

# Stimulus and Water Infrastructure



## Key Points

- o \$4 billion dedicated for clean water projects, \$2 billion dedicated for drinking water projects
- o \$1.2 billion of this money (20%) must be used for green infrastructure, water and energy efficiency.
- o 50% of total funding must be in the form of additional subsidization (grants)
- o Money will be distributed through the State Revolving Fund Program

## What you can do

- o Contact your state's drinking water and clean water revolving loan fund officers:  
[CWSRF](#) or [DWSRF](#)
- o Find out if your state has approved SRF funding to be used for green infrastructure or water efficiency projects
- o Ask your SRF managers to actively solicit more green infrastructure and water efficiency projects
- o Work with local municipalities to submit their green infrastructure or water efficiency projects to the state
- o Actively review your state's project list to verify green projects are actually green
- o Report problems to your EPA Regional SRF staff:  
[CWSRF](#) or [DWSRF](#)

**For more detail on steps to take, see the attached flow chart.**

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## The American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA), often referred to as the stimulus bill, was enacted into law on February 17<sup>th</sup>, 2009. Designed to create jobs, this bill included a variety of provisions across many programs, including funding for water infrastructure projects. Most of the funding for water infrastructure is being distributed through an existing program known as the State Revolving Fund (SRF) Program that is administered by the U.S. Environmental Protection Agency (EPA).

## The State Revolving Fund Program

The SRF includes both Clean Water and Drinking Water programs. EPA regularly distributes federal SRF grants to the states, who then lend the money at below-market level rates to local governments to repair or upgrade wastewater, stormwater and drinking water infrastructure. For the first time, the stimulus bill creates a dedicated source of funding for green infrastructure and water and energy efficiency projects, providing an important new opportunity. Green infrastructure and efficiency approaches are proven solutions that can create jobs while solving wastewater, stormwater and drinking water problems in a cost-effective manner.

## What Funding is Available?

The stimulus package includes \$4 billion for clean water projects and \$2 billion for drinking water projects. Of that total, \$1.2 billion (20%) must be used for a mandatory set-aside for green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, collectively called the Green Project Reserve.



*Photo: Western Michigan Environmental Council*

Of the total \$6 billion, a full 50% of the SRF funds also must be reserved for principal forgiveness or negative interest rate loans (essentially converting the money into grants) or grants to project applicants. However, it is up to each state whether they provide any of this additional subsidization for green projects or just for conventional projects. The opportunity and challenge in the coming months will be to ensure that this unprecedented green funding is spent, and spent wisely, by all states.

## How Does the SRF Stimulus Program Work?

Before EPA can release an allotment of SRF funding to the state, each state must submit to EPA a list of projects it intends to fund as part of what is called an Intended Use Plan (IUP). If a state does not yet have a full complement of green projects equal to its 20% set-aside, it must “actively solicit” such projects, and file an amended IUP later. Finally, states enter into loan agreements with individual project applicants. The state must have such binding loan agreements and project construction must be ready to commence within one year of the bill’s signing (February 17, 2010), otherwise the EPA Administrator will deobligate any uncommitted funds and reallocate them to other states.

Other important features of the program:

- *Requirements for solicitation of green projects.* States must make a “timely and concerted” solicitation of green project applications, including outreach to green stormwater and water and energy efficiency experts in the state, as well as meetings, presentations, and webcasts with other groups involved in projects targeted under the Green Reserve. See [EPA’s ARRA guidance, page 14-15](#)
- *What constitutes a “green” project?* EPA has identified a list of specific types of green infrastructure, water efficiency, and energy efficiency projects that qualify “categorically” under the Green Reserve. To receive Green Reserve funding for a project outside this list, applicants and states must make a “business case” that the project’s green benefits are a substantial part of the project, that is, that the project is being pursued *primarily* for its green benefits. For example, replacing or relining leaking or corroded water mains are not categorically eligible activities under the Green Reserve because, while they have green benefits in reduced water loss and energy use, their primary purpose is repairing the water delivery system. All projects on a state’s Green Reserve list are subject to EPA review to determine if they fit the categorical eligibilities or have otherwise developed an adequate business case to be funded. See [Attachment 7 of EPA’s ARRA guidance, page 42-49](#)
- *Stand-alone projects.* Projects not associated with a capital improvement project (e.g. a city applying to install green roofs) can be funded under the Green Reserve. Similarly, green components of conventional wastewater or drinking water projects can be counted toward the Green Reserve so long as they are categorically eligible or an adequate business case can be made. See [Attachment 7 of EPA’s ARRA guidance, page 42-49](#)
- *Certification of insufficient green projects.* States can certify to EPA that they have insufficient applications to use their entire 20% Green Reserve, but *no sooner than August 17, 2009*. States must certify in writing that they have received insufficient green project applications and obtain EPA approval before they can use the Green Reserve funds for conventional projects. EPA has said that its goal is to have all states fund green projects rather than pursue such a certification and exemption. See [EPA’s ARRA guidance, page 8](#)
- *When states say their lists are “closed.”* States may have officially “closed” their lists because they have identified enough projects to utilize their entire SRF stimulus allotment and they are ready to receive their grant from EPA. Even if the state says that it already has enough green projects to meet its 20% Green Reserve, it is important to take the following steps:
  - (1) Ask to review the projects on the Green Reserve list and alert EPA regional and Headquarters SRF staff if you think the list includes ineligible or unwarranted projects;
  - (2) Urge the state to continue collecting project applications to gauge total interest, provide a back-up list in case some selected projects are not ready to proceed, and build support for future funding.

For more information, please contact:

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