United States
Environmental Protection
Agency

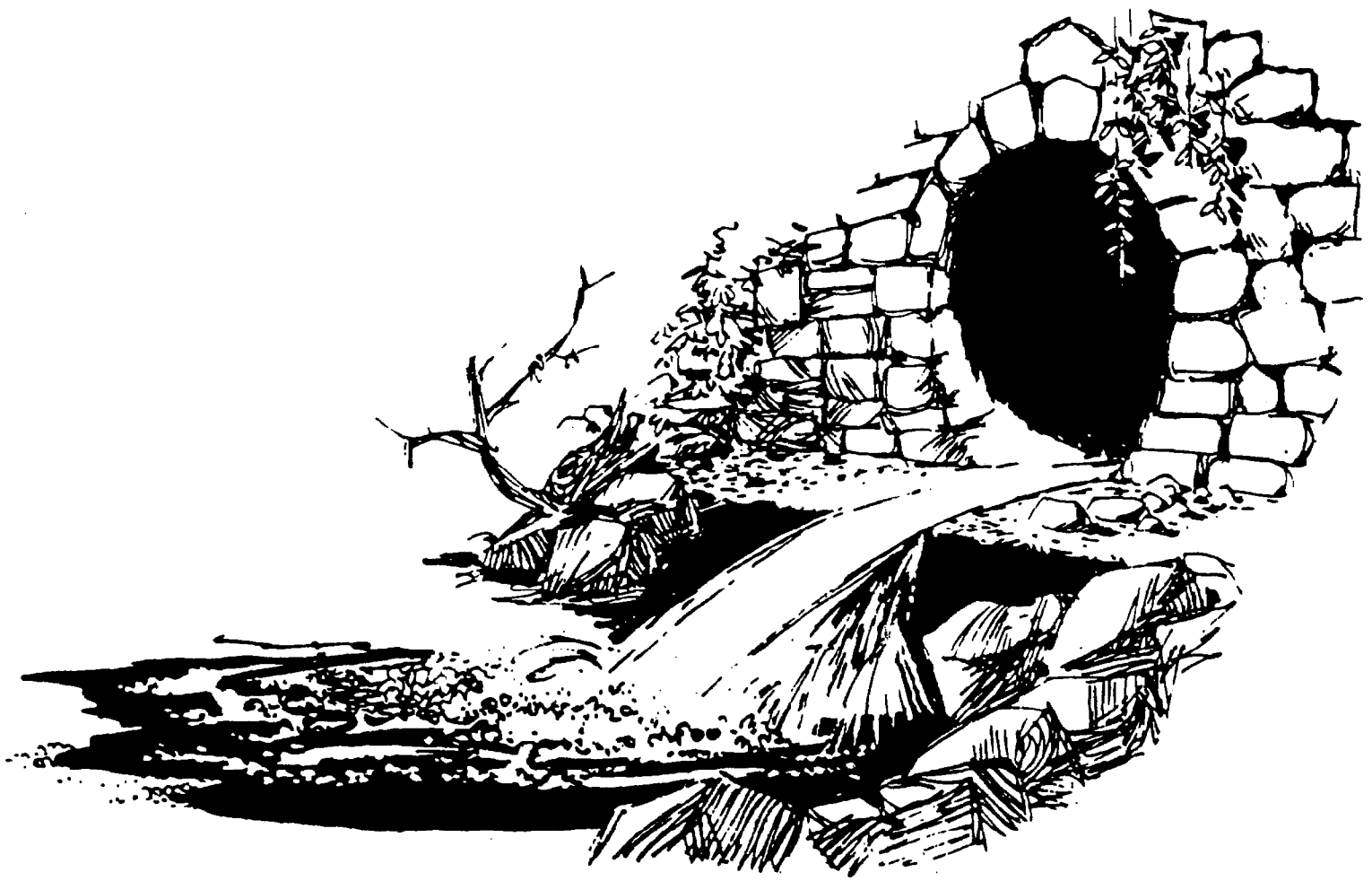
Office Of Water
(4204)

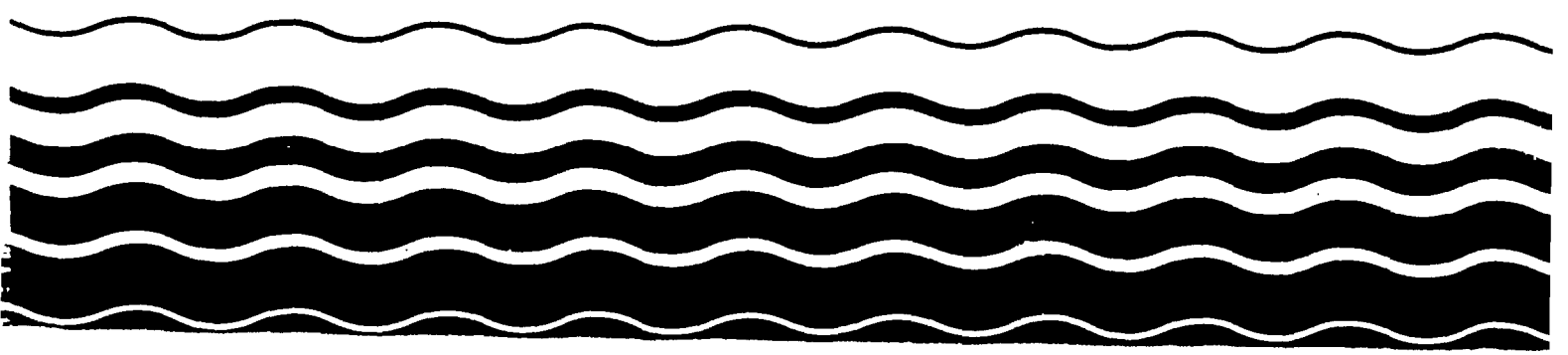
EPA 832-B-95-007
August 1995

EPA

Combined Sewer Overflows

Guidance For Funding Options





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COMBINED SEWER OVERFLOWS GUIDANCE FOR FUNDING OPTIONS

U.S. Environmental Protection Agency
Office of Wastewater Management
Municipal Support Division
Washington, D.C.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
WATER

1995

MEMORANDUM

SUBJECT: Guidance for Funding Options

FROM: Michael B. Cook, Director (4204)
Office of Wastewater Management

TO: Interested Parties

I am pleased to provide you with the Environmental Protection Agency's (EPA's) guidance document on funding options for combined sewer overflows (CSOs). This guidance is one of several documents being prepared to foster implementation of EPA's CSO Control Policy. The CSO Control Policy, issued on April 11, 1994, establishes a national approach under the National Pollutant Discharge Elimination System (NPDES) permit program for controlling discharges into the nation's waters from combined sewer systems.

To facilitate implementation of the CSO Control Policy, EPA is preparing guidance documents for use by NPDES permitting authorities, affected municipalities, and their consulting engineers in planning and implementing CSO controls that will ultimately comply with the requirements of the Clean Water Act. This document describes a broad spectrum of options that may be available to fund the capital, debt service, and operational costs of CSO controls. The benefits and limitations of the various options are presented to aid in evaluating the applicability of each option.

This guidance has been reviewed extensively within the Agency as well as by municipal groups, environmental groups, and other CSO stakeholders. I am grateful to all who participated in its preparation and review, and believe that it will further the implementation of the CSO Control Policy.

If you have any questions regarding the manual or its distribution, please call Haig Farmer in the Office of Wastewater Management, at (202) 260-7279.

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Contents

Introduction

Introduction

Background

Combined sewer systems (CSSs) are wastewater collection systems designed to carry sanitary sewage consisting of domestic, commercial, and industrial wastewater and surface drainage from rainfall or snowmelt in a single pipe. During dry weather, CSSs convey domestic, commercial, and industrial wastewater to a treatment facility. In periods of rainfall or snowmelt, total wastewater flows can exceed the capacity of the CSS and/or treatment facilities. When this occurs, the CSS overflows directly to surface water bodies, such as lakes, rivers, estuaries, or coastal waters. These overflows--called combined sewer overflows (CSOs)--are a major source of water pollution in communities served by CSSs. CSSs serve about 43 million people in approximately 1,100 communities nationwide. Most of these communities are located in the Northeast and Great Lakes regions.

Because CSOs are comprised of untreated domestic, commercial, industrial wastes and wet weather flows, many different types of contaminants are present. Contaminants include pathogens, oxygen-demanding pollutants, suspended solids, nutrients, toxics, and floatable matter. Because of these contaminants, CSO discharges can cause a variety of adverse impacts on the physical characteristics of surface waters and the viability of aquatic habitats. CSOs have been shown to be a major contributor to use impairment in many receiving waters and have contributed to shellfish harvesting restrictions, beach closures, and even occasional fish kills.

EVOLUTION/HISTORY OF THE CSO CONTROL POLICY

Historically, the control of CSOs has proven to be extremely complex. This complexity stems partly from the difficulty in quantitatively determining CSO impacts on receiving water quality and the site-specific variability in the volume, frequency, and characteristics of CSO discharges. In addition, the financial considerations for communities with CSOs can be significant. The U.S. Environmental Protection Agency's (EPA) 1992 NEEDS survey estimates the CSO abatement costs for the 1,100 communities served by CSSs to be approximately $41.2 billion.

To address these challenges, EPA's Office of Water issued a National Combined Sewer Overflow Control Strategy on August 10, 1989. The Strategy reaffirmed that CSOs are point source discharges subject to National Pollutant Discharge Elimination System (NPDES) permit requirements and to the Clean Water Act (CWA). The Strategy recommended that all CSOs be identified and categorized according to their status of compliance with these requirements. In addition, the strategy charged all states with producing, by January 16, 1990, state-wide permitting strategies designed to reduce pollutant discharges from CSOs.

Although the Strategy was successful in focusing increased attention on CSOs, it fell short in resolving many fundamental issues. In mid-1991, EPA initiated a process to accelerate implementation of the Strategy that included negotiation with representatives for the regulated communities, State regulatory agencies, and environmental groups. These negotiations were conducted through the Office of Water's Management Advisory Group. The initiative resulted in the development of a CSO Control Policy, which was published in the *Federal Register* on April 19, 1994.

The Policy contains provisions for developing appropriate, site-specific NPDES permit requirements for all CSSs that overflow due to wet weather events.

The Policy contains four key principles to ensure that CSO controls are cost effective and meet CWA objectives:

1. Providing clear levels of control that would be presumed to meet appropriate health and environmental objectives;

2. Providing sufficient flexibility to municipalities, especially financially disadvantaged communities, to consider the site-specific nature of CSOs and to determine the most cost-effective means of reducing pollutants and meeting CWA objectives and requirements;

3. Allowing a phased approach to implementation of CSO controls considering a community's financial capability; and

4. Review and revision, as appropriate, of water quality standards and their implementation procedures when developing CSO control plans to reflect the site-specific wet weather impacts of CSOs.

The Policy also announces an enforcement initiative that requires the immediate elimination of overflows that occur during dry weather and ensures that the remaining CWA requirements are complied with as soon as possible.

GUIDANCE

To help CSO permittees and NPDES permitting and WQS authorities successfully implement the provisions of the CSO Control Policy, several guidance documents have been developed to support the Policy. Exhibit 1-1 identifies each guidance document and its purpose.

Exhibit 1-1 CSO Related Guidance Documents

Title	Purpose
Combined Sewer Overflows-Guidance for Long-Term Control Plan (EPA 832-B-95-002)	Provides guidance on developing a long-term CSO control plan
Combined Sewer Overflows-Guidance for Nine Minimum Controls (EPA 832-95-003)	Provides guidance on implementing the nine minimum controls
Combined Sewer Overflows-Guidance for Screening and Ranking (EPA 832-B-95-004)	Provides criteria for establishing priorities for CSO control
Combined Sewer Overflows-Guidance for Monitoring and Modeling (EPA 832-B-95-005)	Provides guidance on monitoring, modeling and system characterization
Combined Sewer Overflows-Guidance for Financial Capability Assessment and Schedule Development (EPA 832-B-95-006)	Provides guidance on assessing the financial impact of CSO controls and developing a reasonable schedule for implementation of CSO controls
Combined Sewer Overflows-Funding Options Guidance (EPA 832-B-95-007)	Provides options for funding CSO controls
Combined Sewer Overflows-Guidance for Permit Writers (EPA 832-B-95-008)	Provides guidance on writing NPDES permits for CSO controls
Combined Sewer Overflow-Questions and Answers on Water Quality Standards and the CSO Program (EPA 832-B-95-009)	Provides answers to critical questions on water quality standards and the CSO program

PURPOSE

This guide will help permittees as they develop CSO control funding plans. The guide describes different funding sources that can be used for CSO control projects.

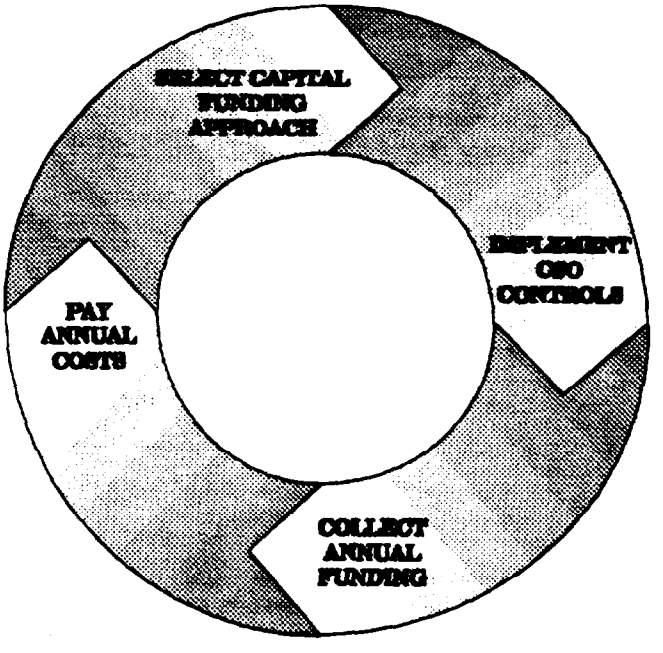
This guide presents alternative sources for:

- capital funding to pay for CSO construction projects.
- annual funding to repay annual debt service and operating costs.

The guide describes a broad spectrum of funding options, discusses their applicability to CSO control projects, and reviews the benefits and limitations of each option. The guide includes examples that illustrate how permittees are addressing CSO financing.

Finding the lowest cost funding methods will be a significant challenge to permittees. It is likely that most permittees will continue to depend on local revenue bonds or State Revolving Fund loans for capital to fund CSO controls. It is also likely that permittees will continue to use user fees as the primary method of funding annual CSO and other wastewater treatment costs.

However, it is possible that alternatives to these methods may be available to provide CSO funding. By surveying the options in this guide, permittees can determine what funding alternatives are available to them to help minimize the cost of CSO controls.



The guide includes references to reports, books, and other documents that provide detailed information on specific funding options. It also includes references to organizations that can provide permittees with detailed information and assistance on funding options.

AUDIENCE

This guide will help permittees during the development of their long-term CSO control plans. In their development of construction and financing schedules for implementation of the long term control plans, permittees can use this guide during their assessment of the viability and availability of various funding sources. By presenting a wide range of funding alternatives, permittees will be able to review the options that are available to them, identify those that are most attractive from a cost stand point, and select the set of funding options that best meets their need.

This guide will also be useful to State and Regional EPA professionals with CSO planning, permitting, and oversight responsibilities.

GUIDE ORGANIZATION

There are three chapters that follow this introduction. Chapter II presents an overview of the major capital funding options available to permittees. Chapter III presents an overview of the funding mechanisms that are available for permittees to meet annual costs. Chapter IV presents a discussion on designing a funding solution. A list of useful references and a list of state grant and loan programs is found at the end of the guide.

Overview of Capital Funding Options

Overview of Capital Funding Options

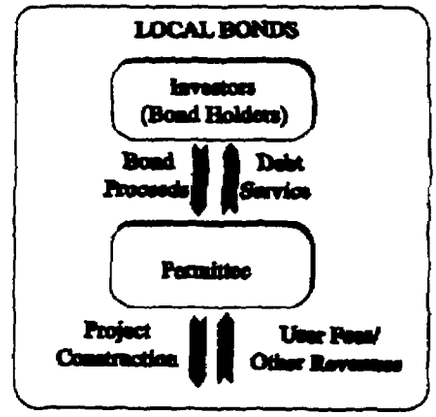
This chapter presents an overview of CSO capital funding options available to permittees. It includes examples of how states and communities are using the options.

There are a variety of capital funding options available for CSO projects. They are grouped in these primary categories:

- Bonds
- Loans
- Grants
- Privatization
- Other Capital Funding Options

Not all options may be available to every permittee. For example, due to limited past experience in obtaining debt financing, some permittees may have difficulty obtaining long-term bond financing. Also, not all states provide separate grant or loan assistance programs for permittees.

The permittee can identify its best funding option after reviewing all the funding sources, considering their benefits and limitations, and determining their applicability.



BONDS

Bonds are promissory notes issued (sold) by local governments to raise funds to pay for projects that require a large amount of capital. A bond has a fixed payment schedule, often 20 years for municipal or local utility bonds. Periodic payments, often semi-annual, of interest and principal are made to repay the bond by the end of the schedule.

Interest rates on the bond reflect the relative security of the bond repayment. Therefore, permittees with more stable socioeconomic conditions and proven management capabilities will be able to obtain a lower interest rate than permittees with weaker conditions.

Permittees may lower interest rates on bonds by using credit enhancements like:

- Purchasing bond insurance that covers debt service payments should the permittee default on a bond.
- Establishing a larger debt service reserve fund that can be drawn on in the event of a default.
- Obtaining additional backing in the form of guarantees or assurances from the state so that bond payments will be made in the event of a default.

Bonds are the primary method governments and service utilities (e.g., regional sewer authorities) use to fund capital intensive construction projects. Using bonds allows issuers to spread out payment for a capital intensive project over a project's useful life.

This section describes the bonds commonly used by permittees. Additional information on the various types of bonds can be obtained from local investment firms, state finance departments, or state municipal organizations.

Revenue Bonds

Revenue bonds, sometimes referred to as water/sewer bonds, are generally backed by user fees or service charges paid by system users. Permittees issue (sell) bonds through an investment banking company or through private placement with large financial institutions. User fees and other revenues can be used to make periodic payments to the investors.

Benefits

- Revenue bonds can be used by a large majority of permittees that need to address CSOs.
- Payments are spread out over a period of time that roughly matches the useful life of the facility. As a result, users don't pay for a facility after it is no longer operating.
- Users are more likely to accept user fees as a way of paying for services.
- User fees are more equitable because the system users pay for the service rather than the general public.
- Use of revenue bonds is not usually affected by local debt limits or voter approval requirements.

Limitations

- Interest rates on revenue bonds are generally higher than the interest rates on the general obligation debt of community/permittee.
- Issuing revenue debt requires the permittee to have legally established authority to issue debt.
- The permittee needs to have advanced financial management expertise.

CASE: Revenue Bonds - Atlanta, Georgia

Atlanta has embarked on a comprehensive effort to correct CSO problems. The first phase, completed in 1985, was a major factor in the successful cleanup of the South River. The cost for the first phase was approximately $45 million which was funded with both federal grant funds and local revenue bonds.

The City has moved forward with a second phase of the project to address the CSOs in the Chattahoochee River Basin. The total estimated cost for this phase is $110 million. The City is currently constructing an $18 million project as part of this phase that is being funded with reserves that have built up in the City's sewer enterprise fund. The remaining $92 million in construction costs will be supplied by revenue bonds. The primary reasons the City chose to use revenue bonds are:

1. *Lower cost State Revolving Fund loans were not available since State limits on the size of individual SRF loans make their use impractical.*

2. *Interest rates on bonds were at their lowest levels of the past twenty years.*

3. *The City has not had a rate increase since 1983 and rates were low when compared to nearby communities, so a rate increase to repay the bonds would not have been unreasonable.*

4. *A voter referendum could cause delays if general fund resources were used to fund CSO controls.*

GO bonds are viewed as the most secure type of local debt ...

General Obligation Bonds

General obligation (GO) bonds are bonds that can be issued by a municipal or county government to fund capital projects of the jurisdiction. GO bonds are secured by the general taxing power of the local jurisdiction. If planned revenues, primarily property taxes and in some cases, income and sales taxes, fall short of the amount needed to meet bond payments, the jurisdiction may raise taxes to generate needed revenue.

Benefits

- The taxing power that backs GO bonds means they are the most secure type of local debt and have lower interest rates than other forms of debt.
- Using GO debt to fund CSO projects may eliminate the need for separate bonding authority and advanced financial management capabilities for the permittee.
- Payments can be stretched out over a period of time that roughly matches the useful life of the facility.

Limitations

- Many communities require voter approval to issue GO bonds.
- Often there is a statutory limit on total GO debt or GO debt as a percentage of property valuation.
- General public may be paying for projects that benefit only a portion of the community.

Case: General Obligation Bonds - South Portland, Maine

Under orders to decrease combined sewer overflows the City of South Portland began construction of an $8.0 million expansion of the city's sewer treatment facility in 1993. This project includes the addition of three primary clarifiers to the treatment process and an expanded chlorination/dechlorination process. Upon completion the newly expanded plant will be able to process an additional 33.1 million gallons a day of capacity for primary treatment during wet weather overflows.

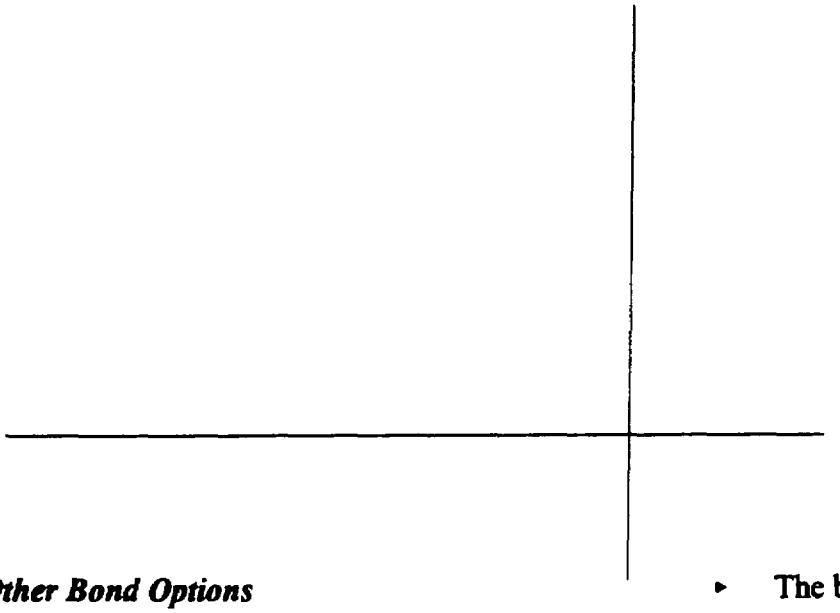
After examining the financial costs of different funding options, the City decided to issue its own GO bonds for the following reasons:

1. At the time, the City's GO bond rating was higher than that of the Maine Municipal Bond Bank, a not-for-profit organization that provides funding for municipal construction projects.

2. The City's GO bond rating also resulted in lower borrowing costs than would have been experienced if the City used revenue bonds.

3. Using GO bonds provided complete local control over the capital funding process.

4. By financing on its own, the City was able to issue Bond Anticipation Notes that allowed the City to slowly raise sewer user rates to cover additional debt service costs, thus avoiding rate shock.



Other Bond Options

There are variations on both revenue bonds and GO bonds that are available to fund CSO controls. These include "moral obligation" bonds, "double-barreled" bonds, and bonds issued through "state bond banks."

Moral Obligation Bonds

A moral obligation bond is a revenue bond with an additional nonbinding pledge from the community to cover bond payments in the event of revenue shortfalls.

Normally, revenue shortfalls are reported to the local elected officials who then appropriate the requested amount to repay the bondholder, although there is no legally binding requirement forcing them to do so.

Benefits

- The moral obligation pledge can result in lower revenue bond interest rates.
- The bond market is more receptive to revenue bonds with moral obligation pledges, so the bond is more saleable.
- Moral obligation pledges do not generally count against the issuing government's debt limitations.

Limitations

- The process required to use moral obligation pledges may require approval by elected officials.
- Because the moral obligation is not legally binding, interest rates on the bonds will be slightly higher than with GO bonds.

Double-Barreled Bonds

A double-barreled bond is a revenue bond that is backed by the "full faith and credit" of the issuing jurisdiction. Unlike the moral-obligation pledge, the full faith and credit backing is a legally binding commitment of the issuing government.

Benefits

- Double-barreled bonds have lower interest rates than other bonds.
- The bond market is more receptive to double-barreled revenue bonds, so the bond is easier to market.

Limitations

- Double-barreled bonds count toward debt limitations.
- Some governments have limitations on the use of double-barreled bonds.

State Bond Banks

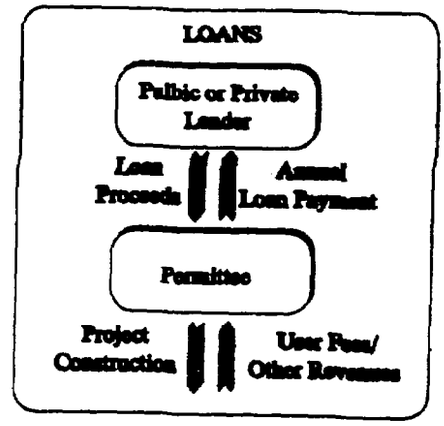
A bond bank is a state-created financial entity that issues pooled bonds for participating smaller communities. By grouping together individual bond offerings, the security of the bond issues is increased, resulting in a higher bond rating and a lower interest rate on the bonds.

Benefits

- Bond banks lower interest and issuance costs associated with funding projects with bonds.
- Pooling bonds allows smaller communities access to bond market.

Limitations

- Generally bond banks do not benefit larger communities.
- Involves underwriting and administrative fees.



LOANS

Some permittees may use loans to finance CSO projects. Permittees have different options depending on their overall financial condition and the programs offered by their state.

Loan interest rates vary by program. Each state has different options and interest rates available to local governments. Several programs are designed specifically for small or mid-size communities.

The ability of a permittee to secure a loan will depend, in part, on its "creditworthiness." Creditworthiness is a way of describing a permittee's ability to repay the funds it borrows.

Permittees can review their creditworthiness by considering such factors as:

- Current level of debt
- Source of funds to repay debt
- Past experience in obtaining and repaying loans
- Current socioeconomic conditions
- Management capabilities

Loans are available from a variety of sources including:

- State Revolving Fund programs
- Other state loan programs
- Rural Utilities Service
- CoBank
- Commercial lending institutions

Each source has different requirements, benefits and limitations.

Low interest loans can be viewed as having a "grant equivalence."

SRF Loans

All 50 states and Puerto Rico have State Revolving Fund (SRF) programs that provide funding for eligible wastewater treatment projects. SRF programs can offer low or zero interest loans, guarantees of repayment, bond insurance, and refinancing of existing debt under certain conditions. Contact the state SRF authorities to determine the availability of SRF loans for CSO projects.

Benefits

- SRF programs can offer loans with interest rates that range from zero percent to the market rate. Most states offer low (e.g., 3-5 percent) or very low (e.g., 0-3 percent) interest rate loans.
- Low interest loans can be viewed as having a "grant equivalence." For example, a zero percent interest loan is equivalent to a 50 percent grant when local loans or bonds have a 8 percent interest rate.
- SRF program staff may help permittees identify other available funding sources.

Limitations

- The amount of SRF funding for CSOs may be limited in some states due to both the size of the SRF and the commitment of funds to other projects.

CASE: SRF Loans - Cleveland, Ohio

The Northeast Ohio Regional Sewer District has undertaken a program to address the CSO problems in its service area. The District has identified steps to address CSOs: first, address lower cost improvements that can be accomplished in the short term; second, complete facility plans for subareas with CSO problems; and third, develop a conceptual master plan for the District.

The District has indicated that funding for the estimated $1 billion in CSO corrections (mostly tunnel storage) will come from two sources: the SRF program and local revenue bonds.

When the major construction projects are ready to proceed, the District is hoping to maximize the amount of SRF loans for the projects.

SRF loan rates in Ohio have been in the 3.5 to 5 percent range. Local revenue bond interest rates have been approximately 6 percent. The use of SRF results in more than a 20 percent reduction in interest payments - a major cost savings to District customers.

CASE: SRF Loans - State of Michigan

The Michigan SRF program has taken an active approach to addressing the funding of CSO controls. The state requires permittees to address CSO controls in long-term wastewater management plans.

To encourage the implementation of the CSO controls, Michigan communities can use SRF loans. One-half of the $206 million that Michigan has distributed in SRF loans has gone to CSO projects.

By making CSO funding a priority of the SRF, Michigan is helping to minimize the amount user fees will increase as a result of CSO controls.

Twenty-six states have other loan programs...

Other State Loan Programs

Twenty-six states have other loan programs that offer assistance to permittees for the construction of wastewater treatment facilities. The loan programs differ in size and requirements, but in many cases, CSO controls are eligible for funding.

Appendix A presents a list of state loan and grant programs. Permittees should contact state agencies to determine the level and availability of loans for their CSO projects.

Benefits

- Many state loan programs exist specifically to serve the water pollution control needs of communities and permittees. They are highly service-oriented and strive to meet the needs of the state's communities, particularly those which may have difficulty obtaining financing on their own.
- Interest rates are often low and the repayment terms are favorable.
- Repayment periods may be longer and loan requirements may be less stringent than in the SRF program.

Limitations

- If state resources are limited, the state loan program may not have funding sufficient to meet the CSO needs of permittees.

Rural Utilities Service Loan Program

The Rural Utilities Service (RUS), formerly the Rural Development Administration, provides loans for communities that have populations under 10,000. RUS offers loans at three different interest rates depending on the household income of the service area. The three rates are:

- Market rate
- Intermediate rate - a rate halfway between 5 percent and market rate. To receive this rate, median household income must be below the median rural household income of the state.
- Five percent - To receive this rate, median household income must be below the poverty level.

Local RUS offices will provide detailed information on loan conditions and will assist in the application process.

Benefits

- RUS offers low interest rates when compared to commercial loans or bonds.
- Repayment terms may be longer than 20 years.

Limitations

- RUS serves rural areas of less than 10,000 people.
- If the only rate that is available is the market rate, permittees may find a lower rate through an SRF or other state loan program.

CoBank Loan Program

CoBank, the National Bank of Cooperatives, was formed in 1989 through the consolidation of 11 of the nation's 13 Banks for Cooperatives. CoBank is part of the Farm Credit System and is a government-sponsored enterprise, allowing it to obtain low cost capital which it then lends out to its members.

CoBank provides long-term loans to communities with populations under 20,000. CoBank is owned by approximately 2,400 agricultural cooperatives and rural utilities that are also customers. CoBank evaluates water and wastewater loans strictly on the basis of creditworthiness.

Permittees may contact CoBank's Denver offices for further information.

Benefits

- Because it is a cooperative financial institution, CoBank can offer competitive interest rates.
- Loans normally mature in 10 years, but may be written up to 35 years in length.
- Because CoBank operates as a cooperative, the bank's earnings are distributed to its customer-owners.

Limitations

- Loan applicants can not be over 20,000 in population.
- Other programs for small communities may offer lower loan rates than those available from CoBank.

Commercial Loans

Permittees may seek loans from financial institutions to fund CSO controls. The loan terms, interest rate, and repayment period can be negotiated for each loan.

Although commercial loans are widely available, they are used by very few communities. This is because communities can obtain lower-cost financing either through the use of bonds or from state or federal loan programs that often offer subsidized interest rates.

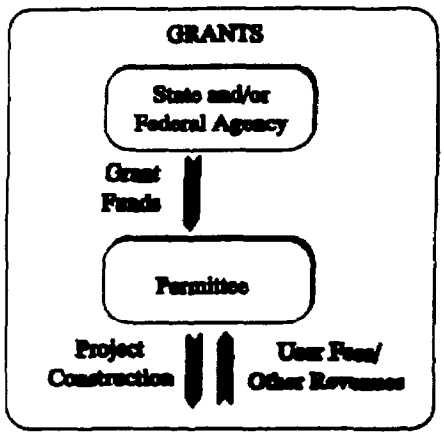
Contact local financial institutions for detailed information on loan availability and terms.

Benefits

- The application process can be faster for a commercial loan.
- Because there are no set limits on the amount of commercial loans or the terms of the loan, there is more flexibility when negotiating the loan.

Limitations

- Commercial loans generally have higher rates than other loans.
- Commercial loans may be difficult to obtain without adequate collateral.



GRANTS

Many permittees have experience with wastewater construction grants. The federal Construction Grants program provided funding for much of the water pollution control infrastructure in the country. Many permittees have also received some form of state grant for wastewater construction.

Grants will likely play only a limited role in future CSO funding. The reliance on direct federal wastewater construction grants has been replaced with a reliance on SRF loans and other local funding options. However, there are several grant programs that provide funding for wastewater projects including CSO controls.

Most grant programs provide assistance primarily for small, economically disadvantaged communities. Some states, however, have ongoing grant programs that provide funding that is not limited to such communities.

This section groups grants into two categories, federal grants and state grants.

Benefits

- Grants do not have to be repaid.
- Grants help reduce user fees.

Limitations

- Grants are not a reliable source of funds.
- Application process can be complex, lengthy and not result in a grant.
- Grant conditions add to project costs.

Federal Grants

Rural Utilities Service Grant Program

The Rural Utilities Service (RUS), formerly the Rural Development Administration, offers up to 75 percent grants to small communities for the construction of environmental infrastructure facilities. In the past the focus has been on wastewater treatment facilities. Historically, the RUS has been an important source of grant funding for small and economically disadvantaged communities.

RUS has state offices that will provide detailed information on the availability of grant funding for your CSO project.

Limitations

- Grants are only available for communities with populations under 10,000.
- A service area's median household income must be below the poverty level or below 80 percent of the state's nonmetropolitan median household income.

Economic Development Administration Grant Program

The Economic Development Administration (EDA), U.S. Department of Commerce, awards grants to economically disadvantaged communities for the construction of public works. Grants are intended to promote long-term economic development and contribute to private-sector job creation and retention in areas experiencing severe economic distress.

On average, EDA grants cover 50 percent of project costs. However, grants of up to 80 percent are available for severely distressed communities.

Information on EDA grants may be obtained from economic development representatives located in most states, or through Department of Commerce regional offices.

Limitations

- Program is limited to economically disadvantaged communities.
- Community may have to provide matching funds.

Community Development Block Grants

The U.S. Department of Housing and Urban Development administers the Community Development Block Grant/Small Cities Program. The Small Cities block grant program assists low-to-moderate income areas. States administer the program and determine the selection criteria for grant awards.

Wastewater systems are among the types of projects eligible for assistance. On average, grants cover 50 percent of project costs. Areas undergoing significant economic distress are eligible for grants of up to 80 percent.

Community development agencies within state governments will provide information on local funding available and the application process.

Limitations

- Communities must be lower-to-moderate income areas.
- Local matching funds are generally required.

Twenty-eight states have grant programs.

State Grant Programs

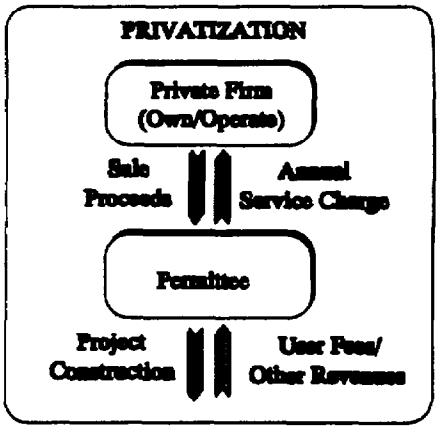
Twenty-eight states have grant programs. These programs vary significantly in funding level and restrictions. Many programs are offered only for small communities. For example, California provides state grant assistance to communities under 3,500 people. The maximum grant amount is $2.0 million.

Connecticut has the only grant program specifically targeted at CSOs. In Connecticut non-CSO projects receive a 20 percent grant and a 80 percent SRF loan, while CSO projects receive a 50 percent grant and a 50 percent SRF loan.

Appendix A summarizes non-federal wastewater treatment grant programs. Permittees should contact state agencies to determine the availability of grants for their CSO projects.

Limitations

- Many state programs are limited to small, economically disadvantaged communities.
- Many state grant programs are small and don't have the resources to fund CSO controls.



PRIVATIZATION

Private investment in wastewater treatment facilities may provide an additional CSO funding option for permittees. *Executive Order Number 12803 of April 30, 1992 - Infrastructure Privatization* established an initiative to review and modify federal policies and regulations that would allow the full or partial sale of federally funded infrastructure assets.

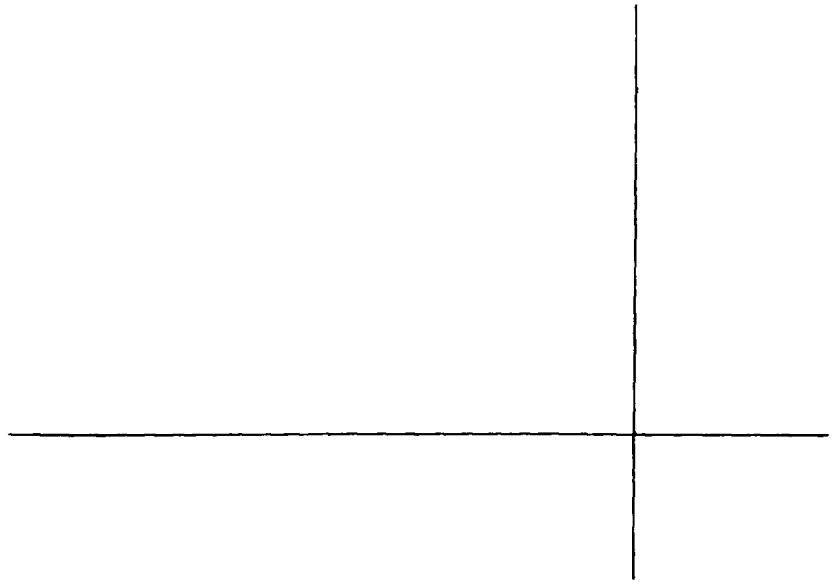
In response to the Executive Order, EPA is considering policy and regulatory changes that would encourage private investment in EPA-funded municipal wastewater treatment facilities.

The final outcome of these changes is unknown at this time. Even if the sale of federally-funded assets is allowed, it is unlikely to be a funding panacea. However, when privatization may be a viable option, it may reduce cost and improve facility performance. Other permittees that have low user charges and have facilities that are well operated and maintained may be less likely to benefit from privatization.

Information on the implementation of the Executive Order will be available through state water program offices.

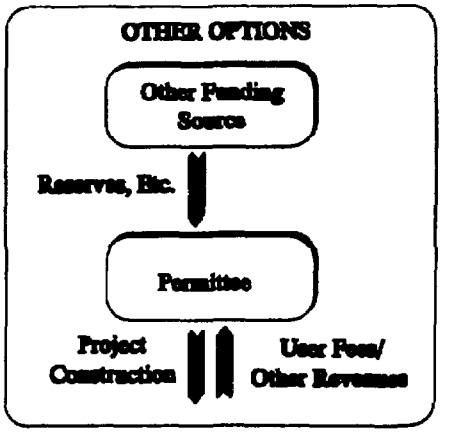
Benefits

- Selling public wastewater assets can generate capital for future CSO controls without increasing the permittee's debt burden.
- Private firms can sometimes provide specialized skills that may improve facility performance.
- Privatization can stimulate innovation.
- Private firms may be better at controlling costs. For example, a private firm may have greater flexibility to add preventative maintenance staff and as a result avoid potential large repairs/replacements.



Limitations

- Privatization reduces the permittee's direct operational control over the facility.
- Privatization will not always save money. An efficient publicly owned facility may operate at a lower cost.
- Privatizing facilities is a nonrecurring event that cannot be used to meet annual cash funding needs.
- May require repayment of amortized portion of Federal grant funds.



OTHER CAPITAL FUNDING OPTIONS

Other capital funding options include special reserves, use of special assessments, and "pay-as-you-go."

Special Reserves

Many permittees establish reserve funds for capital equipment repair/replacement. Generally, a portion of user fee revenues and interest earnings on idle funds are placed in a separate account for this purpose.

Some communities use these reserves to fund CSO controls. For example, Atlanta, GA built reserves over time and recently used them to fund a portion of its CSO controls.

Benefits

- Funds are immediately available for use.
- Using reserves avoids the cost of issuing bonds or paying interest on bonds or loans.

Limitations

- Reserves should not be used for rehabilitation or replacement of capital facilities if they were established for repair/replacement of existing equipment.
- The funding level provided by special reserves is limited in comparison to other capital funding sources.

Special Assessments

Special assessments are used to provide and fund projects for a specific geographic area. Special assessment districts provide the legal arrangement to charge those receiving the service for capital and/or operating costs of the project. CSO projects may be funded with special assessments.

For example, in Michigan, neighborhoods with significant basement flooding problems have approved the use of special assessments to fund corrections to their wastewater collection system that include correction of CSO problems.

Benefits

- Costs are borne by the beneficiaries.
- Special assessment districts can use bonds, SRF loans, or other capital funding options.

Limitations

- State law on the use of special assessment districts varies.
- State-wide limits on revenues collected from all methods can hinder the use of special assessment districts.

Pay-As-You-Go

Smaller communities often, as a policy, prefer not to be in debt. They avoid the use of bonds, loans, or other capital funding approaches. These communities use a pay-as-you-go approach when project size allows funding with annual tax and other revenues.

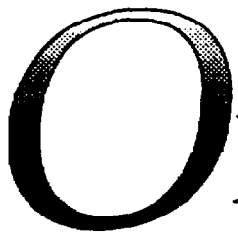
Benefits

- Avoids long-term debt.
- Eliminates interest cost and cost of debt issuance.

Limitations

- Meeting state water quality standards may require projects that involve large initial capital investment.

Overview of Annual Funding Options



Overview of Annual Funding Options

Permittees should consider various options to fund annual CSO-related cost that include:

- operation and maintenance costs for CSO controls
- annual loan payments for SRF or other loans used to fund CSO controls
- debt service on local bonds used to fund CSO controls
- reserves for future CSO equipment replacement

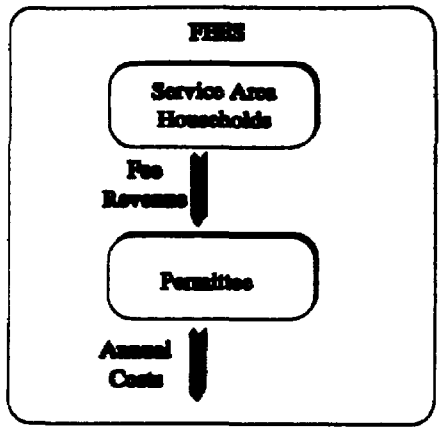
There are various funding options that could generate revenues to cover these costs.

This guide presents three categories of options for funding annual CSO costs:

- Fees
- Taxes
- Miscellaneous

Not all funding options may be available to every permittee. For example, some states allow local sales taxes while others do not.

Some of the options described in this section may be familiar to local utility managers. Other options may not be familiar. The permittee can identify the best option after reviewing all the funding sources, considering their benefits and limitations, and determining if they are appropriate.



FEES

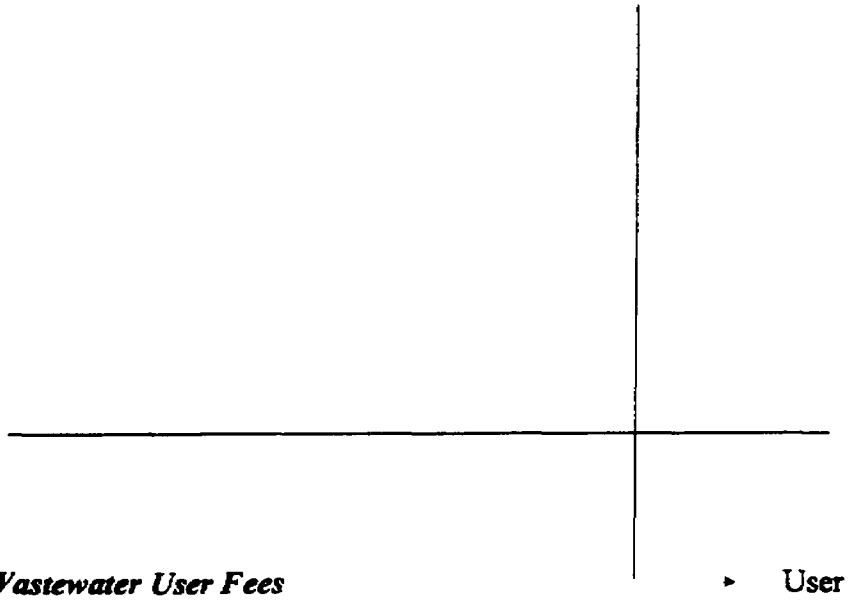
Fees are the most widely used source of annual funding. User fee systems that equitably charge residential, commercial, and industrial users have been a requirement of the federal construction grant program and the SRF program. In addition, wastewater utilities structured as enterprise funds require dedicated revenue sources, in most cases user fees, to pay for both capital and operating costs.

User fees are widely accepted as an equitable source of revenues for water pollution controls. Fees are directly linked to the service rendered. Fees match the costs of water pollution controls to those who benefit from the controls.

Permittees may need to consider several issues when modifying user fees to address CSO-related costs.

First, many communities are establishing separate fees, and in some cases, separate utilities, to fund storm water management requirements. Because storm water management is closely related to combined sewer overflow occurrences, permittees may find it necessary and beneficial to coordinate fees associated with CSO controls with storm water control fees. Storm water fees can be designed to encourage controls that will reduce combined sewer overflows.

Second, because CSO controls benefit the whole service area, permittees should recognize that, in most cases, *it will be necessary to use a fee* structure that distributes the CSO control costs among all system customers. Recovering costs through increases to system-wide user fees will distribute the cost increases more broadly.



Wastewater User Fees

Wastewater user fees for residential, commercial, and industrial users are most often based on volume of water consumption and strength of pollutants in the discharged wastewater.

In most cases, the annual costs associated with CSO controls can be funded by user fees.

Benefits

- For many communities, the increases in user fees required to fund CSO controls may not be burdensome because CSO costs may be shared by all users within the permittee's service area.
- User fees are a stable source of revenue and reassure lenders that revenues will be available to repay loans or bonds.
- User fee systems are relatively easy to implement regardless of size of service area.
- User fees ensure that system users (beneficiaries) pay for costs.

Limitations

- When permittees' user fee systems do not equitably allocate costs or do not fully recover annual system costs, users frequently resist rate increases.
- If rates were artificially low, there is a greater chance that raising rates to actual costs will meet opposition from users.

Connection Fees

Some permittees charge connection fees to customers that wish to receive service. Connection fees can be either one-time charges for new service connections or annual service charges or assessments for being connected to the system.

Most often connection fees are one-time charges for new residential, commercial, and industrial users.

Benefits

- Covering a portion of the CSO control costs with connection fees will help to reduce the rate impact of other user fees.

Limitations

- Permittee service area must be growing to provide revenues through one-time connection fees.
- Annual connection fee assessments are uncommon in wastewater treatment systems and their implementation may be difficult.

Many communities have established specialized fees...

Other Specialized Fees

Many communities have devised specialized fees to generate revenues for a variety of environmental program requirements. For example, communities in California and Florida charge privately operated facilities a fee that covers the cost of drinking water monitoring. In Spokane, Washington, a $30 fee is charged to register septic tanks.

Specialized fees may be established to help cover CSO control costs. Options include:

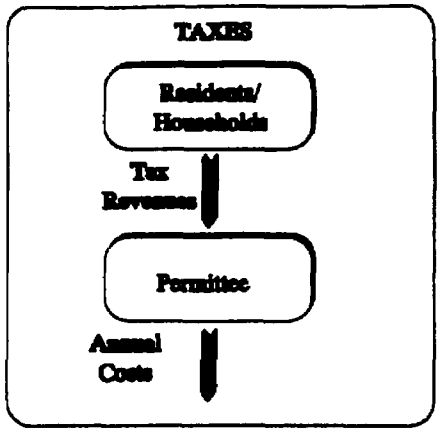
- Facility permit fees
- Application processing fees
- Inspection/certification fees
- Septic tank fees
- Impact fees
- Drainage area fees

Benefits

- Fees may be targeted to specific users or system beneficiaries.
- Specialized fee systems are relatively easy to develop and implement.

Limitations

- Specialized fees often have a limited revenue base and a disproportionate impact on a specific group of users.
- Revenues from specialized fees may be inconsistent from year to year.
- Lenders usually do not consider specialized fees to be reliable revenue sources.



TAXES

Taxes may be used as a limited funding source for annual wastewater system costs. Options include income taxes, sales taxes, and property taxes.

All federal wastewater construction grants and some of the SRF projects have user charge system restrictions that often limit the use of taxes to fund annual costs for wastewater systems.

The primary restriction is that a user fee system must be in place that ensures that each user or user group pays its proportionate share of operating costs, based on the quantity and quality of wastes discharged. As a result, taxes may not be used to pay operating costs for these projects.

However, user charge regulations do not require that capital outlays or debt service be covered in the user charge system. As a result taxes can be used to repay bonds or loans for CSO projects that are subject to CWA Title II requirements.

Projects funded with other sources such as local bonds, state loans, etc. do not have these restrictions.

Income Taxes

Individual or corporate income taxes have historically had less applicability to environmental program funding than other taxes such as property taxes, and targeted sales taxes.

Income taxes are used to fund environmental programs, but their use is largely at the state level. For example, Ohio earmarks a portion of corporate income taxes to pay for roadside litter control and recycling programs.

While income taxes may provide revenues for some environmental programs, it is unlikely that they will provide funds for water pollution control projects, including CSO controls.

Benefits

- Income taxes provide a stable source of revenues.
- Using income taxes to pay for annual system costs may lessen the user fee burden on lower-income households.

Limitations

- State government generally controls the level of taxes that local governments may levy.
- Most often, it is politically difficult to raise taxes and/or to earmark taxes for water pollution controls.
- With taxes, there is no direct link between service provided and revenue source.

Communities may dedicate a portion of local option sales tax revenue to water pollution control.

Sales Taxes

Many local jurisdictions raise funds through sales taxes. Communities may dedicate a portion of local option sales tax revenues to water pollution control, or may impose a local option sales tax on a specific product or service. A limited sample include:

Fertilizer Tax - Kansas charges a tax on the sale of fertilizer to fund water quality projects.

Tire Tax - Arkansas charges a tax per tire to help fund solid waste disposal.

Motor Fuel Tax - Some states use motor fuel taxes to fund highway construction and maintenance.

Watercraft Sales Tax - Some states tax the sales of boats to fund water quality projects and marine fuel spill cleanups.

Benefits

- Sales taxes can be targeted to products that contribute to water pollution.
- Revenue base can be broad, so a small tax can collect a significant amount of revenue.
- Purchasers of products who do not reside in the service area help pay for impacts of the products they purchase.

Limitations

- Due to strain on local governments, the competition for revenues from sales taxes is strong.
- Many communities already use the maximum allowable sales tax rate.

CASE: Columbus, Georgia

Columbus, Georgia is a community of approximately 190,000. The City's funding approach demonstrates how local option sales taxes can be used to fund CSO controls.

The Columbus Water Works is an executive department in the City government. The department is responsible for both water and wastewater services in the area. The department is managed by a separate board that sets user fee levels and selects funding approaches.

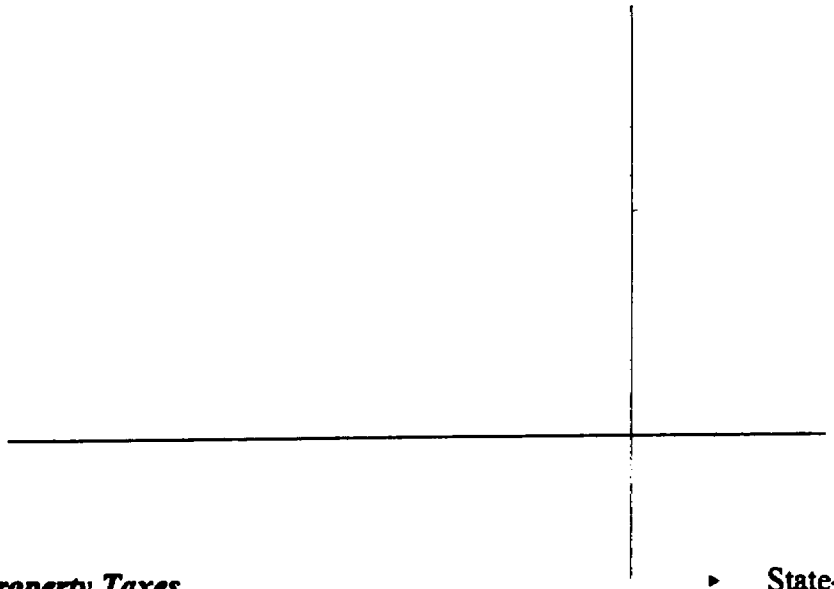
After reviewing the funding options the local water board decided that revenue bonds repaid with local sales tax revenues would be an appropriate method to finance $65 million in CSO controls (80 percent of total CSO control costs).

As in other states, local option sales taxes must be approved by the voters through a local referendum.

To bolster the appeal of the one percent sales tax required for eight years, local leaders combined the CSO controls with other popular local initiatives addressing public safety facilities, recreation programs, and neighborhood sidewalks. CSO controls accounted for about one-half of the revenue bond issued by the City.

As an additional incentive to voters, the water board passed a rate increase that would take affect if the voters rejected the local sales tax proposal.

The voters of Columbus passed the local sales tax proposal by an overwhelming margin. Over ninety percent of voters approved of the CSO funding approach.



Property Taxes

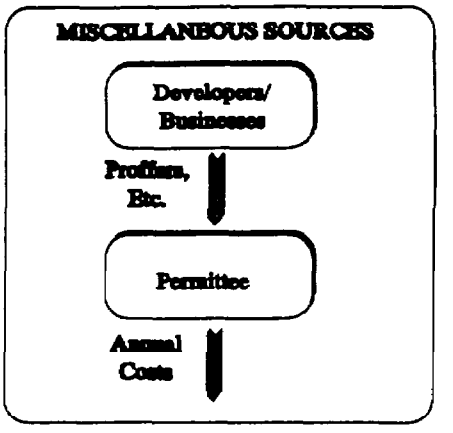
Local governments use ad valorem property taxes as the primary source of funding for general government operations. Ad valorem property taxes are based on the value of property. As a result, residents with larger and/or more expensive homes pay more in property taxes than residents with less expensive homes.

Benefits

- Local governments have control over the use and level of property taxes.
- A portion of the property tax revenues may be dedicated to wastewater treatment control in general or CSO controls specifically.

Limitations

- Many communities have encountered substantial resistance to increased property taxes.
- State-wide limitations on increases of property taxes or property tax levels restrict the use of property taxes for additional services.
- Using property taxes to fund wastewater system cost doesn't provide the direct link between services and costs as does a user charge system based on water usage and type of discharge.



MISCELLANEOUS ANNUAL FUNDING SOURCES

Permittees may wish to consider other funding sources that can help offset increasing annual costs. These options are proffers, capacity credits, and fines and penalties.

Proffers are generally defined as contributions of land, services, or facilities from private sector development companies. Proffers, also called exactions, are negotiated on a case-by-case basis. Typical examples of proffers are the donation of land for parks or green areas, paying for road improvements, or cash donations to the government.

Capacity credits are rights to connect to a water/sewer system in the future. Fees charged to developers to access services may be used to fund construction on additional treatment capacity or controls.

Benefits

- Proffers and capacity credits place cost increases on the new users that benefit from these services.
- Revenues may be targeted to specific improvements.
- May provide substantial one-time funding in advance of facility construction.

Limitations

- Proffers and capacity credits work best in growth communities.
- Revenues are difficult to predict.

Chapter IV

Designing Your Funding Solution

Designing Your Funding Solution

When developing long-term plans for CSO controls, a permittee will find it necessary to identify a specific capital and annual cost funding approach. Most permittees have some experience with the primary funding approaches. Many permittees have issued local revenue bonds, used SRF loans, and have explored alternative annual funding options in addition to user fees.

Other permittees have not constructed facilities since the federal construction grant program was replaced with the SRF program. As a result, some permittees will be assessing some of the capital funding approaches discussed in this report for the first time.

As demands on local resources grow, it will be increasingly important to seek out and evaluate available CSO funding sources. It is clear that different funding solutions are available. The best opportunity to minimize costs comes from reviewing all viable options and selecting the best mix of available alternatives.

Permittees may start this process by following these basic steps.

Step 1 - Assess the availability of state or federal grants for the community. Contact state and federal offices referenced in this guide to review grant options.

Step 2 - Evaluate local debt options including low interest SRF loans, revenue bonds, and G.O. bonds to determine what options are available that provide sufficient funding levels, lowest interest costs and acceptable repayment terms.

Step 3 - Determine the effect of using user fees to fund annual costs in terms of the cost per household as a percent of median household income. (See EPA's *Combined Sewer Overflows-Guidance for Financial Capability Assessment and Schedule Development*).

Step 4 - Should the user fee result in a high level of financial burden on households, consider contacting NPDES and Water Quality Standards' (WQS) authorities to explore the possibility of extending the implementation schedule and modifying WQS. (See EPA's *Combined Sewer Overflows-Guidance for Financial Capability Assessment and Schedule Development*).

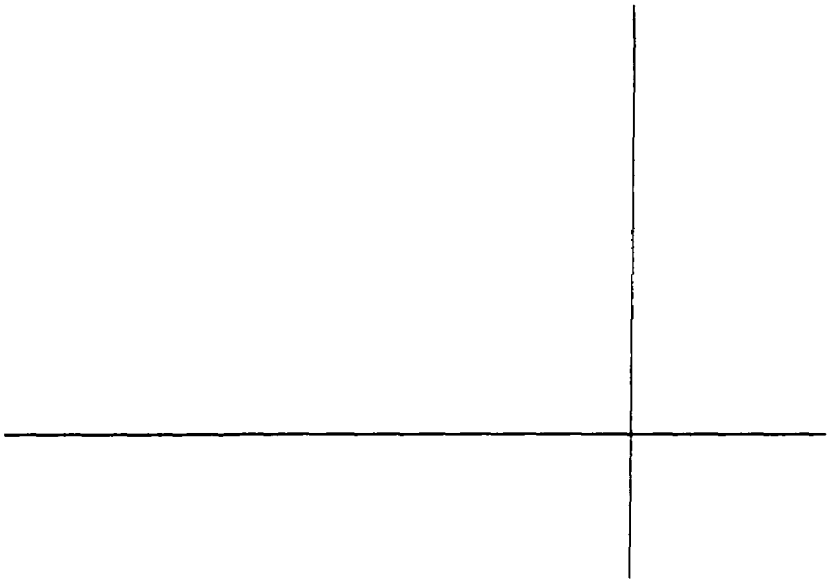
Step 5 - Develop and carry out a public information program. The program should describe clearly why facility improvements are needed, the expected cost impact, and the environmental protection anticipated from making the improvements. · Public information techniques to consider include:

- Regular briefings of key officials or groups
- Public meetings
- Feature stories in newspapers
- Mailing of planning documentation to civic leaders
- Newsletters
- Paid advertisements
- Public service announcements
- Hotline telephone information number

Involving the public during the planning process will help to ensure that an acceptable, equitable funding solution is adopted.

Public participation can take many forms including:

- Advisory groups/task forces comprised of interested parties
- Focus groups to discuss funding options and impacts
- Interviews with key officials and interested citizens
- Open planning meetings or workshops to involve all interested parties



- Public hearings to provide formal input into the decision making process

- Surveys or polls to determine public preferences

A public information program need not be expensive and overly time consuming. To be efficient, consider what you wish to accomplish in the program. What segments of the public are most important to reach? Are there existing committees or groups that will help you implement the information program? What has been the experience of others within the community that have carried out public information programs?

Spending time with residents during the planning process will help to ensure the adoption of an acceptable funding solution that reflects the concerns and desires of households.

CASE: Western Port, Maryland

Western Port, Maryland is a community of approximately 2,750 (500 households). The town decided to address its CSO problem when it was discovered that the collection system needed significant repair.

The cost of the improvements was $1.5 million. This small community was able to afford this project because it developed a funding solution that drew from all available low cost sources.

The community was fortunate that, because of its proximity and involvement with a local paper company, it was eligible for grant funding from the federal Bureau of Mines and the Soil Conservation Service. These grants covered one-third of the project cost.

The community was also able to secure a low interest (3.5 percent) SRF loan from the Maryland Department of Environment. The SRF loan covered another third of the project.

A grant from the federal Community Development Block Grant program covered one-fifth of the project cost, and a county grant covered 3 percent of the project.

The net result of the funding solution was a user fee level at 1.2 percent of median household income.

Western Port faced the same challenge that other permittees will face when designing their CSO funding solutions. Other permittees may not have the same funding alternatives available, but by exploring all the options the lowest cost options can be identified.

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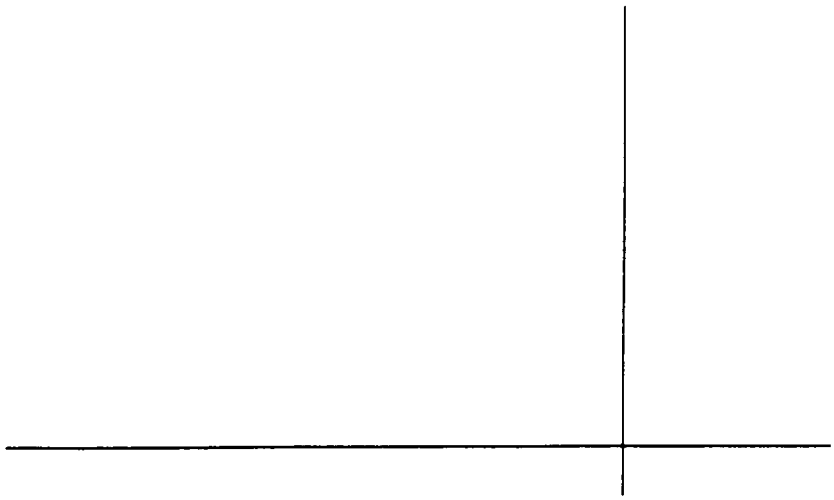

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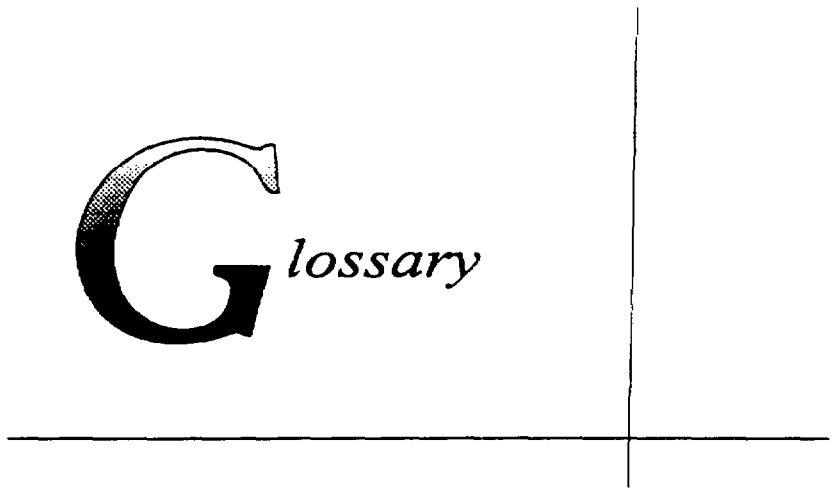


Bonds Written evidence of the issuer's obligation to repay a specified principal amount with interest at a stated rate.

CoBank The National Bank of Cooperatives is a government sponsored enterprise that provides low cost capital to communities under 20,000.

Combined Sewer System Wastewater collection system designed to carry sanitary sewage, consisting of domestic, commercial, and industrial wastewater and surface drainage from rainfall or snowmelt in a single pipe.

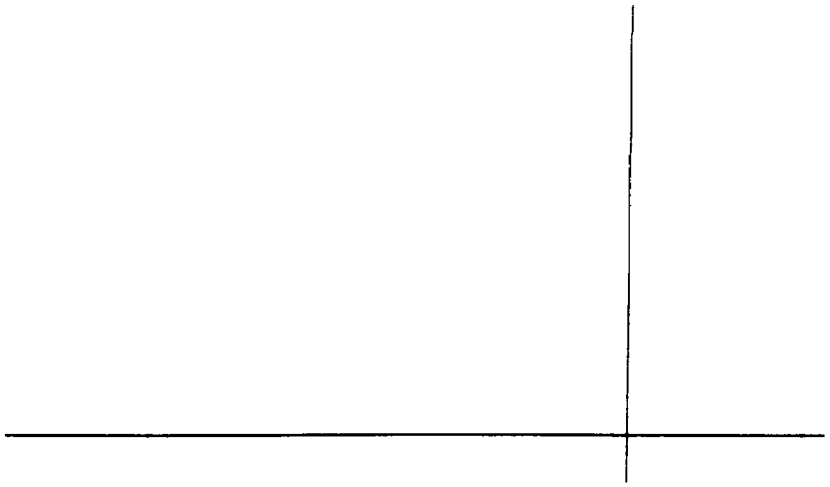
Combined Sewer Overflows During periods of heavy rains or snowmelt, total wastewater flows exceed the capacity of the treatment facility and the combined sewer system flows directly into surface water bodies.

Connection Fee Either a fee charged one time only for new service or an annual service charge for being connected to the system.

Construction Grants Program A federal program that provided funding to communities for wastewater infrastructure projects without repayment required. Grants will play only a limited role in future funding.

Double-Barreled Bond A bond secured by a defined source of revenue plus the full faith and credit of the issuer.

Executive Order Number 12803 An initiative signed in April, 1992 to review and modify federal policies and regulations that would allow the full or partial sale of federally funded infrastructure assets.



General Obligation Bond A bond secured by a pledge of a community's taxing power.

Moral Obligation Bond A bond secured by a defined source of revenue with an additional non-binding pledge from the community to cover bond payments in the event of a default.

Revenue Bond A bond payable from a specific source of revenue that does not pledge the full faith and credit of the issuer.

Rural Utility Service Provides loans and grants for communities that have populations under 10,000.

Special Assessments Provide funding for projects in a specific geographic area.

Special Reserve Fund A fund established with a portion of user fee revenues and interest earnings on idle funds to finance future wastewater infrastructure investments.

State Revolving Fund Program A federal program created by the Clean Water Act Amendments in 1987 that offers low interest loans for wastewater treatment projects.

Wastewater Fees Fees for residential, commercial, and industrial users based upon volume of water consumption and strength of pollutants discharged in the water.

Appendix A

State Grant and Loan Programs for Funding Wastewater Treatment Projects in Addition to the State Revolving Fund (SRF) Program

State	State WWT Grant Program	State WWT Loan Program
Puerto Rico	No.	No.
Rhode Island	Yes. (1) RI Aqua Fund. (2) Interceptor Bond Fund. (3) Sewer and Water Supply Failure Fund.	Yes. (1) RI Aqua Fund. (2) Interceptor Bond Fund. (3) Sewer and Water Supply Failure Fund.
South Carolina	No.	No.
South Dakota	Yes. In addition to the SRF program, the Consolidated Water Facilities Construction Fund provides both loans and grants.	Yes. The Consolidated Water Facilities Construction Fund provides both loans and grants.
Tennessee	Yes. Approximately $4.3 million is annually appropriated by legislature. The 20% State match is provided from this.	Yes. TLDA has a health loan program for sewer, water and solid waste projects. Interest rates range from 4.5% (interim) to 6-7% for final financing over 30 years.
Texas	No.	Yes. Texas has a Water Quality Enhancement Loan Program. Loans are funded by sale of State bonds. Program can also fund municipal solid waste disposal projects. Repayments are used to retire debt on State bonds. The state also has a Colonias fund that is capitalized with $250 million in State bonds. Assistance may be 75% grant and 25% loan.
Utah	No.	Yes. Water Pollution Control and Drinking Water Projects
Vermont	Yes. Vermont construction grant program - Title 10 V.S.A., Chapter 55, Section 1625	Yes. Vermont Pollution Control Revolving Fund - 24 V.S.A., Chapter 120, Section 4753
Virginia	Yes. VA SRF works with other financial assistance programs such as Dept. of Housing and Community Devlpmnt. block grants, FmHA grants and loans, VA Water Projects, Inc. grants and loans, SWCB Special Purpose State Grant Prog. and VA Chesapeake Bay Initiative Progs.	Yes. The VA General Assembly authorized VA to issue bonds and lend the proceeds to local govts. VA bonds are sold to private investors on the national market, attracting out of State funds to VA.
Washington	Yes. The Centennial Clean Water Fund provides grants for WWT and other Water Quality needs. The program is administered by the same department as SRF.	Yes. The Centennial Clean Water Program is anticipated to provide loans as well as grants in the future.
West Virginia	No.	Yes. WDA is charged with the responsibility of making loans to municipalities to finance the cost of the design, acquisition or construction of water and WW projects. All or a portion of project costs can be provided by WDA through the use of bond proceeds.
Wisconsin	No. Previous WI fund program is being phased out	Yes. The State pledges State G.O. bonds as security for a revenue bond issuance to fund a non-SRF Wastewater Treatment Loan Program which operates parallel with the Federal SRF program.
Wyoming	Yes. With mineral severance tax receipts the State provides grant funds to municipalities to augment other sources of funding for wastewater projects.	Yes. WFLB extends loans to municipalities for infrastructure improvements including wastewater treatment.

State Grant and Loan Programs for Funding Wastewater Treatment Projects in Addition to the State Revolving Fund (SRF) Program

State	State WWT Grant Program	State WWT Loan Program
Massachusetts	Yes. State grant program for I/I correction. CSO control projects and other categories of abatement facilities projects not typically funded by federal grant.	Yes. (a) Commonwealth SRF Program separate from federal SRF. Projects not subject to federal regulations. (b) Ineligible cost SRF Program - in conjunction with loans made under one of the other SRF's.
Michigan	No.	No.
Minnesota	Yes. State Independent Grants Program has 3 set-asides: capital cost component grants, individual on-site wastewater treatment system grants, and corrective action grants.	No.
Mississippi	No.	No.
Missouri	Yes.	No.
Montana	Yes. DNRC operates a small grant program for all types of municipal water development projects. Intermittent funding comes from appropriations derived from the mineral severance tax.	Yes. DNRC offers a loan program for all types of municipal water development projects. Funding comes from the mineral severance tax.
Nebraska	Yes. Communities with populations of 800 or less with MHI of 90% or less of rural MHI qualify for 50% matching grant. (State annual obligation may not exceed $300,000.)	No.
Nevada	No.	No.
New Hampshire	Yes. 95% grants for specific projects	No.
New Jersey	Yes. SIIA-CSO projects (planning and design). Pinelands (grants and loans).	Yes. Same type program as the SRF with the exception of some Title II requirements and crosscutters (includes CSO and stormwater).
New Mexico	Yes. Based on state appropriation for individual projects. Management done by Rural Infrastructure / Special Appropriations Section housed in same quarters.	No.
New York	No.	No.
North Carolina	Yes. High unit cost grant program -- Eligibility based on average residential water and sewer bill exceeding 1.5% of the median household income of county. Funded by State appropriations.	Yes. $3.0 million per year of State appropriations. Interest rate not to exceed the lesser of 4% or one-half the prevailing national market rate.
North Dakota	No.	No.
Ohio	Yes. OWDA may make grants to governmental agencies for construction of wastewater or water treatment facilities.	Yes. OWDA may make loans to governmental agencies for construction of wastewater or water treatment facilities.
Oklahoma	Yes. OWRB administers the State grants program which is an emergency grant program.	Yes. The loan program is administered by the OWRB.
Oregon	No.	No.
Pennsylvania	Yes. PENNVEST has authority to award grants when the community's financial condition indicates loan repayment is unlikely and community would be unable to proceed with project. PENNVEST considers the effect of its project financing on rates of customers.	Yes. Subject to any agreements with bond holders, PENNVEST sets loan terms after considering current market interest rates, financial and economic distress of the project service area, and the necessity to maintain PENNVEST in a financially sound manner.

State Grant and Loan Programs for Funding Wastewater Treatment Projects in Addition to the State Revolving Fund (SRF) Program

State	State WWT Grant Program	State WWT Loan Program
Alabama	No.	No.
Alaska	No.	No.
Arizona	No.	No.
Arkansas	No.	No.
California	Yes. The voters approved $25 million in November 1988 for state grant assistance for communities with less than 3,500 people. The maximum grant amount is $2.0 million per project.	Yes. Loan program provides 12.5 percent state loans to communities receiving less than 75 percent federal grants, a Water Quality Control fund loan program for financially destitute small communities and a low interest water reclamation loan program.
Colorado	Yes.	Yes.
Connecticut	Yes. 20% Grants for Projects; 50% Grants for CSO Projects	Yes. Additional State Funds in separate account (Long Island Sound Program and State Loan Program)
Delaware	No.	No.
Florida	No.	Yes. Double barrel bonds carrying Florida's credit rating. No interest rate subsidy. Lower cost to issue. Available for all kinds of pollution control facilities.
Georgia	Yes. State grant program for WWT and water supply in conjunction with GEFA loans. (See Other State Loan Program below.)	Yes.
Hawaii	Yes. State grants 25 percent of eligible project cost for every SRF project.	Yes. State has appropriated $50 million for SRF program.
Idaho	Yes. Step 1 Grants	Yes. Water Pollution Control Account
Illinois	Yes. Non-Federally Funded Construction grant WWT program is called "Build Illinois," funded through State appropriations. Illinois General assembly authorized $70 million in July, 1988 to fund "Build Illinois."	No.
Indiana	No. Pending; 1994	No. Pending; 1994
Iowa	No.	No.
Kansas	No.	No.
Kentucky	No.	Yes. Under the Kentucky Infrastructure Authority, the State legislature has provided funding for other revolving loan and grant programs to be used for various infrastructure needs.
Louisiana	No.	No.
Maine	Yes. State grant program is used in conjunction with title II and VI projects and can fund from 0% to 80% of eligible costs.	Yes.
Maryland	Yes. Maryland has a very small grant and loan program funded by proceeds from general obligation bonds and PAGO funds for distressed communities.	Yes. Maryland has a very small grant and loan program funded by proceeds from general obligation bonds and PAGO funds for distressed communities.