

June 10, 2020

Jeanine Townsend, Clerk to the Board  
State Water Resources Control Board  
1001 I Street, 24th Floor  
Sacramento, CA 95814

Via electronic mail: [commentletters@waterboards.ca.gov](mailto:commentletters@waterboards.ca.gov)

**RE: COMMENTS ON THE DRAFT FY 2020-2021 CLEAN WATER SRF INTENDED  
USE PLAN**

Dear Chair Esquivel:

WaterNow Alliance appreciates the opportunity to provide comments on the draft Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF). [WaterNow](#) is a nonprofit network of 600+ local water leaders in 39 states advancing sustainable, affordable, and climate resilient water strategies in their communities. While our network is national in scope, with 172 members in California we have a particular interest in working with California to advance innovative water solutions locally. We have reviewed the IUP for the CWSRF and are encouraged that the plan recognizes that green infrastructure, water use efficiency, and other localized water infrastructure strategies are eligible to receive Clean Water SRF funding.

Onsite installations and technologies distributed widely across a community, including green stormwater strategies, water use efficiency measures, watershed restoration, lead line replacements and more, supplement, extend and serve the same functions as more conventional, centralized infrastructure. They provide water supply, treat drinking water and effectively manage wastewater and stormwater. These [distributed approaches](#) are also often less expensive than larger public works projects keeping rates affordable, while building local resilience to disasters and ability to withstand shifts resulting from climate change. Critically, green and distributed strategies provide lasting economic benefits, including near-term permanent local green jobs and local economic development. Distributed water management strategies also go a long way to address water equity issues around access to clean water and more affordable rates, and provide other [co-benefits](#) including improved [public health](#), energy efficiency, improved air quality, reduced greenhouse gases, increased open space, increased property values and reduced crime.

Given California's commitments to making water conservation a way of life and increasing water use efficiency and sustainability, as well as the need to spur an equitable, environmentally-sound post-pandemic economic recovery, these comments focus on opportunities for the State Water Resources Control Board (State Board) to more clearly prioritize funding for 21st Century water infrastructure solutions.

**Increase Clean Water SRF Funding Targets**

Most critically, the draft IUP for the CWSRF proposes to *lower the annual long-term lending*

**capacity of the CWSRF program by more than 40%**, from an annual lending target of \$1 billion in the previous IUP to \$586 million in the current draft.<sup>1</sup> This significant reduction runs counter to statewide priorities, including but not limited to:

- The Governor’s draft 2020 Water Resilience Portfolio Recommendation 4.1 which calls for **increasing** financial capacity to support recycling, reuse, and wastewater projects through the Clean Water State Revolving Fund and other state and local funding mechanisms;
- The growing need for increased investment in water infrastructure;
- High demand for CWSRF funds for Green Project Reserve eligible projects; and
- Critically needed local economic stimulus to address the local financial impacts of the COVID-19 pandemic.

Reducing funding capacity for such a vital program could undermine local water agencies’ essential efforts to bolster California’s investments in sustainable water infrastructure that will help stimulate the economy. For these reasons, we respectfully recommend that the State Board direct staff to re-evaluate the draft IUP funding targets and increase the targets wherever possible. At a minimum, we urge the State Board to allow additional stakeholder and Board member review of the funding capacity analysis and, if appropriate, develop a revised analysis to guide the program this fiscal year and over the long term.

### **Expand the Green Project Reserve**

Nothing in EPA’s Clean Water SRF guidance limits California’s ability to prioritize SRF funds for Green Project Reserve (GPR) eligible projects. As the draft IUP acknowledges, demand for SRF funding for green projects in the State exceeds the GPR minimum of 10%. For this reason, we recommend that the IUP increase its estimate for GPR projects from the estimated \$11 million minimum to be able to accommodate and indeed prioritize “green” water projects for SRF funding to the maximum, not minimum, extent possible.

As set out in [EPA’s 2012 guidance](#), sustainable, localized water infrastructure strategies are Green Project Reserve eligible projects—they extend and serve the same functions as more conventional, centralized infrastructure and provide water supply, treat drinking water and effectively manage wastewater and stormwater while also reducing environmental impacts. These projects are most often implemented through consumer incentive or direct installation programs. Expanding the Green Project Reserve funding to include these projects and consumer incentive programs is consistent with the Policy for Implementing the Clean Water State Revolving Fund, the Governor’s draft 2020 Water Resilience Portfolio, as well as State Board Resolutions No. 2008-0030 and No. 2017-0012 directing the State Board to promote recycled

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<sup>1</sup> See Clean Water SRF Draft IUP, p. 14 (“Given current capitalization and debt levels, and assuming conservative future capitalization, loan terms and earnings levels, and bond and coverage terms, the CWSRF can operate at an estimated sustainable financing level of approximately \$586 million per year. The capacity is the amount of new lending that could be done per year with the existing loan pool and new loans pledged to potential bonds. The annual capacity is a level amount that could be originated each year for the next 20 years. The Funding Target, therefore, for SFY 2020-21 will range from \$527.4 million to \$732.5 million in new financing.”).

water use, water conservation, and low-impact development and include climate change mitigation and adaption objectives in the IUP, respectively.

Thus, we urge the State Board to revise the IUP to include these three recommendations:

- Increase the GPR to 15% and prioritize qualifying localized infrastructure projects for funding available from this increase in the green reserve;
- Specifically list consumer incentive or direct installation programs designed to achieve improved conservation, efficiency, or onsite stormwater management as eligible for CWSRF funds; and
- Solicit distributed infrastructure projects and incentive programs, including green stormwater strategies, water use efficiency measures, onsite reuse, and watershed restoration for SFY 2020-21.

### **Increase California's SRF Leveraging Ratio to Access Additional Funding Capacity**

Across the country, it is possible for SRFs to increase their funding capacity by accessing untapped equity and offering innovative financing options. A [2014 Environmental Financial Advisory Board](#) report specifically identified innovative leveraging options that access excess SRF funding capacity as key mechanisms for increasing green infrastructure funding. For example, Rhode Island leads U.S. states with a leveraging ratio approaching \$5 of financial assistance for every \$1 of equity. Other states, including New York, Ohio, Iowa and Indiana also have leveraging ratios of over \$2.00. By contrast, California's ratio is in the range of \$1.65 to \$1.00 indicating that the State is missing out on an important opportunity to maximize these resources.

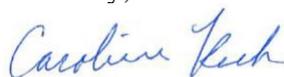
We respectfully recommend that the State Board direct staff to evaluate changes to the IUP that will increase California's leveraging ratio to ensure that the State is positioned to make fuller use of its SRF equity, thus expanding funding capacity.

### **Conclusion**

Localized water infrastructure has enormous potential to not only sustainably manage our water resources now and for future generations, but to also foster long-lasting economic recovery for communities across the nation facing critical needs for jobs and renewal.

We appreciate your consideration of our recommendations and look forward to working with you to transform California's water infrastructure to secure our water future. Please feel free to contact me by email at [cak@waternow.org](mailto:cak@waternow.org) or by phone at 415-813-8044 if you have any questions.

Sincerely,



Caroline Koch  
Water Policy Director  
WaterNow Alliance