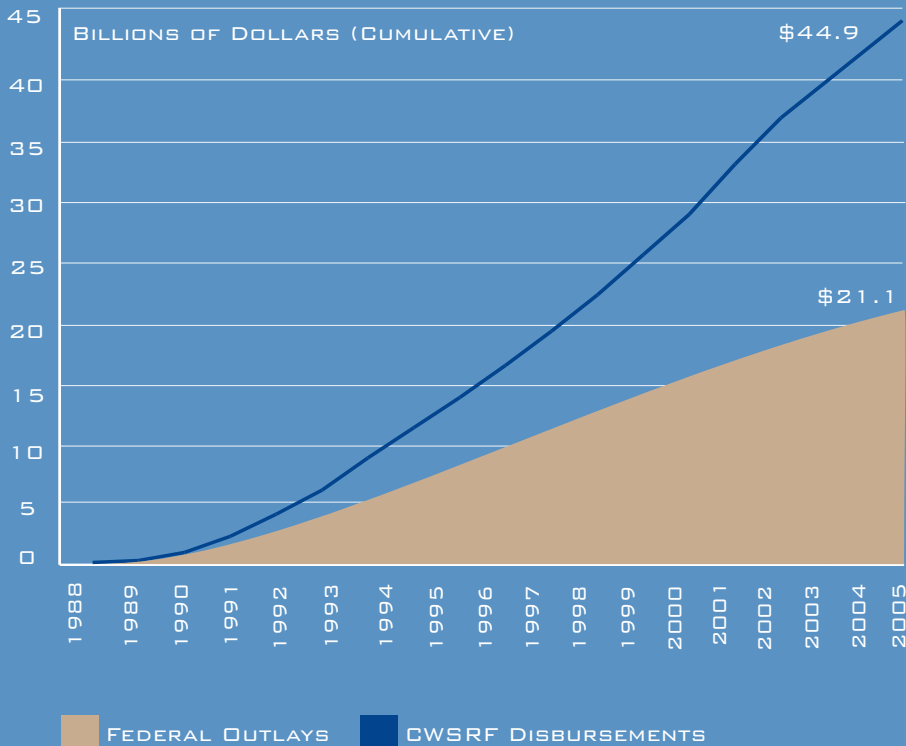
CWSRF Loans Save Communities 21% (2005 Average)



CWSRF LOANS SAVE COMMUNITIES 21% ON AVERAGE

According to a popular municipal borrowing index, the typical municipal borrowing rate was 4.9 percent in 2005. The average CWSRF interest rate offered on loans was 2.2 percent. The average cost savings realized by CWSRF borrowers represented a 21 percent savings on financing costs.

CWSRFs Return 2.12 Times the Federal Investment in 2005



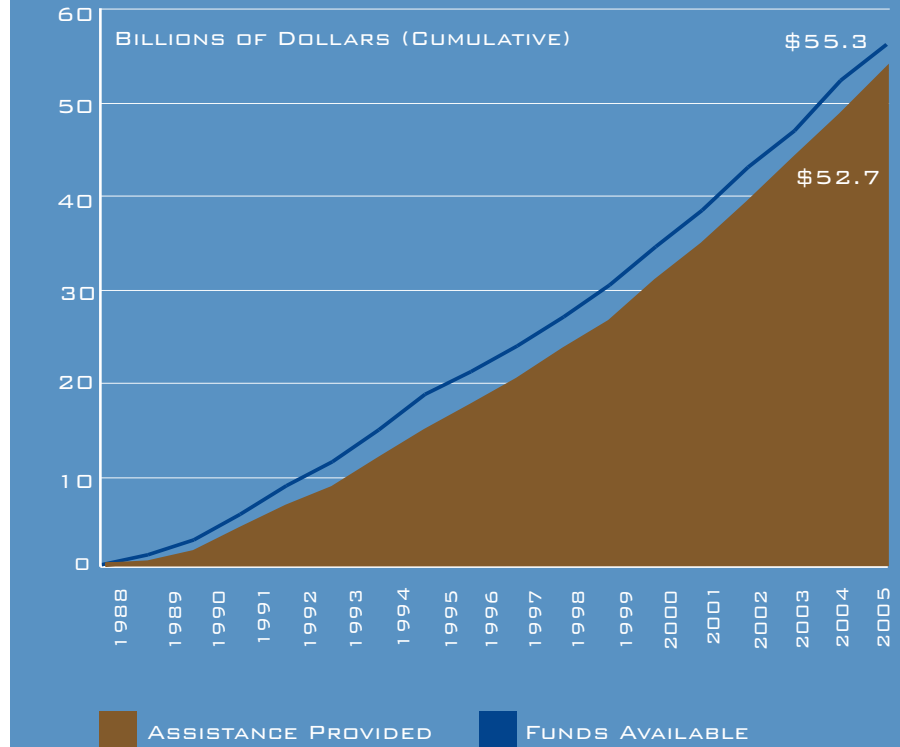
HIGH RETURN ON FEDERAL INVESTMENT

The ratio of CWSRF project disbursements (i.e., total cash out to pay invoices) compared to total federal outlays for projects (cash drawn from federal funds) is a measure of return on the federal investment to date. Currently 2.12, as compared to 2.05 for 2004, the return on federal investment is growing and will continue to grow due to the revolving nature of the CWSRF program.

AVAILABLE CWSRF FUNDS ARE QUICKLY USED FOR NEW PROJECT ASSISTANCE

Due to low interest rates and broad financing eligibilities, CWSRF funding continues to be in high demand. In 2005, 95 percent of all available funds were committed to new projects. This efficient rate of fund utilization is one reason that the return on federal investment will continue to grow impressively over time.

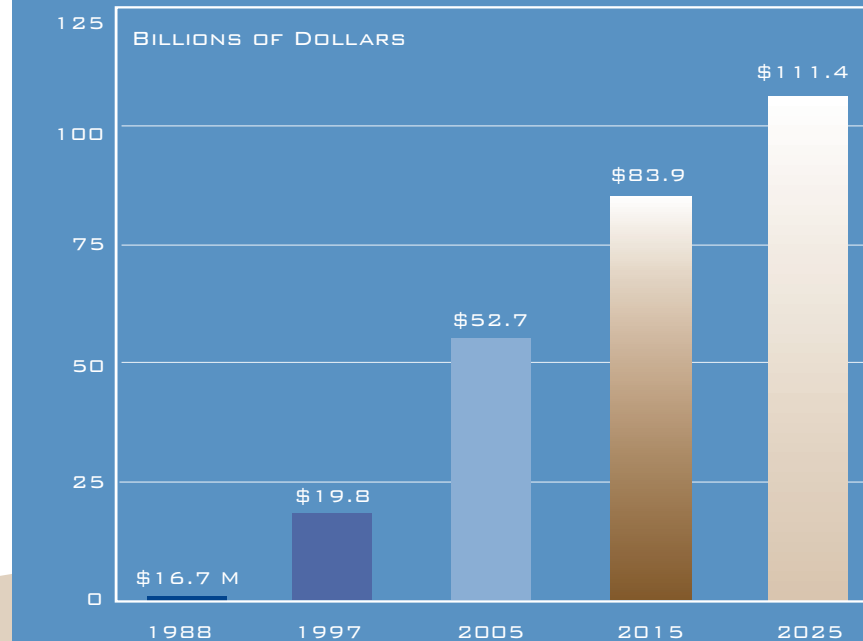
95% of CWSRF Funds Committed to Projects in 2005



CONTINUED GROWTH OF LOAN ASSISTANCE

Cumulative CWSRF loan assistance has demonstrated strong growth over the first 18 years of the program. National modeling projects that loan volume will expand rapidly, topping \$110 billion in 2025.

Past and Future Growth of Assistance: CWSRF Executed Loan Agreements



2005 Financial Performance Overview

The Clean Water Act requires an annual financial audit of the 51 state-level CWSRF programs. Each state and Puerto Rico conducts these audits according to the generally accepted auditing standards established by the Governmental Accounting Standards Board (GASB). GASB offers guidelines to the governmental accounting profession to determine the best fund structures for state programs such as the CWSRFs. States often define their CWSRF programs as ongoing enterprise funds under the GASB definitions of funds. The standardized financial statements used in enterprise fund reporting for CWSRF programs include the following:

STATEMENT OF NET ASSETS

This statement describes a fund's assets and liabilities through the end of the fiscal year. Assets include financial assets and capital assets. Liabilities include both current and long-term liabilities. CWSRF fund assets include grant funds that have been drawn from the federal treasury to date, but do not include total grant awards. Several years ago, a new GASB rule created the statement of net assets as a replacement for the balance sheet statement. The "net asset" section of the statement of net assets replaced the "equity" section of the balance sheet.

STATEMENT OF REVENUES, EXPENSES, AND EARNINGS

This statement describes the performance of the CWSRF fund over the reporting period. The statement of revenues, expenses, and earnings reports on the overall performance of the fund during the reporting period.

STATEMENT OF CASH FLOWS

This statement provides a detailed accounting of the actual flow of cash into and out of the CWSRF fund.

Because the 51 constituent CWSRF programs are independent state-level entities, no nationally audited CWSRF program financial reports are available. However, using EPA's CWSRF National Information Management System, national aggregate financial statements have been developed and are included on the following pages. The statements are best viewed as non-audited, cash flow-based financial reports.

2005 Financial Statement Highlights

Statement of Net Assets

- Total assets increased by \$2.6 billion (5.9% increase from 2004).
- CWSRF program equity (also called net assets) totals \$28.4 billion (6.9% increase from 2004).
- Program liabilities increased by \$0.8 billion, reflecting the net growth in CWSRF bonds outstanding for state matching funds and leveraged program financing (4.3% increase from 2004).

Statement of Revenues, Expenses, and Earnings

- Total program revenues exceeded expenses by \$1.9 billion.
- Interest earnings from loans and investments totaled nearly \$1.5 billion (17.1% increase from 2004).
- Administrative expenses were 2.9 percent of operating revenues (down from 3.5% in 2004).

Statement of Cash Flows

- Loan principal repayments to CWSRF programs were nearly \$1.8 billion.
- Leveraged bond proceeds added more than \$1.5 billion to program cash flow.

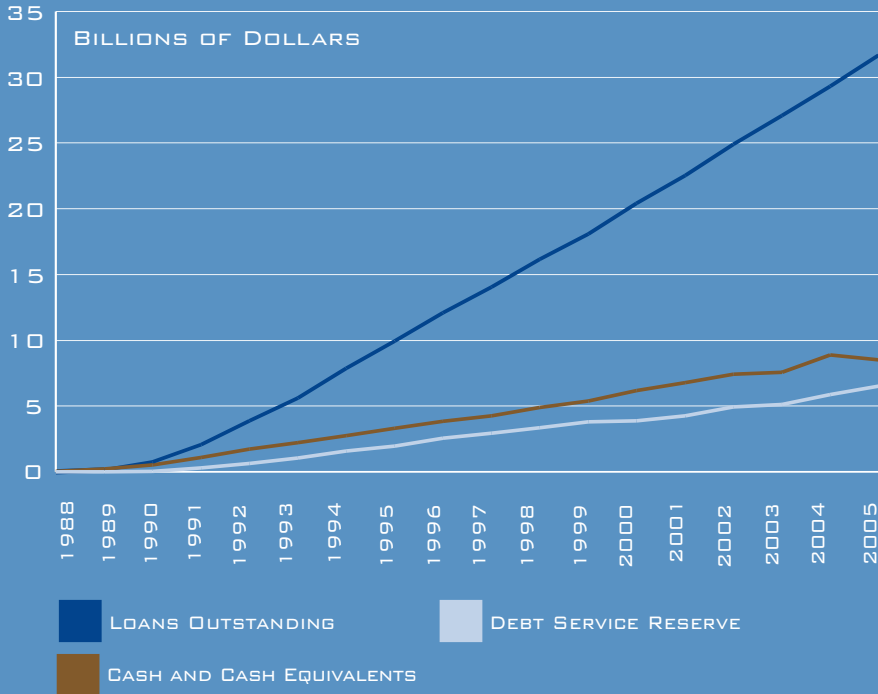


Clean Water State Revolving Fund National Performance Summary Statement
Statement of Net Assets - Estimated (\$ Millions)

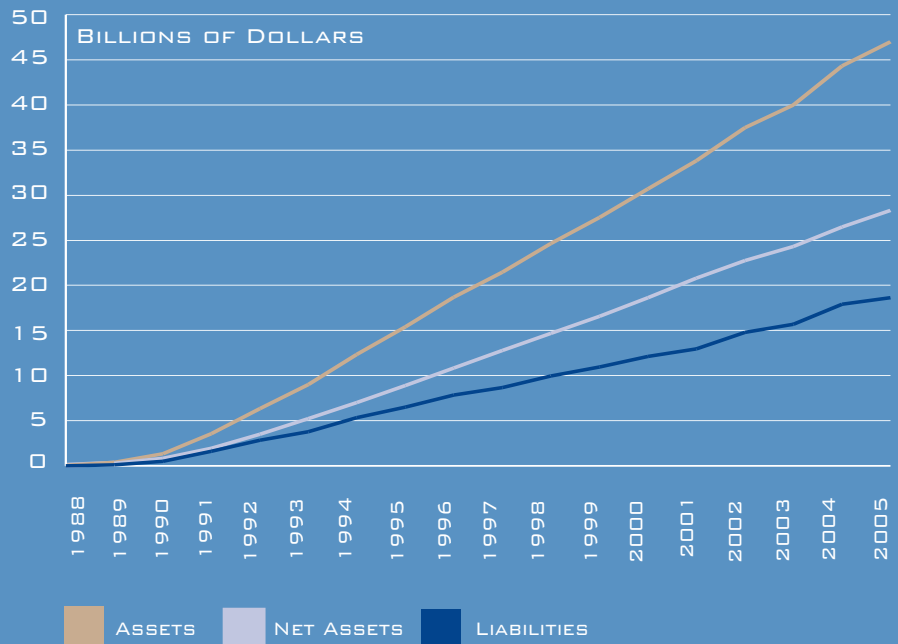
	2005	2004
Assets		
Cash and Cash Equivalents	8,573.4	8,965.3
Debt Service Reserve - Leveraged Bonds	6,516.2	5,868.1
Loans Outstanding	31,676.7	29,308.1
Unamortized Bond Issuance Expenses	271.4	260.7
<i>Total Assets</i>	<u>47,037.6</u>	<u>44,402.2</u>
Liabilities		
Match Bonds Outstanding	669.5	679.8
Leveraged Bonds Outstanding	17,989.0	17,202.3
<i>Total Liabilities</i>	<u>18,658.5</u>	<u>17,882.0</u>
Net Assets		
Federal Contributions	21,135.7	19,825.5
State Contributions	3,634.0	3,494.6
Transfers of Non-Federal Funds from (to) DWSRF	(354.8)	(310.1)
Other Net Assets	3,964.2	3,510.2
<i>Total Net Assets</i>	<u>28,379.1</u>	<u>26,520.2</u>
Total Liabilities and Net Assets	47,037.6	44,402.2

Note: Under the new GASB 34 rules, "equity" is termed "net assets," and is defined as the difference between assets and liabilities. Statement presents a compilation of reporting from 51 State programs and is not audited.
Source: EPA's CWSRF National Information Management System.

Growth of CWSRF Assets



Assets are Growing Faster than Liabilities



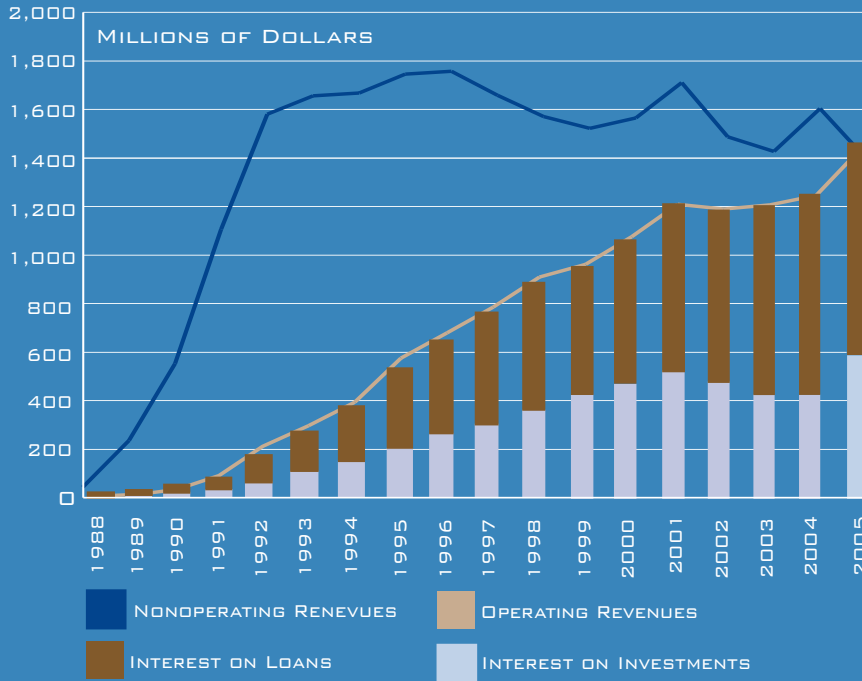
**Clean Water State Revolving Fund National Performance Summary Statement
Statement of Revenues, Expenses, and Earnings - Estimated (\$ Millions)**

	2005	2004
Operating Revenues		
Interest on Investments	583.3	421.4
Interest on Loans	882.8	830.8
<i>Total Operating Revenues</i>	<u>1,466.2</u>	<u>1,252.2</u>
Operating Expenses		
Bond Interest Expenses	953.3	799.3
CWSRF Funds Used for Refunding	2.5	31.4
Amortized Bond Issuance Expenses	13.0	12.0
Administrative Expenses	43.2	43.5
<i>Total Expenses</i>	<u>1,012.1</u>	<u>886.3</u>
Nonoperating Revenues and Expenses		
Federal Contribution	1,310.2	1,415.3
State Contributions	139.4	189.1
Transfers from (to) DWSRF	(44.7)	8.3
<i>Total Nonoperating Revenues (Expenses)</i>	<u>1,404.9</u>	<u>1,612.7</u>
Increase (Decrease) in Net Assets	1,859.0	1,978.6
Net Assets		
Beginning of Year	26,520.2	24,541.6
End of Year	28,379.2	26,520.2

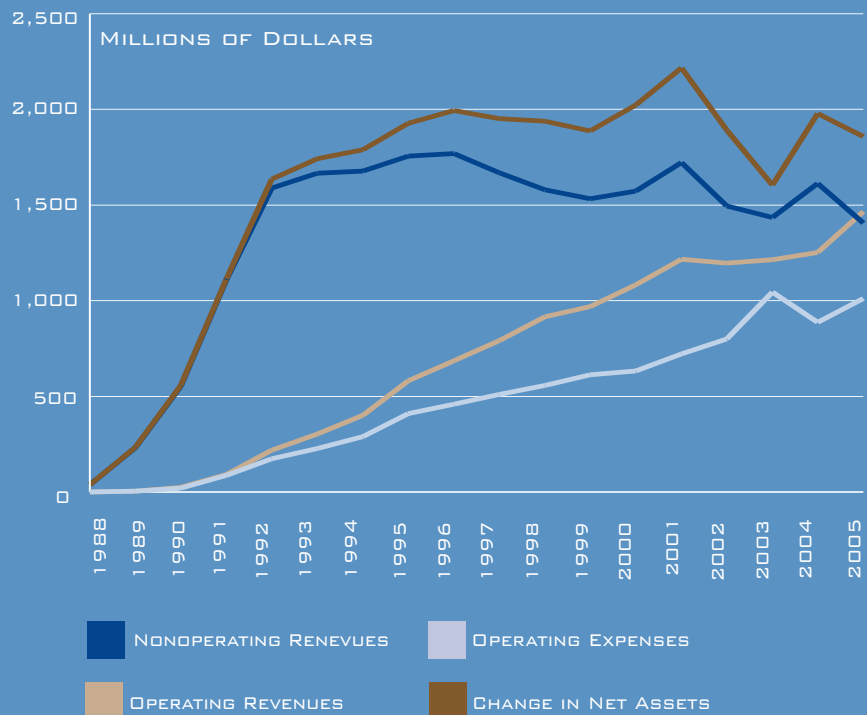
Note: Statement presents a compilation of reporting from 51 state programs and is not audited.

Source: EPA's CWSRF National Information Management System.

Interest Comprises over Half of CWSRF Revenues



Revenues Significantly Exceed Expenses



Clean Water State Revolving Fund National Performance Summary Statement
Statement of Cash Flows - Estimated (\$ Millions)

	2005	2004
Cash Flows from Operating Activities		
Cash Draws from Federal Capitalization Grants	1,310.2	1,415.3
Contributions from States	139.4	189.1
Loan Disbursements Made to Borrowers	(4,165.7)	(4,297.5)
Loan Principal Repayments	1,797.1	2,064.0
Interest Received on Loans	882.8	830.8
Administrative Expenses	(43.2)	(43.5)
<i>Net Cash Provided by Operating Activities</i>	<i>(79.4)</i>	<i>158.1</i>
Cash Flows from Noncapital Financing Activities		
Gross Leveraged Bond Proceeds	1,614.1	2,927.0
Bond Issuance Expense	(23.7)	(32.7)
State Match Bond Proceeds	64.5	66.2
Cash Received from Transfers with DWSRF	(44.7)	8.3
Interest Paid on Leveraged and State Match Bonds	(953.3)	(799.3)
CWSRF Funds Used for Refunding	(2.5)	(31.4)
Principal Repayments of Leveraged Bonds	(827.3)	(731.7)
Principal Repayments of State Match Bonds	(74.8)	(55.0)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>(247.8)</i>	<i>1,351.4</i>
Cash Flows from Capital and Related Financing Activities	0.0	0.0
Cash Flows from Investing Activities		
Interest Received on Investments	583.3	421.4
Deposits to Debt Service Reserve for Leveraged Bonds	(648.1)	(753.0)
<i>Net Cash Provided by Investing Activities</i>	<i>(64.7)</i>	<i>(331.6)</i>
Net Increase (Decrease) in Cash and Cash Equivalents	(391.9)	1,177.8
Beginning Balance - Cash and Cash Equivalents	8,965.3	7,787.5
Ending Balance - Cash and Cash Equivalents	8,573.4	8,965.3

Note: Statement presents a compilation of reporting from 51 state programs and is not audited.

Source: EPA's CWSRF National Information Management System.

CWSRF-at-a-Glance

Funds Available for Projects (Billions of Dollars)

	2005	1988–2005
Total Funds	\$3.8	\$55.3
Federal Capitalization Grants	1.36	23.3
State Match	0.20	4.8
Net Leveraged Bonds	0.94	16.9
Net Loan Principal Repayments	0.97	7.3
Net Earnings	0.44	4.3
Net Transfers with DWSRF	(.04)	(.4)
(Less Administration)	(.05)	(.9)

Return of 2.12 Times the Federal Investment
 95% of Funds Committed to Projects
 2.2% Average CWSRF Interest Rate in 2005, 4.9% Market Rate
 21% Average Savings over Market Rate Loans
 27 States Leverage; 20 Issue Match Bonds
 37 States Fund Nonpoint Source Projects
 29 States Use Integrated Priority Systems
 43 States Conduct Separate Audits
 40 States Fund Separate Grant or Loan Programs

Assistance Provided to Projects (Billions of Dollars)

	2005	1988–2005
Total, by Project Type	\$4.9	\$52.7
Wastewater Treatment	4.77	50.0
Nonpoint Source	0.23	2.1
Estuaries	0	0
Unallocated	0	0.6
Total, by Population Served	\$4.9	\$52.7
< 3,500	0.56	5.5
3,500 - 9,999	0.53	6.6
10,000 - 99,999	1.39	17.7
100,000 and Above	2.38	22.9
# of Loans, by Population Served	1,448	16,752
< 3,500	770	7,964
3,500 - 9,999	213	2,631
10,000 - 99,999	298	4,295
100,000 and Above	167	1,862

Source: EPA's CWSRF National Information Management System

For more information about the Clean Water State Revolving Fund, please contact:

Clean Water State Revolving Fund Branch
 U.S. Environmental Protection Agency
 1201 Constitution Avenue, NW (Mailcode 4204M)
 Washington, DC 20004
Phone: (202) 564-0752
Fax: (202) 501-2403

Internet: www.epa.gov/owm/cwfinance/cwsrf



ALABAMA DEPARTMENT OF ENVIRONMENTAL
ENVIRONMENTAL CONSERVATION * ARIZONA
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
COMMISSION * CALIFORNIA STATE WATER
DEPARTMENT OF LOCAL AFFAIRS * COLORADO
ENVIRONMENT * COLORADO WATER RESOURCES
CONNECTICUT DEPARTMENT OF ENVIRONMENTAL
TREASURER * DELAWARE DEPARTMENT OF NATURAL
* FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
AUTHORITY * HAWAII DEPARTMENT OF HEALTH *
* ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
MANAGEMENT * INDIANA STATE BUDGET AGENCY
* IOWA FINANCE AUTHORITY * KANSAS DEPARTMENT
OF HEALTH AND ENVIRONMENT * KANSAS DEPARTMENT
DIVISION OF WATER * KENTUCKY INFRASTRUCTURE
ENVIRONMENTAL QUALITY * MAINE DEPARTMENT OF
MUNICIPAL BOND BANK * MARYLAND DEPARTMENT OF
DEPARTMENT OF ENVIRONMENTAL PROTECTION *
TRUST * MICHIGAN DEPARTMENT OF ENVIRONMENTAL
AUTHORITY * MINNESOTA DEPARTMENT OF AGRICULTURE
AGENCY * MINNESOTA PUBLIC FACILITIES
ENVIRONMENTAL QUALITY * MISSOURI DEPARTMENT OF
ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES
ENVIRONMENTAL QUALITY * MONTANA DEPARTMENT OF
* NEBRASKA DEPARTMENT OF ENVIRONMENTAL
AUTHORITY * NEVADA DEPARTMENT OF CONSERVATION
HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL
ENVIRONMENTAL PROTECTION * NEW JERSEY DEPARTMENT OF
MEXICO ENVIRONMENT DEPARTMENT * NEW MEXICO
CONSERVATION * NEW YORK STATE ENVIRONMENTAL
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
HEALTH * NORTH DAKOTA MUNICIPAL BOND BANK
* OHIO WATER DEVELOPMENT AUTHORITY * OREGON
DEPARTMENT OF ENVIRONMENTAL QUALITY * OREGON
AUTHORITY * PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL
ENVIRONMENTAL QUALITY BOARD * PUERTO RICO DEPARTMENT OF
RHODE ISLAND CLEAN WATER FINANCE AUTHORITY
ENVIRONMENTAL MANAGEMENT * SOUTH CAROLINA DEPARTMENT OF
CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
TREASURY * TENNESSEE DEPARTMENT OF ENVIRONMENTAL
DEVELOPMENT BOARD * UTAH DEPARTMENT OF ENVIRONMENTAL
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DEPARTMENT OF ENVIRONMENTAL QUALITY * VERMONT DEPARTMENT OF
DEPARTMENT OF ECOLOGY * WEST VIRGINIA DEPARTMENT OF
VIRGINIA WATER DEVELOPMENT AUTHORITY * WISCONSIN DEPARTMENT OF NATURAL RESOURCES
QUALITY * WYOMING OFFICE OF STATE LANDS