

## Bond Banks Offer Financing at Less Cost

by P.J. Cameon  
Water Sense Associate Editor

*Editor's Note: This is the final article in a three-part series on issuing bonds for small community water projects.*

State governments and other organizations have increasingly been using bond banks to help communities finance infrastructure needs, especially drinking water and wastewater projects.

Bond banks usually can provide communities, particularly smaller ones, with access to bond financing at less expense than if the communities issue bonds themselves. This, in turn, reduces the communities' project costs.

## EPA Survey Identifies Drinking Water Needs

Drinking water systems throughout the U.S. will need to spend \$138.4 billion on infrastructure improvements by the year 2014 to help protect public drinking water supplies, according to the U.S. Environmental Protection Agency's (EPA) first nationwide survey of drinking water utilities.

The report estimates how much money is needed to comply with current and future federal regulations, replace aging infrastructure to protect public health, and consolidate with or acquire neighboring systems to ensure the capacity to supply safe drinking water.

Beginning in fiscal year 1998, these survey results will form the basis for allocating federal grants among states to fund drinking water state revolving fund (DWSRF) programs. The DWSRF was created by the Safe Drinking Water Act (SDWA) Amendments of 1996 to help meet SDWA requirements and protect public health.

The first round of federal DWSRF grants, totaling \$1.275 billion, are being distributed to states this year based on an existing allocation



The term "bond bank" covers many types of financing tools. This article will focus on bond banks that are state government-sponsored agencies that "pool" the financing needs of several communities into a single bond issue.

The bond banks then use the proceeds of these bonds to make loans for local infrastructure projects. The bond banks collect payments from the communities and use those funds to repay the bonds they issued.

The cost of borrowing for communities is less when using a bond bank because of the lower  
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formula. Congress has authorized \$9.6 billion for this loan fund through the year 2003.

### Small System Needs Are Unique

The needs of small systems (serving 25 to 3,300 people) for the 20-year period from January 1995 through December 2014 are estimated at \$37.2 billion. These systems include villages, small towns, retirement communities, and mobile home parks. In addition, estimated needs for the 884 American Indian and Alaska Native systems total \$1.3 billion over 20 years.

Per-household needs of these small systems are particularly high because the infrastructure costs are spread across a small customer base. Moreover, American Indian and Alaska Native water systems—most of which are small—face special challenges in providing safe drinking water. These challenges include isolation, arid conditions, and arctic climates.

The survey found that the average 20-year need per household ranged from \$970 for large system customers to as much as \$43,500 for Alaska Natives. (See chart on page 3.)

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# Water Sense

*Do you have  
questions about  
the new drinking  
water state  
revolving fund?  
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### National Drinking Water Clearinghouse

The National Drinking Water Clearinghouse (NDWC) assists small communities by collecting, developing, and providing timely information relevant to drinking water issues. Established in 1991, the NDWC is funded by the Rural Utilities Service and is located at West Virginia University.

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# Mansfield Sees RUS Challenges, Opportunities

The new head of the U.S. Department of Agriculture's (USDA) funding programs for small community water and wastewater projects sees challenges ahead as field staff turnover and reauthorized federal drinking water laws are felt at the local level.

Richard (Dick) Mansfield, who was recently named the assistant administrator for USDA's Rural Utilities Service (RUS), also feels that the agency's water and wastewater loan and grant program will continue to build on its long tradition of helping communities in need. The program's 30-year track record is strong, he notes, with a loan loss record of one-tenth of one percent. The program has more than \$739 million available for loans and just over \$500 million for grants for the current fiscal year.

As Mansfield takes over the reins, he sees an immediate challenge in the loss of expertise in the field, resulting from staff changes at state and district Rural Development offices.

"Since 1992, we have changed program directors in 39 state offices," says Mansfield. In addition, many of the people in these offices are new—they are full of energy but may lack experience as community development managers—a role Mansfield sees as far-reaching.

"We know that a water system is a component of a much larger picture and want to help communities look at sewers, schools, roads, health care—the whole gamut of rural development issues—as they plan their community's future.

"The other challenge is not new," continues Mansfield. "That challenge is finding ways to reach the most needy communities—those projects that need a lot of technical assistance, leveraging of funds, and innovative designs."

Many of the projects still ahead are the toughest, says Mansfield. That has prompted RUS to target some of its funding through Water 2000, USDA's initiative to provide safe, affordable drinking water to every home in the U.S. by the year 2000.

### New DWSRF Adds to Funding Mix

RUS also relies on partners to help find, develop, and co-finance projects. The new drinking water state revolving fund (DWSRF), created by the Safe Drinking Water Act (SDWA) Amendments of 1996, offers opportunities for such partnerships.

"In many states, our program directors are closely involved in the design and startup of SRFs," says Mansfield.

He hopes that the influx of DWSRF loan funds to states will allow RUS to focus more resources on Water 2000 projects and similar projects needing subsidized financing and technical assistance. "We have a \$4 billion backlog in funding requests, so this new source of financing can be a big help in meeting rural needs."

At the same time, the reauthorized SDWA may also increase demand for financing to make system improvements as more and more small communities address requirements of the act.

### What can you do?

Given the high demand for limited resources, Mansfield offers this advice for communities seeking RUS funding for water or wastewater projects:

- Work with Rural Development field staff early in project development.
- Recognize that RUS funding resources are tight and look for cost-effective alternatives.
- Realize grants are scarce, and that a low-interest, long-term loan is an investment in the future.
- Be ready to set water rates at levels consistent with the 1990s.
- Make sure the community is behind the project.

Meanwhile, RUS is simplifying its application process for the funding program. "The streamlined regulations are in final clearance and should be released in May or June," says Mansfield.

*For the phone number of your state Rural Development office, contact the National Drinking Water Clearinghouse at (800) 624-8301 or view Water and Waste Program staff listings on the RUS Web site at <http://www.usda.gov/rus/water/>. \$*

## RUS Interest Rates Unchanged This Quarter

After decreasing slightly for two quarters, the interest rates for Rural Utilities Service (RUS) water and wastewater loans have held steady for the third quarter of fiscal year 1997.

These rates are set quarterly at three different levels, which have specific qualification requirements. The new rates, effective April 1 through June 30, 1997, are:

- *poverty line* rate: 4.50 percent;

- *intermediate* rate: 5.00 percent; and
- *market* rate: 5.50 percent.

RUS loans are administered through local or state Rural Development offices, which can provide more information about loans and applications.

*For the phone number of your state Rural Development office, contact the National Drinking Water Clearinghouse at (800) 624-8301. \$*

## EPA Survey Identifies Drinking Water Needs

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The report also noted that small systems are least able to obtain access to outside capital to finance infrastructure improvements.

### Thousands of Systems Surveyed

Four thousand water systems of all sizes took part in the two-year study. Questionnaires were sent to all 794 large systems (serving more than 50,000 people) and to a random sample of more than one third of the nation's 6,800 medium systems (serving 3,301 to 50,000 people).

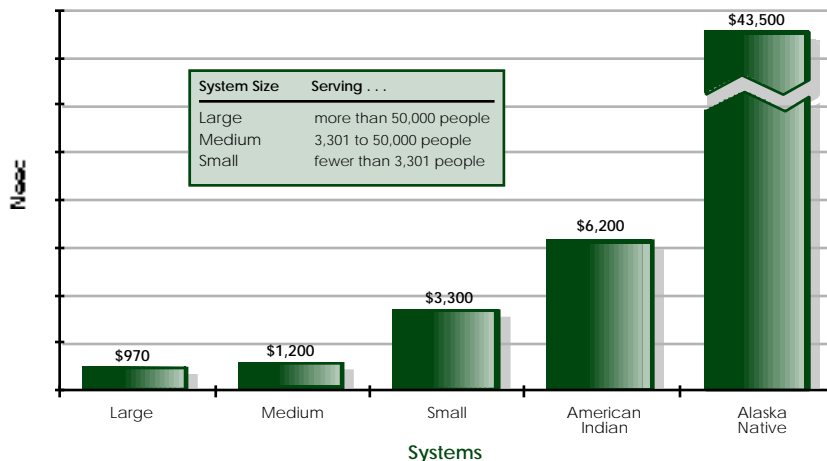
To determine the needs for the nation's 46,500 small systems, drinking water professionals made on-site assessments at 537 locations, reaching every state. Needs identified through questionnaires and site assessments were extrapolated to estimate total need by state.

More immediately, the survey identified \$12.1 billion as the total current need to ensure compliance with existing regulations to protect water supplies from

*Cryptosporidium* and other health-related contaminants.

To obtain a free copy of the Drinking Water Infrastructure Needs Survey: First Report to Congress, call EPA's Safe Drinking Water Hotline at (800) 426-4791 and request EPA/812/R-97/001. The survey is also available on EPA's Web site at <http://www.epa.gov/OGWDW/docs/needs/>. \$

### Average 20-Year Per-Household Need (Total need in January 1995 dollars)



Source: Drinking Water Infrastructure Needs Survey

## Hardship Grants Available for Rural Areas

In conjunction with the clean water state revolving fund (SRF), a \$50 million pool of funding is currently available to help rural communities fund wastewater projects.

The Hardship Grants Program can assist "disadvantaged" rural communities through a combination of grants and/or technical assistance.

A rural community may be eligible for the Hardship Grants Program if it has:

- fewer than 3,000 people;
- no access to centralized wastewater treatment or collection system, or if it needs improvements to its existing onsite wastewater treatment systems;
- a per capita income rate that is less than 80 percent of the national average; and
- an unemployment rate that exceeds the national average by one percentage point or more.

Stephanie vonFeck, a U.S. Environmental Protection Agency (EPA) environmental protection specialist, explained that the \$50 million resulted from a one-time appropriation from Congress intended to assist rural communities.

Hardship funding will be distributed among the states based on a formula that considers the number of rural communities that lack access to

centralized wastewater treatment and the rural per capita income in each state. States are now working with communities to identify eligible projects.

Communities should initially apply for clean water SRF loan funding for their projects. Communities that meet the criteria for the Hardship Grants Program could receive a combination SRF loan and Hardship grant.

VonFeck explained that most Hardship grants will be coupled with SRF loans, although states have the discretion to issue 100-percent grants for some projects.

As part of the Hardship Grants Program, states may choose to commit a portion of their federal appropriation to fund technical assistance to rural communities concerning the operation and maintenance of wastewater systems.

VonFeck said local officials who feel their communities may be eligible for the Hardship Grants Program should contact the program coordinator in their states.

For the name and phone number of the Hardship Grants coordinator in your state, contact the EPA at (202) 260-2268. This phone number is dedicated to answering questions concerning the SRF and Hardship Grants programs. \$

## Bond Banks Offer Financing at Less Cost

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interest rates bond banks can negotiate with investors and the shared cost of issuing the bond.

### **How many bond banks are there?**

Using the basic definition above, there are approximately 22 “general purpose” state bond banks, according to John Petersen of the Government Finance Group, Inc. (GFG) in Alexandria, Virginia.

Petersen’s group and the Council of Infrastructure Financing Authorities (CIFA) recently released a report titled “An Analysis of State Bond Banks,” which describes their features and uses (*see box below*).

State agencies in several other states offer some services similar to those provided by a bond bank, Petersen said, as does a broad spectrum of nonprofit, local, and private organizations.

Keep in mind that bond banks don’t operate in a vacuum. Bond bank financing is frequently combined with other sources of funding—loans and grants—to make a project possible.

Also keep in mind that, in addition to the general purpose bond banks described in this article, many states operate special purpose bond banks solely to issue loans for wastewater projects under their clean water state revolving fund (SRF) programs. Some states also are planning to use special purpose bond banks to administer loans through their new drinking water SRF programs.

### **Bond Banks Offer Many Benefits**

There are three main benefits local governments typically see when using bond banks: better ratings and therefore lower interest rates

than independently issued bonds; lower fees to arrange the financing; and improved access to credit. These benefits are explained in the next three sections.

### **Better Ratings/Lower Interest Rates**

Communities that use bond banks have access to financing at lower interest rates than they normally could arrange on their own. Bond banks are able to offer better interest rates to communities because of the bond banks’ solid credit ratings. (*Bond ratings are discussed on page 8.*)

It is rare for a community with fewer than 10,000 residents to receive a bond rating that would be viewed favorably by most bond investors, according to William Bivens, an expert in rural development issues.

In most cases, state bond banks will have better ratings than individual small communities.

Bond banks are generally assigned these better, higher ratings because if one community defaults, the other communities in the bond pool typically are able to compensate for the defaulting community.

“The bond banks’ solid ratings allow their bonds to be purchased by fiduciaries,” Bivens said, referring to pension funds, insurance companies, bank trust departments, and other groups looking for safe investments.

Bond banks also usually offer some form of “credit enhancement,” which is a promise to provide investors with a secondary source of repayment in case of default. Two common types of enhancements are “moral obligation” pledges and aid intercept provisions.

The moral obligation pledge is a promise, but not a legal guarantee, that the state government will use its funds to make up any shortfall in the bond bank’s reserve to cover debt service payments. The aid intercept provision allows the state government to divert certain funding that it would provide to the local government to instead be used for debt service if the community fails to repay its portion of a bond bank loan.

### **Issuing Costs Shared**

In addition to potentially lower interest rates, communities also benefit from bond banks’ “economies of scale,” with issuing costs spread out among many communities. Many bond-issuing costs remain roughly the same regardless of the size of a bond issue or, in the

*Continued on next page*

## Bond Bank Report Available

A report describing the operation of state municipal bond banks is now available from the Council of Infrastructure Financing Authorities (CIFA).

The document, titled “An Analysis of State Bond Banks,” was prepared by CIFA and the Government Finance Group, Inc.

The report discusses the types of financing programs offered by bond banks, the various methods they use to assist communities, and the advantages and disadvantages of bond banks.

Not every state operates a bond bank, said James Smith, CIFA executive director, “but in those states where they operate, they have proven their worth as an efficient conduit to low-cost borrowing for many communities.”

*To order a free copy of the report, contact CIFA at (202) 371-9694, or fax a request to (202) 371-6601. \$*

*Continued from previous page*

case of a pooled issue, the number of communities involved.

One example of such a fixed cost is validation, a procedure that is used in most states. The validation process varies widely from state to state, according to Bivens, but it is basically a legal opinion that a community or other entity has the legal authority to issue bonds. He said validation is an extra measure of security to investors and usually results in a slight reduction in the bond's interest rate below that obtained with bond counsel opinion alone.

If a community organizes its own bond issue, the community would have to pay the entire fee for validation. By comparison, a bond bank bond issue involving, say, 15 communities would result in each community paying roughly 1/15th of the validation fee.

Another economy of scale achieved through a bond bank is a reduction in administrative costs, according to Petersen. This would include any work needed to meet specific accounting procedures required by federal and state law.

Additionally, many bond banks take steps to reduce these issuing costs further through subsidies. In Oregon, for instance, the bond bank arranges for a grant to cover the communities' issuance costs. And in North Dakota, the bond bank charges a single administrative fee that is considerably less than the issuance costs a community would have if it arranged its own financing.

### **Improved Access to Credit**

For the reasons just mentioned, bond banks may offer the only means for smaller communities to access bond financing, thus providing an alternative source to round out funding packages.

Bivens explained that when a community jumps from an unrated bond issue to a well-rated bond bank issue, the pool of potential investors "is magnified many thousands of times."

"You're appealing to many more investors at the higher rating, and you're able to arrange a bond sale with a much lower interest rate," he said.

A bond bank could also improve the attractiveness of a bond issue by using one or more specialized bond features. One example is the use of original issue discount bonds, which are sold for less than face value and redeemed at face value at the end of the term.

Such specialized bond features not only may be preferred by the issuing communities, but also may serve to attract bond investors with unique investing needs.

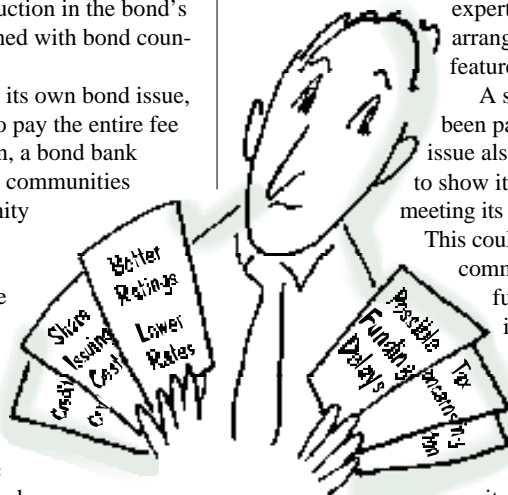
"Specialized bonds appeal to buyers with needs for specific investment tools," Bivens said. "The cost of borrowing money can be less when you meet these special needs. Bond bank officials know what structures are attractive to investors."

Individual communities may not have the expertise available to arrange specialized bond features, he noted.

A smaller system that's been part of a bond bank issue also has the opportunity to show its creditworthiness by meeting its repayment obligation.

This could help boost the community's rating in the future if it seeks to issue bond debt on its own. Bivens said this is similar to a family that establishes a good credit rating by paying off its debts.

Furthermore, the experience can help local officials be better prepared for future bond issues.



*Is a bond bank right for your project?*

### **Some Drawbacks Exist**

There are some potential drawbacks to bond bank financing. One roadblock is the possible delay of several months to several years for communities to receive their funding.

Petersen mentioned that the frequency of bond issues varies significantly among the state bond banks. Some bond banks issue bonds several times a year if there is enough demand for funding. Others issue bonds annually, while still others issue bonds only once every five or more years.

The bond bank's schedule for financing may not match well with the community's. However, some bond banks arrange short-term financing to compensate for this lag.

In addition, there are potential tax benefits and accounting requirement exemptions that communities could take advantage of when preparing small bond issues. These benefits may not be available when participating in bond banks.

Other potential drawbacks to bond banks may depend on the size of the system.

For instance, larger water systems—with solid credit ratings—may not be good candidates for a

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## Bond Banks: Two States, Two Approaches

Each state bond bank is unique.

Bond banks can vary as to the types of projects they fund, the steps they take to keep borrowing costs low for communities, and the types of financing programs they offer, such as long-term lending for larger projects and short-term leasing for equipment purchases.

Here is a closer look at how two bond banks operate.

### **Oregon: Lending Reflects Ability To Pay**

Oregon's Economic Development Department combines funding from its bond bank with pro-



*Tom Meek, financial analyst  
with the Oregon Bond Bank*

ceeds from the state lottery to fund infrastructure projects, including drinking water and wastewater activities.

To receive a loan from the state's bond bank, systems must be creditworthy and the project loan must exceed \$250,000, according to Tom Meek, financial analyst with the bond bank. The department's staff rates the communities by evaluating the local economy, demographics,

level of indebtedness, tax collection, project revenues, and other factors.

"If, in the staff's judgment, the community wouldn't receive an 'A' rating when issuing bonds on its own, the project is not funded with bond bank proceeds," Meek explained. "Small loans and loans to systems that are less creditworthy are financed solely with lottery funds."

However, even bond bank loans to creditworthy systems are partially supported by lottery funds.

"In a typical bond bank loan, 83 percent of the loan funds will be bond bank proceeds, and 17 percent will be Oregon Lottery proceeds," Meek said. This keeps the amount of funding from bond bank proceeds relatively low in comparison to project revenue, he explained. This, in turn, ensures that system revenue would provide more than enough money to repay principal and interest to bond bank bondholders. This kind of assurance is valued by investors and rating agencies.

The lottery funds distributed to less-creditworthy communities are generally provided in the form of a combination loan and grant. Lottery funds are also used to cover bond-issuance costs, thus benefiting more-creditworthy communities as well.

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## Bond Banks Offer Financing at Less Cost

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bond bank. They can generally obtain better credit terms on their own than they could through a bond bank.

And Bivens said that despite all of the benefits of bond banks, they may not be able to accommodate very small loans or loans to small, financially distressed communities. He added that bond bank personnel might need to invest as much as \$10,000 in staff time to conduct the necessary in-person visits and other assistance needed to help a very small system through the process.

However, the minimum loan size each bond bank will arrange varies widely, depending on factors unique to each state and bond bank. Oregon's bond bank, for instance, will not generally issue loans for less than \$250,000, while North Dakota has issued many loans for less than \$100,000 in recent years, including one for \$25,000.

### **Your Next Step**

Local officials wondering if a bond bank could be used to help finance their projects

should first explore whether or not they have access to a bond bank. The CIFA/GFG report identified the states that operate what is traditionally described as a state bond bank.

If you do have access to a bond bank, arrange a meeting between bond bank representatives and town officials, Bivens suggested.

"You'll want to go equipped with the right information," Bivens added. This information would include the amount of financing needed for the project, a description of the proposed project, a rate schedule, and other data requested by bond bank officials.

Bivens said bond bank representatives probably will conduct a profile of the community's request and tell the community in advance whether they are likely to be included for funding.

If your state does not offer a traditional bond bank, it may still offer some degree of financial or technical assistance in issuing bonds. To see what is available in your state, contact your state's drinking water coordinator or local government associations in your state. \$

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“The total amount that we loan to a system [either from bond bank proceeds or lottery funds] is set not by how much the municipality needs, but rather by how much it can afford to pay in debt service,” Meek said, adding that the amount the community can afford to pay is “estimated conservatively.”

Some very small systems have received awards consisting entirely of grant funding from lottery proceeds.

In addition, lottery funds can be used to temporarily finance projects for systems awaiting bond bank proceeds.

“The combination of bond loans, grants, and grants for up-front bond costs yields a substantial savings for municipalities funding their projects through the Oregon Bond Bank,” Meek said.

### **North Dakota Rates Standardized**

The North Dakota Municipal Bond Bank operates two financing programs that can help finance water and wastewater projects—the clean water state revolving fund (SRF) program and the Capital Financing Program—according to Tom Tudor, executive director.

The Capital Financing Program can be used by communities for a variety of funding needs, while the clean water SRF program arranges financing for qualified wastewater projects. Tudor said he expects that North Dakota’s drinking water SRF will operate in a similar manner.

“Typically loans are for a term of 20 years, although the term can be shorter,” Tudor said. The interest rate communities pay for SRF loans is currently 2.5 percent plus an additional 0.5 percent for administrative costs. The interest rate communities pay for Capital Financing Program loans is the same rate the state bond bank receives for the bonds it sells through competitive sales.

Communities can submit loan applications to the bond bank at any time during the year. There are no pre-set dates for the issuance of bond bank bonds. Any “political subdivision” in the state can apply for funding. Tudor added that this definition includes rural water systems.

The bond bank doesn’t offer any special guidance or assistance to small communities. However, technical assistance may be available from the state Health Department.

### **One Happy Customer**

The town of Wahpeton is one community that has accessed funding through North Dakota’s bond bank.

The town financed the total cost of a \$1.1 million sewer system improvement through a bond bank loan, according to Arden Anderson, Wahpeton city auditor.

The project involved installation of a lime press designed to squeeze water from sludge produced at the plant. Anderson explained that sludge disposal has become a hefty expense in his region.

“We were able to secure the loan at 2.5 percent, which is outstanding,” Anderson said.

The sewage plant serves the approximately 9,100 town residents and a few nearby industries.

“We’ve had excellent cooperation from the bond bank,” Anderson said. “And, of course, any time you can deal with the state, you’re bound to get better interest.”

Anderson said his city, which currently carries a “Baa” rating, has issued bonds on its own with interest in the range of 5.5 percent. He was quick to stress, however, that because of varying market conditions and other factors, it is difficult to make an exact comparison between the town’s past bond bank borrowing and independent bond issues.

Anderson said his city is about to go back to the bond bank, this time for a “refunding improvement,” or consolidation, of six or seven smaller loans from local banks. The smaller loans, totaling about \$1 million, were used to finance various improvements to the water and wastewater systems.

In this case, the refunding loan from the bond bank will offer more than just a lower interest rate. “Instead of cutting six to eight checks a month [to the local banks], we have just one payment every six months to the bond bank,” Anderson explained. \$



*Workers prepare an anaerobic lagoon pretreatment wastewater facility in Jamestown, North Dakota. Financing for the project was arranged by the North Dakota Municipal Bond Bank.*

## Bond Ratings Reflect Risk to Investors

The rating assigned to a municipal bond is important to both the community issuing the debt and the potential investors.

A rating, determined by one of the national rating agencies, indicates the likelihood that the debt will be repaid. This is especially important for investors at the national level, who may have never heard of the community issuing bonds and probably know nothing about its financial situation.

Rating agencies divide their ratings into categories, with a AAA rating suggesting there is little or no risk that the community will “default,” or fail to repay its debt. Each lower category—AA, A, BBB, etc.—reflects a slightly increased risk of default (*see chart below*).

A lower rating also means a higher interest rate is paid on the debt. That higher return is the incentive to persuade investors to purchase less-secure bonds. The greater the risk to investors, the higher the interest rate paid by the community.

### How are bond ratings determined?

When a community is preparing to issue bonds, its bond counsel or another representative

contacts one or more of the national rating agencies. The three most commonly used agencies are Moody’s Investors Service, Standard & Poor’s Rating Group (S&P), and Fitch Investors Service.

Typically, the rating agency sends the community a detailed questionnaire to gather information about its finances. Although each rating agency has its own specific criteria, all are looking to assess the community’s:

- economic conditions, including the unemployment rate, income levels, and tax revenues;
- outstanding debt;
- administrative structure, or the performance of local officials; and
- fiscal performance, which weighs current liabilities against available assets, and evaluates revenue and expense trends.

The rating agencies issue a bond rating based on the information gathered.

“The process works pretty well,” according to Vincent Collins, a bond counsel based in Clarksburg, West Virginia. “The fees are substantial, but quite a lot of work goes into determining them.”

	Moody's	S&P	Fitch	
	Rating*			Description
Investment Grade	Aaa	AAA	AAA	Highest grade bond; revenue source to repay bond is considered stable
	Aa	AA	AA	Revenue source considered only slightly less secure than revenue sources for AAA-rated bonds
	A	A	A	Strong bond, but with some susceptibility to economic fluctuations
Speculative Grade	Baa	BBB	BBB	Medium grade; adequately secured, but economic conditions could impact long-run ability to repay
	Ba	BB	BB	Currently adequately secured, but long-term outlook is more speculative
	B	B	B	Currently adequately secured, but stronger risk of future default
	Caa Ca C	CCC CC C	CCC CC C	These grades reflect poorer quality, with clear danger of default

\* Standard & Poor’s and Fitch use “+” and “-” to further rate standings of bonds within the AA to CCC categories. Moody’s uses “1” to distinguish the best bonds in Aa to B categories.

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Collins said each rating company uses a different formula to determine rating agency fees. He said a typical rating agency fee for any bond issue ranges from about \$10,000 to \$30,000. In general, the rating fee for a smaller bond issue may be on the lower end of the scale. However, he emphasized that the size of the bond is only one factor affecting this fee.

A community can ask for an estimate in advance, Collins said. Rating fees are generally due at “closing,” when the bonds are sold.

### **Low Rating Can Be Bad News**

If a community relies on an independent bond issue to fund a drinking water system improvement, a low bond rating could jeopardize the project, according to Collins.

A bond underwriter may not agree to issue speculative grade bonds (*see chart*), according to Collins. If an underwriter does agree to issue bonds with a speculative rating, the higher interest rate required would swell project costs.

Collins added that once a rating agency issues a bond rating, it cannot be rejected or ignored. The community must disclose the rating to all potential investors.

“If during the rating process it looks as if the community is about to be given a poor rating, the community can withdraw its rating request,” Collins said. “But once the rating is issued, you’re stuck.”

A bond rating can be appealed in some cases, but the extra cost is usually prohibitive.

When small communities issue bonds, they are often “unrated,” meaning the community’s financial health has not been assessed.

A community may be required to issue bonds when borrowing money from the Rural Utilities Service or other federal and state agencies. These bonds usually do not require a rating.

Communities also sell unrated bonds to local banks or individuals familiar with the community.

These unrated bonds are viewed as somewhat risky investments—generally in line with speculative grade bonds. The local investors who purchase unrated bonds are paid a larger amount of interest to offset the risk of default.

Communities may decide to issue unrated bonds to investors

when only a small amount of funding is needed. The expense of a bond rating may not be justifiable for a small issue.

### **Insurance Can Boost a Rating**

Private bond insurance, a promise by a third party to pay a bond debt if the community defaults, is one step a community can take to improve its credit rating. The promise extends for the term of the bond issue.

Bond insurance is offered by several national companies, with rates based on the size of the bond issue. Some states offer a similar insurance arrangement.

Since the insurance is a guarantee to investors, communities generally can expect to receive a AAA rating on insured bond issues.

Collins said the decision about whether to use bond insurance is similar to the decision a community must make about bond ratings. Basically, will the amount of interest the community saves with bond insurance offset the cost of the bond insurance premium?

Bond insurance premiums are usually calculated as a percentage of the total debt service—principal and interest—to be paid over the life of an issue. The percentage can be as little as 0.3 percent to as high as 2 percent.

Experts note that bond insurance companies only extend insurance to bond issues with a BBB rating or higher.

A bond counsel or financial advisor can advise community officials about when and how to secure a bond rating. They can also recommend whether or not bond insurance should be purchased. \$

*Much of the information for this ratings article was drawn from A Debt Reference Guide (see box below).*

## **Debt Reference Guide Available**

Many terms and concepts communities may encounter when issuing bonds are described in *A Debt Reference Guide*. This document provides additional information on many topics covered in the three-part *Water Sense* series on bonds, which concludes with this issue.

The 1995 report was produced by University of Texas graduate students as part of a special LBJ School Policy Research Project.

The guide begins with an overview of the municipal bond market, followed by a description of the debt issuance process. The remaining chapters discuss various debt instruments, including types of bonds, derivatives, lease programs, and pooled programs.

While several examples used are Texas-specific, most information is widely applicable.

*The report can be downloaded free via the Internet at <http://www.cpa.state.tx.us/localinf/debtguide/welcome.html>. Those without Internet access can order a hard copy of the report (91 pages) from the National Drinking Water Clearinghouse by calling (800) 624-8301 and requesting item #FDBKFN17. The cost is \$13.10. Shipping and handling charges will apply. \$*



## State Groups Coordinate Funding, Resources

Coordinating groups, such as those below, are popping up in many states to help small communities finance needed drinking water and wastewater projects. Often these groups can help identify technical assistance as well, enabling small communities to navigate the sometimes confusing array of funding and assistance.

As state officials in New Mexico noted before launching their Intergovernmental Infrastructure Group, "There are a myriad of . . . programs administered by different state and federal agencies, each with its own application procedures and funding criteria. Although each is intended to be helpful, taken as a whole they confuse the local official who must piece several sources together to complete an expensive infrastructure project."

By bringing together representatives from the many federal and state funding programs for water and wastewater projects, New Mexico and other states have found that they can simplify the financing process. They can help small communities understand what funding is available, what "strings" might be attached, what communities might reasonably expect to obtain from which sources, and when they need to apply. Often these groups can also identify what's lacking in a preapplication or proposed solution, and point communities toward other sources of help.

Most of these groups are voluntary with little or no funding or staff. Many members characterize their groups as informal—but effective. If you are exploring a project in one of these states, you'll likely want to contact the coordinating group for guidance.

### Arizona

*Arizona Rural Infrastructure Committee (RIC)*  
contact: Rivko Knox  
(602) 280-1364

RIC coordinates federal, state, and nonprofit funding sources and technical assistance providers within the state to help small, rural, and border communities. The group holds monthly project meetings at locations around the state. Hosted by rural Councils of Governments, these meetings

allow communities to briefly summarize the project and identify needs, such as funding, design, permitting, timing, etc. Then representatives of funding, regulatory, and technical assistance agencies help match resources with projects.

According to one state agency, "Experience has shown that more can be gained from this round table discussion in a couple of hours than in weeks of research." Rivko Knox, who coordinates RIC activities, emphasizes that the group is "totally informal and keeps evolving."

### Indiana

*Environmental Infrastructure Working Group (EIWG)*  
contact: John Riemke  
(317) 232-8776

This "one-stop shop" brings federal and state funding and assistance organizations together with communities seeking money and help for water and wastewater projects. EIWG uses a two-page application to gather essential information from communities. At monthly EIWG meetings,

communities describe their problems and potential projects. EIWG representatives then identify which agencies can fund portions of each project. Communities can contact EIWG at any stage in their planning process. "The earlier, the better," says the group's coordinator, John Riemke. He notes cases where early, broad discussions of communities' problems have led to surprising solutions, tapping funding opportunities that might otherwise have been missed.

EIWG has also published a brief guide summarizing infrastructure funding sources and contacts in Indiana.

### Montana

*Water, Wastewater and Solid Waste Action Coordinating Team (W<sub>2</sub>ASACT)*  
contact: Barb Neuwerth  
(406) 444-5322

This coordinating team is made up of professionals from state, federal, and nonprofit organizations that finance, regulate, or provide technical assistance for water, wastewater, and solid waste

facilities. Like other coordinating groups, W<sub>2</sub>ASACT strives to save communities time and money by "aligning the right programs with the right projects at the right time." The group hosts seminars and has produced several publications, including a matrix of funding programs, and a 118-page guide, *Planning and Financing Community Water and Sewer Systems in Montana*.

*Continued on next page*

*For a summary of the major federal funding programs represented in these groups, see page 12.*

*Continued from previous page*

### **Nevada**

*Infrastructure for Nevada's Communities (INC)*

contact: Abby Johnson  
(702) 882-0296

Started in 1995, INC is a coordinating group of federal, state, tribal, and regional financing, regulatory, and technical assistance organizations, primarily for water and sewer systems. Created to help small communities meet their infrastructure needs, INC's primary function is information exchange and coordination of resources.

"We're ad hoc and very informal," says Abby Johnson of Rural Community Assistance Corporation, who coordinates the group's activities. At INC's quarterly meetings, members discuss current and potential problems in different communities. INC members then discuss what resources—such as funding or technical assistance—various organizations could bring to the problems. Members also keep each other aware of changes in their programs. In the future, INC hopes to develop a single bid document and consolidated application form.

### **New Mexico**

*Intergovernmental Infrastructure Group (IIG)*

contact: Dave Hanna  
(505) 827-4950

IIG is a group of state and federal agencies working to coordinate and streamline local infrastructure financing. It functions at two levels, says Dave Hanna, IIG coordinator. Its subcommittee on water, wastewater, and solid waste serves as a "one-stop shop," meeting with communities upon

request to solve problems and identify appropriate funding sources. This subcommittee uses an existing New Mexico Finance Authority application form as a standard intake document for several agencies to simultaneously consider funding for a project.

The full infrastructure group serves as an information exchange, meeting several times a year to talk about changes in laws, availability of funds, and other pressing issues. The group has also produced a matrix of funding sources.

### **New York**

*Infrastructure Working Group*

contacts: Dave Miller  
(315) 477-6427  
Patricia Scalera  
(518) 851-7644

A subcommittee of New York's Rural Development Council, this group got its start by trying to eliminate barriers to assistance for small community infrastructure. More recently, this working group has focused its bimonthly meetings on specific issues, such as implementation of the new drinking water state revolving fund.

Representatives from funding agencies, assistance organizations, regulatory agencies, Indian Health Services, and others involved in rural development can share what works—and what doesn't—and have input on the development of new programs. "The meetings are kind of a clearinghouse," says co-chair Dave Miller. A portion of each meeting is usually reserved to discuss needs of specific communities.

A community needing help with funding or technical assistance can contact the Infrastructure Working Group or any of the major funding or technical assistance providers in the state.

### **West Virginia**

*Infrastructure and Jobs Development Council  
(Infrastructure Council)*

contact: Susan Riggs  
(304) 558-4607

Unlike many of the other states' coordinating groups, West Virginia's Infrastructure and Jobs Development Council, was created by the state legislature in 1994. Any town or entity seeking state-administered funds for a water, wastewater, or economic development infrastructure project must apply through the Council using a standard

eight-page preliminary application. A preliminary engineering report is also required. The Council's Funding Committee conducts a financial review of preapplications prior to each monthly Council meeting, where members discuss the projects and agree on recommendations. Applicant communities may—but are not required to—attend any of the Council meetings.

The Council then sends written responses to all applicants within 30 days, outlining remaining technical concerns and listing funding sources that the communities should pursue and would be likely to obtain. \$

*Similar coordinating groups—or "one-stop shops"—for the following states were discussed in the Summer 1995 Water Sense:*

- Arkansas
- Colorado
- Ohio
- Pennsylvania
- Washington

*We'll continue to announce state coordinating groups in future issues. If you'd like to share information about efforts in your state, please contact the Water Sense editor at (800) 624-8301.*



## Who are the major federal funders?

The following programs represent the major federal funding sources for small community drinking water and wastewater projects. Most of these programs are administered at the state level. State representatives of these programs are often key participants in the coordinating groups mentioned on pages 10–11.

Many small community water or sewer projects are funded, at least in part, with combinations of loans and grants from two or more of these programs. In addition, many states also offer their own funding programs, adding to this mix.

### **Rural Utilities Service (RUS)**

*(formerly Farmers Home Administration)*

The U.S. Department of Agriculture's RUS Water and Waste Disposal Program provides both loans and grants to rural communities (with populations of less than 10,000) for drinking water, wastewater, solid waste, and storm drainage projects. RUS also administers the Water 2000 initiative, with a goal of bringing safe, affordable drinking water to all rural areas by the year 2000. These programs are administered locally by state and district Rural Development offices.

*Contact: your state Rural Development office (also listed at <http://www.usda.gov/rus/water/>)*

### **State Revolving Funds (SRF)**

The federal government, through the U.S. Environmental Protection Agency (EPA), gives each state "capitalization" grants to establish revolving loan programs for wastewater and drinking water. States must provide at least 20 percent in matching funds. Program priorities and project eligibilities vary by state.

**Clean Water SRF**—Started in 1988, this SRF can finance conventional wastewater projects and other water quality projects, including agricultural runoff prevention and septic system repair. Currently, the program has more than \$20 billion in assets.

*Contact: your state CWSRF manager (also listed at <http://www.epa.gov/efinpage/srfcon.htm>)*

**Drinking Water SRF**—Created with passage of the Safe Drinking Water Act (SDWA) Amendments of 1996, this new SRF can help finance projects needed to meet SDWA requirements and protect public health. It includes set-asides for source water protection and enhanced water system management, provides additional flexibility for small systems, and allows for loans to investor-owned systems. Nearly \$1.3 billion is available for distribution to states in 1997 to start their loan funds.

*Contact: your state DWSRF manager*

### **Community Development Block Grants (CDBG)**

Funded by the U.S. Department of Housing and Urban Development, the CDBG program provides grants for housing, economic development, and public facilities for primarily low- and moderate-income people. Eligible activities can include water and wastewater projects, though eligibility and other requirements for these grants vary by state.

*Contact: your state CDBG program manager*

### **Economic Development Administration (EDA)**

EDA provides grants to economically distressed areas for public works projects—including water and wastewater—that improve economic development, create long-term jobs, and/or benefit the low-income and long-term unemployed. EDA is part of the U.S. Department of Commerce.

*Contact: your regional EDA office*

### **Appalachian Regional Commission (ARC)**

This agency offers grants in designated Appalachian Regions within 13 states (AL, GA, KY, MD, MS, NY, NC, OH, PA, SC, TN, VA, WV). Eligible projects may include improvements to water and wastewater systems, and must be related to economic or community development or address residential needs in extremely poor counties. ARC can also provide supplemental grants in certain isolated rural communities to help meet local match requirements for federal funding.

*Contact: your state ARC program manager or local development district office*

*Contact the National Drinking Water Clearinghouse at (800) 624-8301 for telephone numbers of your state or regional contacts for these programs.*



## DWSRF: Frequently Asked Questions

*Editor's Note: In the past two issues of Water Sense, we described the new loan fund created by the Safe Drinking Water Act (SDWA) Amendments of 1996. In the meantime, small communities have been wondering how the new program—the drinking water state revolving fund (DWSRF)—will affect them. We've included some of those questions and answers below:*

### **Q. When will states begin making loans for drinking water projects?**

**A.** In at least one state—Georgia—DWSRF funds are available now, and several other states soon expect to receive grants from the federal government to fund their DWSRF programs.

Nearly \$1.3 billion in fiscal year 1997 funds are available from the U.S. Environmental Protection Agency (EPA) for distribution to states to start their DWSRFs. This money is being allocated to the states according to an existing EPA formula. Allocations in future years will be made according to the most recent needs survey (*see article on page 1*).

To obtain their share of the federal funds, states must establish their DWSRF programs and apply for federal “capitalization” grants. States have two years—until September 30, 1998—to apply for 1997 funds.

Before applying for their grant, states must:

- pass legislation authorizing the state to run a DWSRF;
- prepare an intended use plan (IUP) that describes how funds will be used, including a “priority list” of projects to be funded; and
- provide certain assurances, including the requirement for a 20-percent state match.

“Many states are still in the process of setting up authorizing legislation or making minor modifications,” says Larry Morandi, senior fellow of the National Conference of State Legislatures (NCSL). Still, EPA officials expect that most states will have the necessary legislation completed this year.

Once states have identified priority projects for funding and have received their capitalization grant from the federal government, they can begin to make loans from the fund.

The first federal capitalization grant—of nearly \$26 million—was made to Georgia in March. Georgia officials expect to make their first loan this summer (*see sidebar on page 15*).

### **Q. How are projects selected for funding?**

**A.** Any project that will receive funding from the loan program must first be on the state’s priority list, which is part of the IUP mentioned above.

“The priority system must be based on three criteria in the law, to the maximum extent practicable—namely, that a project helps the system come into or maintain compliance with the SDWA, protects public health, and helps ensure that user fees remain affordable according to state developed affordability criteria,” says Jamie Bourne, who oversees the loan program at EPA headquarters.

While EPA has issued guidelines for developing these priority lists, it’s largely up to states to determine how they will identify and rank projects to meet the goals as stated in the law.

“The priority systems that we have reviewed to date have varied more than we expected from the three principal factors listed in the law, which has been a real concern,” says Bourne. “The law clearly says that the states’ priority system should be based on compliance, public health, and affordability.

“Another important issue relating to the priority list is that states need to fund projects according to the order in which they are ranked on the priority list,” he says.

States should set up bypass procedures for emergency purposes and to allow systems that are not ready to proceed to be bypassed, he explains. Otherwise, a state must proceed down the list in order. This differs from the wastewater SRF program, where a state could choose a project for funding from anywhere on the list.

Any system receiving a loan must also demonstrate that it has—or will have—the technical, financial, and management capacity to operate the system over the long term.

This might make it tough for some small systems to obtain DWSRF loans, even though they’re the most likely to be in noncompliance, says Morandi. “There are trade-offs between health concerns and the ability to pay,” he says, “because you can’t have a revolving loan fund without repayments.” For that reason, some state DWSRFs provide interest-rate breaks for disadvantaged communities, he adds.

### **Q. How do I know if my system is eligible?**

**A.** Eligible systems are publicly or privately owned community water systems, and nonprofit noncommunity water systems, according to guidelines issued by EPA (*see back page*). Federally owned systems are not eligible.

“The big difference between the existing New Hampshire wastewater SRF and the new drinking water SRF is the introduction of private water systems,” says Rick Skarinka of the New Hampshire Department of Environmental Services.

*Continued on page 14*

## DWSRF: Frequently Asked Questions

*Continued from page 13*

Skarinka is helping develop New Hampshire's DWSRF program.

Indeed, privately owned systems are eligible for DWSRF funding. However, there are some states that have a statute or law in place that precludes funding to them, says Bourne.

EPA headquarters has identified nine states so far that currently do not allow funding for private systems. "However, several of these states are trying to change these prohibitions so that they can fund private systems," says Bourne.

"They're [the small private systems] the ones

with the most violations, the least financial capability," explains Skarinka. He says New Hampshire will allow funding for the privately owned systems, most of which are very small, but represent a large portion of the state's drinking water systems.

"We're dealing in

some cases with a 20-unit mobile home park or a homeowners association with 30 units. Sometimes these are difficult entities to loan money to because of the risk," he says, acknowledging that some of these systems will never be sound enough to qualify for a DWSRF loan.

### **Q. What types of projects are eligible?**

**A.** The driving forces behind the DWSRF are health protection, SDWA compliance, and drinking water affordability.

With those goals in mind, the types of activities that are eligible—according to federal guidelines—include:

- projects to consolidate water supplies or restructure systems;
- planning and design costs; and
- projects to replace aging infrastructure, including source improvement projects and installation or upgrades of treatment facilities, storage facilities, or distribution systems.

Activities that are NOT eligible for funding include:

- monitoring, operation, and maintenance costs;
- projects intended to serve future growth or needed mainly for fire protection;
- water rights, reservoirs (with some exceptions);
- dams; and
- projects for systems in significant noncompliance or lacking adequate technical, managerial, and financial capability, unless assistance will ensure compliance.

As mentioned earlier, your project must be on your state's priority list to be able to receive DWSRF funding. Contact your state DWSRF coordinator to learn more about program requirements in your state.

### **Q. What are some DWSRF provisions for small systems?**

**A.** The law requires states to use at least 15 percent of their DWSRF funding pool for loans to systems serving fewer than 10,000 people, to the maximum extent possible. States need to work with small systems to ensure that a sufficient number of projects are ready to proceed.

"States know that we're very, very concerned about small systems," says Sheryl Parsons, SRF coordinator for EPA Region 4. She notes that most states shouldn't have a problem meeting the 15-percent requirement. In Georgia, for instance, most of the projects on the priority list serve fewer than 10,000 people.

However, the smallest, most financially strapped systems may find it difficult to qualify for SRF loans.

That's why states can use up to 30 percent of the capitalization grant to provide loan subsidies to "disadvantaged" communities.

"States get to define 'disadvantaged' on their own," says Parsons, though the definition must be based on affordability for the systems' customers.

She explains that the loan subsidies can include partial loan forgiveness, longer loan terms, low or no interest, or even negative interest rates—all of which would reduce the amount the community would need to pay back.

States can also set aside up to 2 percent of their capitalization grant to provide technical assistance to small communities, which often need the most help planning and completing a project.

"One of the biggest challenges for small communities [wanting DWSRF funds] will be getting through the paperwork," says Parsons, pointing to the typical part-time small town official who "doesn't understand what all needs to be done."

She expects to see small systems get more help filling out applications and understanding the program, along the lines of assistance provided by such groups as the Rural Community Assistance Program and state Rural Water Associations.

### **Q. Who can I contact in my state?**

**A.** Call the DWSRF program coordinator in your state. For the telephone number of your state contact, call the National Drinking Water Clearinghouse at (800) 624-8301. \$



*States are getting the word out about the new drinking water state revolving fund. In Georgia, more than 200 people attended the seven statewide workshops announcing the program.*

*The workshops were hosted by the Georgia Environmental Facilities Authority, the state's Environmental Protection Division, and the Georgia Rural Water Association.*

## Georgia Is First To Set Up DWSRF

In Georgia, officials in charge of the drinking water state revolving fund (DWSRF) were eager to launch the new loan program—designed to help drinking water supplies remain safe and affordable—as soon as possible.

So eager, in fact, that on March 6, 1997, Georgia became the first state in the country to receive federal funds to “capitalize” its DWSRF. To this \$25.7 million allotment for fiscal year 1997, the state is adding more than \$5 million in required state matching funds. As a result, nearly \$31 million will be available for low-interest loans and other assistance for drinking water systems in Georgia.

State officials started planning for the program even before the U.S. Congress created the DWSRF in August 1996. Georgia had passed legislation authorizing a DWSRF back in 1994, in anticipation of the federal program.

This winter, DWSRF representatives and technical assistance providers criss-crossed the red clay of Georgia, blanketing the state with information packages, workshops, and needs surveys—all designed to describe the program, identify eligible activities, and solicit projects most in need of funding.

“We wanted to make certain that every drinking water system in the state was aware of what was going on,” says Greg Mason, program manager for both the clean water and drinking water state revolving loan funds within the Georgia Environment Facilities Authority (GEFA).

By year’s end, GEFA had sent out 2,200 surveys to community and drinking water officials throughout the state. This effort netted 74 responses identifying 158 projects—with estimated needs of more than \$347 million.

The top 44 projects—ranked according to public health and compliance benefits—make up the priority list of projects to receive DWSRF funding.

### Keeping It Simple

In developing and marketing the DWSRF program, Georgia officials strove for simplicity, says Mason.

“We wanted a seamless program for our customers,” he says, referring to the way the DWSRF is meshed with GEFA’s array of other funding programs for drinking water, wastewater, and solid waste projects.

This way, he says, customers seeking a project loan can see what’s available from GEFA’s “smorgasbord of possibilities.”

From past experience, GEFA staff have also learned to anticipate the most commonly asked questions.

“The main questions people ask are, ‘How much can I borrow?’; ‘What are the terms?’; and ‘How much is it going to cost?’” says Mason. “So we created a one-page rate sheet that identifies each program [available through GEFA], the maximum loan amount, maximum terms, interest rate, and when the funds are available.”

For the DWSRF, the maximum loan amount is \$2 million, the maximum term is 20 years, and the interest rate is 4 percent—features similar to some of the other GEFA programs.

### Set-Asides, Eligibility Defined

Georgia plans to use the maximum amount that they can “set aside” from the loan fund for non-project activities, including 2 percent for technical assistance to small systems; 10 percent for assistance to state drinking water programs; and 15 percent for source water assessment, capacity development, and similar programs.

However, program officials weren’t comfortable using the full 30 percent allowed for loan subsidies to “disadvantaged” communities, since these could deplete part of the loan fund itself.

“We asked, ‘How can we keep the long-term viability of the fund and still meet essential needs?’” says Mason.

They chose a middle road, deciding to reserve \$4 million, or 16 percent, of the fund for disadvantaged communities. These funds can help subsidize loans to communities that meet specific affordability criteria and are making reasonable efforts to maintain their systems.

In Georgia, private systems are not eligible for DWSRF funding. The reason for this, says Mason, is the lack of any mechanisms at GEFA for lending to these systems—current law prohibits GEFA from funding private systems.

However, the state plans to help private systems in other ways.

“Many of the set-asides—for technical assistance and operator training, for instance—can be used to assist private systems,” says Mason.

However, he notes that this may not be enough for the most troubled systems. As a result, some of the projects topping the state’s priority list involve consolidating small private systems—such as mobile home parks—with a neighboring county or municipal water system.

Georgia officials plan to start funding projects on the DWSRF priority list by this summer.

“We expect to make our first loan in June or July [1997], if not sooner,” says Mason. \$

*“The main questions*

*people ask are,*

*‘How much can I*

*borrow?’; ‘What are*

*the terms?’; and*

*‘How much is it*

*going to cost?’”*



*Greg Mason,  
drinking water state  
revolving loan fund  
manager, Georgia  
Environment  
Facilities Authority*

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## Report Lists Federal Water Quality Programs

A report by the U.S. General Accounting Office (GAO) identifies 72 federal programs and initiatives that help states, municipalities, and individuals protect and improve groundwater and surface water threatened by pollution.

These agencies estimated that they spent at least \$4.6 billion on these programs in fiscal year 1995. The report includes initiatives designed specifically to address water quality concerns as well as others that have different primary missions, but indirectly benefit water quality.

Some of the assistance identified in the report is financial, provided as grants or loans. Other types of help listed include technical assistance, planning or advisory services, studies, and education.

Each entry cites:

- the agency that administers the program,
- the program's authorizing legislation,
- the types of assistance and limitations,
- the eligibility requirements, and
- the offices that potential program recipients need to contact to apply for assistance.

To order a free copy of the June 1996 report, call GAO at (202) 512-6000, and request *Water Quality: A Catalog of Related Federal Programs*, document number GAO/RCED-96-173. The report can also be viewed or downloaded via the World Wide Web at <http://www.gao.gov/AIndexFY96/abstracts/rc96173.htm>. \$

## Publications Online

The National Drinking Water Clearinghouse (NDWC) newsletters are now online, and the spring 1997 issues of *On Tap* and *Water Sense* may be downloaded via the NDWC Web site.

Located at <http://www.ndwc.wvu.edu>, the site provides an overview of the NDWC's program and services. It includes the clearinghouse's products catalog, abstracts of the newsletter articles, and links to other relevant sites.

Among these links are the NDWC's "sister" organizations—the National Small Flows Clearinghouse and the National Environmental Training Center for Small Communities. Both organizations also offer their publications online.

*Printed copies of the newsletters and products catalog are still available free of charge. To order, call the NDWC at (800) 624-8301. \$*

## DWSRF Final Guidance Available

The U.S. Environmental Protection Agency (EPA) released its final guidelines for implementing the new drinking water state revolving fund (DWSRF) on March 7.

Aimed primarily toward state-level administrators, the 55-page document describes the main features of the loan fund, including state requirements, eligible uses and projects, set-aside allowances, and provisions for small systems.

For additional information or a free copy of the document, call EPA's Safe Drinking Water Hotline at (800) 426-4791 and request the DWSRF final guidelines. The guidelines are also available through the Internet at <http://www.epa.gov/OW/regs/intro.html>. \$

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