

An Update to New York's Drinking Water State Revolving Fund Program

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Background

A Drinking Water State Revolving Fund (DWSRF) was created in 1996 as a result of State legislation initiated by Governor Pataki and legislation enacted by the U.S. Congress. The DWSRF provides a significant financial incentive for municipally and privately owned drinking water systems to finance needed drinking water infrastructure improvements. This program provides subsidized low interest rate loans for construction of eligible water system projects. As loans are repaid, money is made available for new loans. For communities with demonstrated financial hardship, interest rates can be reduced to zero percent. In addition, in the event of severe hardship, additional loan subsidies (Grants) may be available.

In the beginning...

New York provided financing to its first drinking water projects in December 1997. The types of financial assistance available at that time included leveraged loans, regular reduced rate direct loans, hardship loans, and grants. For those disadvantaged communities that sought DWSRF assistance during the first funding period and qualified for grant monies, a 100% grant was available. During the second funding period, the percentage of grant money available to eligible, disadvantaged communities was lowered and, currently, an eligible recipient can receive up to \$2 million or 75% of the eligible project costs as a grant. However, as the availability of grant money has diminished, the types of financial assistance have expanded and now include short-term financing and emergency financing.

The Current Program

The short-term financing program has been a popular addition to the DWSRF program. Interest free, short-term financing for up to three years is available to eligible recipients that are developing projects for long-term DWSRF financing. The use of short-term financing continues to grow. The emergency financing program allows for the immediate financing of emergency situations as determined by the Department of Health, such as the unavailability of a source of potable water for an extended period of time. This funding is only available to water systems when no other funding source is available to them. Emergency financing has been used on one occasion to date.

New York's DWSRF program leads the rest of the States in the number of drinking water projects that have been financed and in the amount of money provided for those projects. In six short years, the DWSRF program has made 500 loans and grants to water systems undertaking needed

infrastructure and security-related improvements. In January 2003, the DWSRF program exceeded the \$1 billion figure for total resources provided to New York's water systems and that number continues to grow. The DWSRF program has provided grant monies totaling over \$141 million for over 100 projects. The subsidized interest rate that many communities receive remains low with the most recent leveraged pool closing at 2.68%.

The Future

The need for resources to make infrastructure improvements at drinking water systems in New York continues to be far greater than what is currently available through the DWSRF program. The current DWSRF Intended Use Plan identifies an aggregate drinking water project need of approximately \$4.2 billion over the next several years. In a February 2001 report to Congress, EPA estimated that more than \$13 billion would be needed in New York over the next twenty years to ensure continued delivery of safe public drinking water. Although those numbers are staggering, the DWSRF program is committed to making its resources available in as an affordable manner as possible. ♪