



**NATURAL RESOURCES  
DIVISION**

# Arkansas State Revolving Fund Process

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# History of Arkansas Natural Resources Commission (ANRC)

- ▶ 1972 Congress authorized original construction grants program. Arkansas Department of Environmental Quality manages program.
- ▶ 1983 New Agency (ANRC) created to house water and wastewater funding and other water related programs
- ▶ 1996, Congress authorized the Drinking Water State Revolving Fund (DWSRF) program under the Safe Drinking Water Act (SDWA)
- ▶ 2001 Clean Water SRF transferred to Commission (ANRC)
- ▶ 2019 as part of the Governor's Transformation Initiative, the agency (ANRC) joined the Arkansas Department of Agriculture and was renamed the Natural Resources Division.



# Funding Programs



## ▶ 2 Federal Capitalized Programs

- ▶ Clean Water Revolving Loan Fund Program (CWRLF)
- ▶ Drinking Water State Revolving Fund Program (DWSRF)

## ▶ 3 State Programs

- ▶ General Obligation Bond Program (GO)
- ▶ Water Development Fund Program (WDF)
- ▶ Water, Sewer, and Solid Waste Fund Program (WSSW)

# Streamlining the Processes

Implementing changes

## Streamlining process and Goals

2018 - Focus Group

2021 – Management Study

2022 – Purchase Software

- ▶ Goal #1 is to grow the program demand on SRF resources to the point that both programs are “funds limited” (demand exceeds supply), which will necessitate leveraging the fund(s) to increase assistance capacity
- ▶ Goal #2 reduce unnecessary requirements
- ▶ Goal #3 provide staff opportunities to focus on borrowers instead of processes
- ▶ Goal #4 accelerate loan closing and disbursing approved funding



# Changes implemented

1. Streamlined process
2. Streamlined application
3. Reduce standard lending rates
4. Added Special Lending rates
5. ACT 605 (§ 14-234-120) Water Provider oversight becomes law



## STATE PROGRAM CURRENT LENDING RATES

- ▶ 2.10% interest for a ten (10) year repayment period
- ▶ 2.55% interest for a twenty (20) year repayment period
- ▶ 2.85% interest for a thirty (30) year repayment period

In addition, 3% fee due at loan closing, may be paid with loan proceeds

## SRF PROGRAM

### CURRENT LENDING RATES

- ▶ 1.00% for a ten (10) year repayment period (0% interest, 1% fee)
- ▶ 1.75% for a twenty (20) year repayment period (0.75% interest, 1% fee)
- ▶ 2.25% for a thirty (30) year repayment period (1.25% interest, 1% fee)



# Special Lending Rates based on State Priorities

Illinois River Basin projects that are specifically designed to reduce phosphorus concentrations in the Illinois River.

1.5% (0.50% interest and 1% fee) for Illinois River Basin projects addressing water quality concerns related to the Illinois River for a lending rate of 1.5% for a maximum of 30 years or the life of the project, whichever is less.

Buffalo River Watershed projects that are specifically designed to improve water quality in the Buffalo River Watershed.

1.5% (0.50% interest and 1% fee) for Buffalo River Watershed projects addressing water quality concerns related to the Buffalo River for a lending rate of 1.5% for a maximum of 30 years or the life of the project, whichever is less.



# Special Lending Rates

Regionalization projects involving the physical interconnection and consolidation of two or more systems including asset management transactions to a single system. At least one of the systems must be a small public water/sewer system, a system servicing 10,000 or fewer customers.

1.5% (0.50% interest and 1% fee) for Regionalization projects addressing water quality concerns for a lending rate of 1.5% for a maximum of 30 years or the life of the project, whichever is less

Cyber Security project is defined as the cybersecurity component(s) of a centralized wastewater treatment project at publicly owned treatment works (POTWs). Eligible cybersecurity as defined in the EPA fact sheet.

Reduction of lending rate (up to 0.50%) for eligible cybersecurity component(s) of a publicly owned system, centralized wastewater treatment project, savings not to exceed the cost of the cybersecurity component(s).





## Results

- Large to small systems/communities apply for funding
- Consulting Engineers more likely to recommend ANRC funding
- Approved funding attains construction start sooner
  - Was 18-24 months
  - Now 3-12 months
- Arkansas is estimated leverage for both CW & DW SRF within 2 years

# Current application process

1. Water/Wastewater Advisory Committee (WWAC) pre-application
2. ANRC funding application
3. Application review and financial analysis
4. Funding recommendation
5. Applicant acceptance of funding recommendation
6. Commission Action
7. Award Letter issued



# After funding approval

1. Complete Additional Requirements
  - Project Priority List
  - Finalize Design/Approval of Plans
2. Close Loan (Bond)
3. Construction Notice to proceed issued
4. Project Administration
5. Project Completion
6. Repayment



## ACT 605 (§ 14-234-120)

### Amended the law concerning retail water providers and related service

- ▶ Rates studies required:
  - ▶ By July 1, 2024 and every five (5) years thereafter for providers that serve five hundred (500) or fewer customers
  - ▶ By July 1, 2025 and every five (5) years thereafter for providers that serve five hundred one (501) to one thousand (1,000) customers
  - ▶ By July 1, 2026 and every five (5) years thereafter for providers that serve more than one thousand (1,000) customers
  - ▶ Prior to undertaking a major development project



# Current Process

## Advantages

- ▶ Staff assistance for all steps, lots of hand holding
- ▶ Formal process everyone is comfortable with
- ▶ Maintains a stable borrower pool
- ▶ Conservate approach to maintain funds for perpetuity

## Disadvantages

- ▶ Applicants expect the state to “do everything”
- ▶ Failing to expand borrower pool
- ▶ PPL does not provide pipeline of projects
- ▶ Failing to meet EPA disbursement and balance goals
- ▶ Too much money!





**NEW!**

## IIJA - BIL

- Project Priority Lists are inadequate to apply for BIL grants
- Application process inadequate to meet BIL requirements
- 49% additional Subsidization to Disadvantaged, 51% loan
- Pressure to apply for all grants in the first year
- Modifications to IUP to meet BIL requirements



# More Change on the way!

- ▶ Educate applicants on new process
- ▶ Must be on PPL to apply for funding
  - ▶ Update the PPL quarterly
- ▶ Time limit to close loan and expend funds
- ▶ Annual or Semi-Annual call for applications/projects eligible for Principal forgiveness
- ▶ Additional outreach for Disadvantaged Communities
- ▶ Implementation of software to manage applications, funding, project administration and loan servicing
- ▶ Applications and Disbursements entered by borrower on-line using new software



# Questions

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