



WIFIA

PROGRAM

EPA'S SWIFIA FINANCING
PROGRAM

THE VALUE PROPOSITION
FOR STATE
INFRASTRUCTURE
FINANCING AUTHORITIES

CIFA CONFERENCE, OKLAHOMA CITY
NOVEMBER 13, 2023



GENERAL BACKGROUND

- **2014:** Congress passed the **Water Infrastructure Finance and Innovation Act (WIFIA)** as part of Water Resources Reform and Development Act (WRRDA) of 2014, which established the WIFIA program at EPA.
- WIFIA Authorizes EPA to underwrite loans for eligible borrowers for eligible projects funded by the U.S. Government
 - WIFIA is governed by the 1990 Federal Credit Reform Act (FCRA)
- **FY2017:** EPA received its first appropriation for WIFIA loans and selected initial projects *including SRF eligible projects proposed for financing by the Indiana Finance Authority*
- **2018:**
 - **Congress authorized a separate dedicated State infrastructure Financing Authority WIFIA fund (SWIFIA) that operates within the WIFIA Act and FCRA**
 - 2020 Appropriations bill provided inaugural funding for SWIFA
- **FY2018 – present: WIFIA** completed five additional rounds of project selection and closed 115 loans (through 10/31/2023)
 - \$19 billion in loans obligated
 - **Three loans totaling \$1.16 billion have been made to two states for CW and DWSRF programs, including the first SWIFIA loan closed in 2022.**



LEVERAGING FEDERAL DOLLARS

- A small amount of federal funds supports a much larger amount of infrastructure investment
- SWIFIA Program leverage ratio is estimated at 200:1

\$5
MILLION IN
APPROPRIATIONS



\$1
BILLION IN
LOANS

\$2
BILLION IN
INFRASTRUCTURE
INVESTMENT



SWIFIA BASICS

- SWIFIA is a dedicated funding program established to serve financing needs of state infrastructure financing authorities
- Authorizes EPA to underwrite loans to state infrastructure financing authorities for the purpose of on-lending to eligible SRF borrowers for eligible SRF projects
- SWIFIA loans are senior lien, secured by existing SRF master indenture (subject to statutory requirements and WIFIA policy) or the financing authority accepts EPA's standard terms.
- SWIFIA loans are limited to 49% of eligible project costs (defined as the aggregate of all projects to be funded from SWIFIA proceeds, SRF equity and any publicly issued obligations)
 - Total federal funding **cannot** exceed 80% (does not include recycled SRF dollars)
- Loan interest is set on the loan closing date based on (a) the U.S. Treasury rate as determined by (b) the **assumed** weighted average life of the loan
 - Interest accrues and is payable only on loan amounts drawn
- Although NEPA is required. EPA can use existing environmental documents and analysis for decision-making. A Programmatic Environmental Assessment (PEA) is required.
- States are responsible for SWIFIA financing costs and administration fees



SWIFIA SPECIFIC FEATURES AND GENERAL REQUIREMENTS

- SWIFIA loan draws are not required to be made pro-rata for each SRF project that, in aggregate, comprise the SWIFIA project amount.
- WIFIA and SWIFIA loans made to state SRF financial intermediaries provide option for designated projects and loan recipients to be removed and replaced, and subject to funding availability, to add additional projects and loan recipients. (NEPA requirements apply)
- Loan amortization schedule may be adjusted post-close subject to a weighted average maturity limit or a yield curve lock. Loan amortization follows loan disbursement.
- The WIFIA Act requires that all SWIFIA loan recipients covenant that pledged revenues will be sufficient to cover scheduled debt service by at least 1.0x
- OMB Circular A-129 requires that federal credit programs impose a default rate in the event of payment default. A default rate is included in all WIFIA loan agreements including SWIFIA loan agreements
- WIFIA incorporates standard default language that protects the U.S. government's interest and bestows certain recourse rights should one or more bankruptcy related events occur.



GENERAL PROGRAM FEATURES THAT BENEFIT SWIFIA APPLICANTS

- WIFIA Loans accrue interest only against amounts drawn which sets up opportunity to lock up funding for multiple loan cycles effectively providing a forward rate at no additional cost
- Program flexibilities allows borrowers to take advantage of favorable interest rate moves.
 - The program offers borrowers a one-time loan interest rate reset post loan close via a re-execution of the loan agreement provided:
 - the loan has not disbursed
 - existing terms and conditions remain in place
 - the project is pre-construction or under construction, and
 - Unexpended eligible project costs remaining at the time of re-execution must be more than the WIFIA loan amount
 - Loan are not call protected and can be refinanced taxable to tax-exempt once fully disbursed
- Loans can mature up to 35 years from first loan draw and repayment can be deferred for up to five years after first disbursement
- As taxable instruments, loan are not subject to IRS arbitrage rules



OTHER REQUIREMENTS

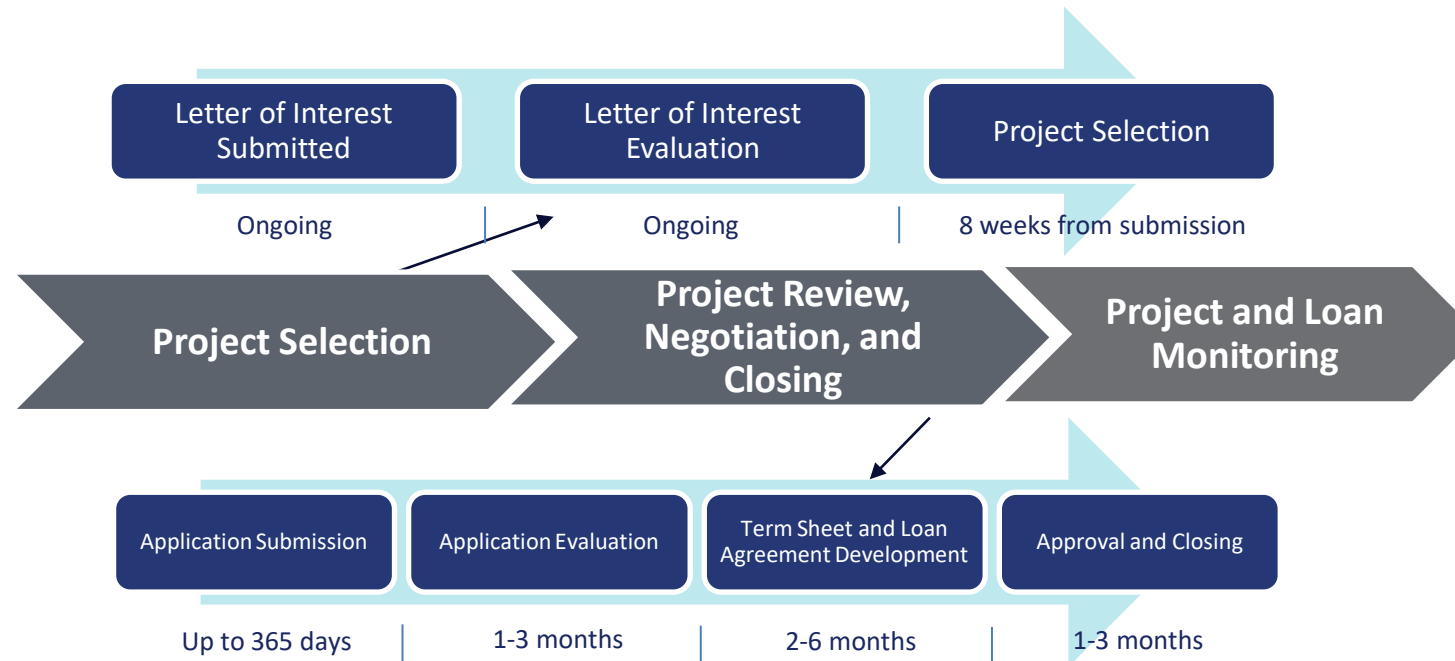
ADMINISTRATIVE CROSS-CUTTERS

- American Iron and Steel (AIS)
- **Build America, Buy America (BABA)** requires Federally funded projects to use iron, steel, manufactured products and construction materials produced in the United States.
- Davis-Bacon

Note: the WIFIA Program received a BABA Waiver that waives BABA requirements for all WIFIA financed projects that have initiated project design prior to May 14, 2022.



APPLICATION/LOAN PROCESS



WIFIA Act requires either EPA approval within 180 days of submitting a complete SWIFIA application, or guidance on what is still needed in the loan agreement

SWIFIA WEBINAR

WIFIA Loans to State Infrastructure Financing Authorities: [Tuesday, November 28, 2023, from 2:00 p.m. to 3:00 p.m.](#) (Eastern time)





CONTACT INFORMATION AND RESOURCES

RESOURCES

General Information

<https://www.epa.gov/wifa/about-wifa>

- Program overview
- SWIFIA information
- Program benefits
- Links to laws and regulations

Application Materials

<https://www.epa.gov/wifa/wifa-application-materials>

- SWIFIA Letter of Interest form and application

Program Resources

<https://www.epa.gov/wifa/wifa-program-resources>

- Template Term Sheet (both WIFIA and SWIFIA)
- Federal compliance requirements
- Program Handbook
- FAQs

Learn More

<https://www.epa.gov/wifa/learn-more-about-wifa>

- Annual Report
- Videos
- Presentations and Factsheets
- Sign up for WIFIA's Newsletter



CONTACT US

Website: www.epa.gov/wifia

Sign-up to receive announcements about the WIFIA program at <https://tinyurl.com/wifianews>

Have questions? Want to meet with WIFIA staff?

Contact us at wifia@epa.gov

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