



# Using WIFIA and SRF Programs to Finance Water Infrastructure Projects

The **Water Infrastructure Finance and Innovation Act (WIFIA)** program and the **Clean Water and Drinking Water State Revolving Fund programs (CWSRF and DWSRF, respectively, or SRF programs collectively)** provide financing solutions to help communities address their water infrastructure needs.

Sustainable drinking water, wastewater, and stormwater infrastructure is crucial to protecting public health and water quality. Well-designed and maintained water infrastructure protects waterways and ensures safe drinking water for communities and municipalities. Communities across the country face the challenge of aging and inadequate water infrastructure, which can create costly long-term problems if not replaced or repaired. Water infrastructure projects often come with high costs, and affordability concerns can lead to delaying these critical projects.

Communities can use these EPA programs together to co-finance up to 100% of an eligible project. Co-funding with the WIFIA and SRF programs offers funding recipients efficiencies, cost savings, and other advantages.

## State Revolving Fund Programs



The CWSRF and DWSRF programs provide low-cost financing for a wide range of drinking water, wastewater, and stormwater infrastructure projects. EPA provides capitalization grants to all 50 states and Puerto Rico, and states typically contribute an additional 20% to match the federal grants. States administer both programs, with EPA oversight, to provide below-market interest rate loans and other assistance to eligible entities. Each state has the flexibility to tailor the programs to their unique water infrastructure needs and priorities. States may provide several types of assistance, including loans; grants; refinancing, purchasing, or guaranteeing local debt; and purchasing bond insurance. The SRF programs also can provide additional subsidization, which may be in the form of forgiven loan principal or grants, to further reduce the cost of borrowing for some communities. Eligible assistance recipients under the CWSRF include municipalities, intermunicipal, interstate, or state agencies, as well as nonprofit, private, and for-profit entities, watershed and community groups. And, in some states, individuals may be eligible for CWSRF funding, as well. Eligible assistance recipients under the DWSRF are publicly or privately owned community water systems and nonprofit non-community water systems.

## WIFIA Program



The WIFIA program offers borrowers financial flexibility to complete water infrastructure projects of varying sizes by providing long-term, low-cost loans. WIFIA loans are direct federal loans provided by EPA. The WIFIA program can provide loans to a variety of public and private entities, including local, state, and Tribal government entities; partnerships and joint ventures; corporations; trusts; and CWSRF and DWSRF programs. WIFIA loans can fund projects whose costs exceed \$5 million for small communities serving 25,000 or fewer people and \$20

million for larger communities serving more than 25,000 people. Under the WIFIA program, there are opportunities to bundle multiple projects into a single loan. By combining multiple projects into a single WIFIA loan, borrowers can utilize WIFIA financing for smaller projects that, individually, would not meet the minimum project costs listed above. The WIFIA program can fund a maximum of 49 percent of eligible project costs for large communities and 80 percent of eligible project costs for small communities.

## **Combining WIFIA and SRF Funding to Achieve Water Infrastructure Goals**

Co-funding a project with the WIFIA and SRF programs allows communities to strategically take advantage of each programs' unique elements.

### **Maximize Funding**

By coordinating WIFIA and SRF funding, communities maximize benefits from both sources. When funding the maximum allowable percent of a project's cost with the WIFIA program (49%, in most instances), using a below-market interest rate SRF assistance agreement to finance the remaining costs can lead to substantial savings compared to financing with municipal bonds. The WIFIA program essentially offers borrowers an unlimited amount of funding that can be sculpted and backloaded around other sources of debt. Paired with low-interest loans and/or grant-like dollars from the SRF programs, communities can save significant money. Additionally, states have the ability to provide federal or non-federal SRF dollars to each project. When projects are co-funded, the WIFIA and SRF programs collaborate to ensure that funding provided to the project does not exceed the WIFIA program's 80% federal funds cap.

### **Accelerate Project Implementation**

The WIFIA program can help finance large CWSRF-eligible or DWSRF-eligible projects, allowing communities to finance much more of a project than could be funded solely by a SRF program. Some SRF programs have funding "caps" so they can provide assistance to as many communities as possible. For communities with projects that require more money than the SRF can provide, supplementing the project with WIFIA funds is an excellent option. Combining SRF and WIFIA funding allows the community to secure project financing more quickly than piecing together several loans year after year to complete the project. For example, the Springfield Water and Sewer Commission in Massachusetts utilized a \$250 million WIFIA loan to fund 30 drinking water and wastewater projects. Some of the projects included in this WIFIA loan were co-funded with SRF assistance. This financing structure allowed the Springfield Water and Sewer Commission to accelerate water infrastructure improvements by 15 years.

### **Utilize Flexibilities**

The SRF and WIFIA programs offer repayment deferral periods after project completion – 12 months for CWSRF, 18 months for DWSRF, and 5 years for the WIFIA program. Under the WIFIA program, borrowers also have the option to make several years of interest-only payments. The option to defer repayments allows borrowers time to organize their repayment stream and moderately increase water rates, as needed.

Borrowers can also take advantage of the WIFIA program's longer loan terms and "wrap" the WIFIA loan around other debt, including low-interest rate SRF loans, which are typically 20- to 30-year loans (or, in some instances, up to 40 years for DWSRF disadvantaged communities). A project co-funded with a 20-year SRF loan and a 35-year WIFIA loan could make interest-only repayments on the WIFIA loan until year 21, after the SRF loan has been fully repaid. For example, the City of Sunnyvale, California, received a \$220 million WIFIA loan and created a customized repayment schedule that wraps around a \$168 million SRF loan. Principal payments on the WIFIA loan do not begin until 30 years after project completion, when the SRF loan is repaid.

## Streamline Compliance

The WIFIA and SRF programs work together to streamline and eliminate duplication of efforts in complying with funding requirements, such as the American Iron and Steel requirements; the Build America, Buy America Act; environmental review; and Davis-Bacon Related Acts prevailing wage requirements. For example, with the City of Morro Bay, California, the WIFIA program led the required environmental consultations. The California SRF program was able to use the WIFIA program's environmental review documentation, reports, and consultations and was a concurring party on the Memorandum of Agreement executed under the National Historic Preservation Act. These cooperative efforts increase efficiency, reduce burden, and maximize benefits to communities.

## How to Apply

The application process for SRF-funded projects differs from the WIFIA program application process. For both the DWSRF and the CWSRF, application requirements vary by state. Information on how to contact DWSRF state agencies can be found at <https://www.epa.gov/dwsrf/state-dwsrf-website-and-contacts>, and CWSRF state agencies information can be found at <https://www.epa.gov/cwsrf/state-cwsrf-program-contacts>.

For WIFIA-funded projects, prospective borrowers must first submit a letter of interest (LOI) to EPA documenting the feasibility of the project, project financing plans, and the creditworthiness of the potential borrower. LOIs can be submitted at any time. More information on the WIFIA program loan process can be found at <https://www.epa.gov/wifia/getting-started-wifia-program>.

For jointly funded SRF and WIFIA projects, a community must apply separately for the SRF and WIFIA funding portions.

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## Additional Resources

### CWSRF

Program Site

<https://www.epa.gov/cwsrf>

Eligibility Handbook

<https://www.epa.gov/cwsrf/overview-clean-water-state-revolving-fund-eligibilities>

### DWSRF

Program Site

<https://www.epa.gov/dwsrf>

DWSRF Eligibility Handbook

<https://www.epa.gov/dwsrf/dwsrf-eligibility-handbook>

### WIFIA

Program Site

<https://www.epa.gov/wifia>

WIFIA Program Handbook

<https://www.epa.gov/wifia/wifia-program-handbook>

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