

STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
SEPTEMBER 4, 2007

ITEM 6

SUBJECT

ADOPTION OF THE STATE FISCAL YEAR (SFY) 2007/08 STATE REVOLVING FUND (SRF) LOAN PROGRAM PRIORITY LIST (LIST)

DISCUSSION

The SRF Loan Program is a joint Federal and State program that provides low interest loans to local governments and non-governmental organizations (NGOs) in California for construction of wastewater treatment and recycling facilities, implementation of non-point source and storm drainage pollution correction measures, and development and implementation of estuary enhancement and management programs. Since the Program's inception in 1989, it has made more than \$3.5 billion in loans to local governments and NGOs in California.

In accordance with the Clean Water Act and Federal regulations, the staff of the Division of Financial Assistance (Division) have updated and published the SFY 2007/08 List. A project must appear on the List to be eligible to compete for loan assistance.

The List is based on a five-year planning period: each project on the List identifies the year the agency expects that loan funds will be needed. The first year of the five-year planning period is known as the fundable year, and it is reserved for those projects that have received a Preliminary Loan Commitment. All projects not on the fundable portion of the List, the remaining four years, compete on a first-come, first-serve basis for Preliminary Loan Commitments until all available funds are committed.

The amount of funds available at any time for new Preliminary Loan Commitments is based on the Program's projected cash flow. The cash flow model includes anticipated Federal funding, State funds that can be used to fulfill the required State match, repayments from existing loans, projected disbursements for existing loan commitments, the sale of revenue bonds, and a minimum SRF balance of \$25 million. (Federal appropriations and project disbursements are uncertain; the amount available for loan commitments might be higher or lower than estimated.)

The SFY 2007/08 List contained in [Exhibit A](#) reflects recommendations submitted by all nine Regional Water Quality Control Boards (Regional Water Boards) and State Water Board staff. The Staff notified subscribers of the State Water Board's electronic mailing list of the opportunity to add, delete, or modify projects on the proposed List for two weeks; the List was posted on the State Water Board website for review. Division staff made additions, deletions and modifications to the List in Exhibit A to address comments submitted by the public and interested parties by the end of the comment period.

Interested parties were given a second opportunity to address policy comments to the Board. Four specific issues were identified in the second notice advising the public and interested parties of the opportunity for public comment:

1. Adoption of the SFY 2007/08 List – Division staff solicited input from all nine Regional Water Quality Control Boards (Regional Water Boards) and State Water Board staff. The Division also provided interested parties with the opportunity to add, delete, or modify projects on the draft List. Staff have incorporated all information received on the draft List and recommend that the State Water Board adopt the SFY 2007/08 List.
2. SRF Funds – The State Water Board is currently implementing the SRF Program and estimates that there will be about \$285 million available for new SRF Loan assistance in SFY 2007/2008. The Division recommends that the State Water Board make the funds in the SRF account available to projects in Priority Classes A through D listed on the draft List and all needs categories.
3. Annual Funding cap – In 1999, the State Water Board established a \$25 million cap on funding per loan recipient per year. However, in light of rising construction and project implementation costs, the Division recommends that the State Water Board raise the cap to \$50 million per loan recipient per year.
4. Accelerated Loan Disbursements – In some cases, it can be beneficial to both the State Water Board and the loan recipient to accelerate the loan disbursements in excess of the annual funding cap. The funding cap was established in order to ensure that SRF funds would be available to as many loan applicants as possible by limiting the amount that one agency could receive per year. However, due to the SRF Program's dynamic cash flow, the Program, at times, has more disbursed funds than originally planned.

The Division recommends that the State Water Board authorize the Deputy Director of the Division the discretion to provide an applicant funding in excess of the annual cap so long as it does not unduly limit other applicants' ability to receive funding commitments during that State Fiscal Year. This will provide the Division the flexibility to disburse excess funds as needed.

POLICY ISSUES

Should the State Water Board:

1. Approve the placement of projects in Priority Classes A through D on the fundable portion of the SFY 2007/08 SRF Loan Program Priority List?
2. Direct that funding for all Needs Categories be eligible for the fundable portion of the SFY 2007/08 List?
3. Direct that the funding cap be set at \$50 million per year per agency?
4. Authorize the Deputy Director of the Division to disburse funds in excess of the funding cap so long as it does not unduly limit other applicants' ability to receive funding during that state fiscal year?
5. Approve the set-aside of up to four percent of the FFY 2007 Capitalization Grant for SRF Loan Program administration?

6. Adopt the SFY 2007/08 SRF Loan Program Priority List?

FISCAL IMPACT

The development and adoption of the List is a requirement of the Federal Clean Water Act and associated regulations. The staff required to administer loans for projects on the fundable portion of the List is funded by a four percent administrative set-aside from each Federal Capitalization Grant. Staffing levels approved for the Division for SFY 2007/08 will be sufficient to review and process projects from the fundable portion of the List that are expected to submit documents for review.

REGIONAL WATER BOARD IMPACT

Yes - All Regional Water Boards.

STAFF RECOMMENDATION

The State Water Board should:

1. Approve the placement of projects in Priority Classes A through D on the fundable portion of the SFY 2007/08 SRF Loan Program Priority List;
2. Direct that funding for all Needs Categories be eligible for the fundable portion of the SFY 2007/08 List;
3. Direct that the funding cap be set at \$50 million per year per agency;
4. Authorize the Deputy Director of the Division to disburse funds in excess of the funding cap so long as it does not unduly limit other applicants' ability to receive funding during that state fiscal year;
5. Approve the set-aside of up to four percent of the FFY 2007 Capitalization Grant for SRF Loan Program administration; and
6. Adopt the SFY 2007/08 SRF Loan Program Priority List.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2007 -**

**ADOPTION OF THE STATE FISCAL YEAR (SFY) 2007/08
STATE REVOLVING FUND (SRF) LOAN PROGRAM PRIORITY LIST (LIST)**

WHEREAS:

1. The Division of Financial Assistance (Division) has developed the SFY 2007/08 SRF Loan Program Priority List based on input from the Regional Water Quality Control Boards, staff of the State Water Resources Control Board (State Water Board), and the public consistent with the Federal Clean Water Act;
2. The State Water Board has sufficient funds to process new loan applications for the SRF Program;
3. The Federal Appropriations Bill for Federal Fiscal Year (FFY) 2007 did not place any limitations on which Federal Clean Water Act Needs Categories can receive funding; and
4. Up to four percent of the FFY 2007 Federal Capitalization Grant is available for State administration.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves the placement of projects in Priority Classes A through D on the fundable portion of the SFY 2007/08 SRF Loan Program Priority List;
2. Directs that funding for all Needs Categories be eligible for the fundable portion of the SFY 2007/08 List;
3. Directs that the funding cap be set at \$50 million per year per agency;
4. Authorizes the Deputy Director of the Division to disburse funds in excess of the funding cap so long as it does not unduly limit other applicants' ability to receive funding during that state fiscal year;
5. Approves the set-aside of up to four percent of the FFY 2007 Capitalization Grant for SRF Loan Program administration; and
6. Adopts the SFY 2007/08 SRF Loan Program Priority List.

CERTIFICATION

The undersigned, Acting Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on September 4, 2007.

Jeanine Townsend
Acting Clerk to the Board