

**STRATEGY FOR IMPLEMENTING
STATE REVOLVING FUND FOR
EXPANDED USE PROJECTS (STRATEGY)**

I INTRODUCTION

The federal Water Pollution Control Act (Clean Water Act or CWA), as amended in 1987, provides for establishment of a State Revolving Fund (SRF) loan program. The program is funded by federal grants and State bond funds. The purpose of the SRF loan program is to implement the CWA and various State laws by providing financial assistance for the construction of facilities or implementation of measures necessary to address water quality problems and to prevent pollution of the waters of the State.

SRF loans are intended to fund the following types of projects:

- A. Construction of wastewater treatment facilities.
- B. Implementation of nonpoint source (NPS) projects or programs.
- C. Development and implementation of estuary Comprehensive Conservation and Management Plans.
- D. Storm water treatment and other point source projects.

Project types B, C, and D are considered “expanded use” projects from the traditional wastewater treatment facilities that were funded by grants prior to the 1987 amendments to the CWA. Applicants for SRF loans for the construction of wastewater treatment facilities shall refer to the “Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities” previously adopted by the State Water Resources Control Board (SWRCB).

II DEFINITIONS

As used in this Strategy:

- (A) “Anti-degradation Policy” is the policy specified in SWRCB Resolution No. 68-16 (Appendix 1).
- (B) “Beneficial Uses” has the same meaning as defined in section 13050(f) of the California Water Code (CWC).
- (C) “Comprehensive Conservation Management Plan” (CCMP) means a plan developed for a national estuary in accordance with the National Estuary Program established under CWA. CCMPs contain recommended actions to (1) restore and maintain water quality; (2) maintain a balanced indigenous population of shellfish, fish, and wildlife; (3) allow recreational activities in the estuary; and (4) protect the beneficial uses of the estuary.
- (D) “Demonstration Project” means any program, device, method, or system that is a new or innovative technical or institutional approach to water quality problems, which will accelerate the transfer and adoption of new and innovative management practices.

- (E) “Estuary Enhancement Project “ means a project that implements a CCMP established in accordance with section 320 of the CWA.
- (F) “Linked Deposit Program” means an agreement between SWRCB, a local public agency responsible for watershed planning, and one or more financial institutions to provide commercial loans at below market rates to private parties for water quality benefits.
- (G) “Mini-Loan Program” means a loan program administered by a local public agency which uses SRF funds to issue loans to private parties for projects that will result in water quality benefits. The local public agency acts as a banker and incurs the risk for the loans. The principal and interest from the mini-loans are used to repay the SRF loan to the local public agency.
- (H) “Nonprofit Organization” means any California corporation organized under section 501(c)(3) or 501(c)(5) of the Internal Revenue Code.
- (I) “Point Source,” as defined in federal regulations (40 Code of Federal Regulations [CFR] 122.2), means any discernible, confined, and discrete conveyance, including, but not limited to, any pipe, ditch, channel, tunnel, conduit, well, discrete fissure, container, rolling stock, concentrated animal feeding operation, landfill leachate collection system, vessel, or other floating craft from which pollutants are or may be discharged. This term does not include return flows from irrigated agriculture or agricultural storm water runoff.
- (J) “Public Agency” has the same meaning as “municipality,” as defined in federal regulations (40 CFR 122.2). Public agency means a city, town, borough, county, parish, district, association, or other public body created by or under State law and having jurisdiction over disposal of sewage, industrial wastes, or other wastes; or an Indian tribe or an authorized Indian tribal organization; or a designated and approved management agency under section 208 of CWA.
- (K) “Water Quality Objectives” has the same meaning as defined in section 13050(h) of the CWC.

III LOAN REQUIREMENTS AND PROCEDURES

To assist the SWRCB in selecting loan recipients based upon factors set forth in governing State and federal law, the applicant prior to submittal of an application shall provide the appropriate Regional Water Quality Control Board (RWQCB) with a letter that describes the pollution problem, identifies the impacts, and recommends remediation steps. The letter shall contain sufficient information for the consideration of placement on SWRCB’s integrated Statewide SRF Project Priority List. The ranking criteria for the priority list and a description of placement procedures, as previously approved by SWRCB, are included in Appendix 2.

Basic requirements and procedures for SRF funding are as follows:

- A. The project must address a minimum of one of the following:
 - 1. Water quality objectives.
 - 2. Protection or enhancement of beneficial uses.
 - 3. Antidegradation Policy.
- B. The project must be placed on the Statewide SRF Project Priority List.
- C. The applicant completes the loan application package that includes the following:
 - 1. The application form which is included in Appendix 3.
 - 2. Evidence of compliance with the California Environmental Quality Act (Public Resources Code, section 21000 et seq.) by one of the following:
 - a. An Environmental Impact Report
 - b. A Negative Declaration
 - c. A Categorical Exemption
 - 3. A Planning Study which at a minimum does all of the following:
 - a. Identify the water quality, water conservation, estuary enhancement, or beneficial use objectives, as described in Paragraph III A, of the project.
 - b. Discuss alternatives and select the best means of addressing the above problems.
 - c. Discuss the economic benefits of the project.
 - d. Discuss the method of repayment of the SRF loan.

IV LOAN CONDITIONS

Loan applicants that have received approval for their project at a scheduled SWRCB Workshop and Board Meeting will enter into a contract agreement with the SWRCB. Consistent with existing State public contracting law, conditions in the contract agreement will include the following loan terms:

- A. Rates and Terms
 - 1. Interest rates on direct loans to public agencies and nonprofit organizations will be one-half the rate of the most recent sale of State General Obligation Bonds. Interest rates to private parties through linked deposit programs, mini-loan, and similar programs will be established by the lending institution.

2. Loan terms for public agencies and nonprofit organizations will be up to 20 years with the first repayment due one year after the first disbursement of loan funds. Loan terms for private parties will be established by the lending institution but will not exceed 20 years.
3. A public agency may apply for a local match loan. A local match loan is a zero percent loan in return for the public agency paying the State match portion of the SRF funds for the loan. For requirements for local match loans, please refer to the “Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities.”

B. Eligible Expenses

Consistent with governing statutes, the following are expenses that are generally eligible for SRF funding. However, where appropriate, the SWRCB may impose restrictions on funding specific types of projects. Consistent with governing statutes, operation and maintenance costs are not fundable under the SRF loan program.

1. Construction of facilities. These are facilities to treat, reduce, or prevent NPS or point source pollution.
2. Program development. Costs necessary to implement nonstructural components of water quality control projects, including reimbursement of planning, design, and environmental review for facilities construction.
3. Purchase of land necessary for the project or for the purposes of protecting or preserving beneficial uses.
4. Demonstration projects.
5. Education and outreach programs.

V NONPOINT SOURCE PROJECTS

Consistent with governing statutes, a project eligible for SRF funding under this category must be consistent with the five-year implementation strategy contained within the State’s NPS Management Plan developed under section 319 of the CWA. The “Plan for California’s Nonpoint Source Pollution Control Program” adopted by the SWRCB on December 14, 1999 is the most current version of California’s NPS Management Plan. (A copy of the Plan may be obtained from SWRCB’s web site at www.swrcb.ca.gov). SRF funding will be provided only to projects that address a regional or areawide water quality problem.

A. Eligible Applicants

The following applicants are eligible for SRF funding for NPS projects:

1. Public agencies.
2. Nonprofit organizations.
3. Private parties. Loans provided through the SRF may be made available to private parties through the following programs:
 - a. Linked Deposit Program
 - b. Mini-Loan Program
 - c. Other intermediary lender. The SWRCB, at its discretion, may approve another type of partnership agreement with an intermediary that will evaluate credit risk, secure the SRF funds, and administer individual loans.

B. Eligible Projects

Consistent with governing statutes, the project must address existing water quality problems identified in the “Plan for California’s Nonpoint Source Pollution Control Program.” The following project categories are contained in the Plan:

1. Agriculture
2. Forestry (Silviculture)
3. Urban
4. Marinas and Recreational Boating
5. Hydromodification
6. Wetlands, Riparian Areas, and Vegetated Treatment Systems
7. Abandoned Mines

VI ESTUARY ENHANCEMENT PROJECTS

SRF funding for estuary enhancement shall be limited to the development and implementation of the CCMP for an estuary designated as an “estuary of national significance” in accordance with CWA section 320.

A. Eligible Applicants.

Same as for NPS projects.

B. Eligible Estuaries.

To date three estuaries in California have been designated as estuaries of national significance. These estuaries are:

1. San Francisco Bay Estuary
2. Morro Bay Estuary
3. Santa Monica Bay Estuary

C. Other Estuaries

Estuaries that are not part of the National Estuary Program do not qualify for funding under section 320 of the CWA. However, projects within these estuaries may receive funding to the extent that they meet the criteria set forth in Section V (Nonpoint Source Projects) or Section VII (Point Source Projects) of this Strategy.

VII POINT SOURCE PROJECTS

Consistent with governing statutes, point source projects covered in this Strategy are projects that address point source pollution but do not include the construction of wastewater treatment facilities.

A. Eligible Applicants

Only public agencies are eligible for an SRF loan under this category. However, the public agency may lease an SRF funded facility to a private party.

B. Eligible Projects

Point source projects eligible for funding may include the following:

1. Storm water. Storm water treatment facilities are eligible for SRF funding.
2. Concentrated Animal Feeding Operations (CAFOs). CAFOs are facilities that exceed 1,000 animal units as defined in federal regulations (40 CFR 122.23). SRF only funds CAFOs or treatment facilities owned by a public agency. However, the public agency may lease the CAFO or treatment facility to a private party.
3. The SWRCB, at its discretion, may decide to fund other types of point source projects that address the State's water quality standards.