State Spotlight on SRF Financing Policy: Ohio

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What’s this all about?

Financing Policy Levers
- Program Capacity/Leveraging
- Interest Rates
- Special Discounts
- Loan Minimums/Maximums
- Additional Subsidy Policies
  - To Who?
  - For What?
  - Percentage of Project?
  - Maximums/Caps?

Program Priority Factors
- Water Quality/Public Health Priorities
- Perpetuity of the SRF
- Small and/or Disadvantaged Communities
- Affordability
- Distribution of Additional Subsidy
- Asset Management
- Green Infrastructure
- Specific Project-Types (LSLs, CSOs, etc)
- Geographical Priorities
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Some Background on Ohio’s SRF Programs...

• Ohio’s SRFs are co-administered by Ohio EPA and the Ohio Water Development Authority
• Enabling legislation in Ohio Revised Code is very basic
• Program mechanics and priorities are outlined in the Program Management and Intended Use Plans
• Demand for funds has always been strong
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Some Background on Ohio’s SRF Programs...

- CWSRF leveraged since 1995; DWSRF leveraged since 2002
- Interest rates – Indexed since 1991; Adjusted monthly
- Last 3 years average annual loan activity:
  - CWSRF - $586 million/192 loans
  - DWSRF - $203 million/91 loans
- Program administration costs currently covered by fees
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Getting an early start

CWSRF Program
• Indexed Interest Rates – 1991
• Linked Deposit Program – 1993
• First CWSRF Leveraging – 1995
• Septage Receiving Discount – 1998
• “Hardship” Interest Rates – 2002
• Green Infrastructure Discount – 2009
• 0% Planning/Design Loans - 2013

DWSRF Program
• Indexed rates from beginning - 1998
• First leveraged bond issuance – 2002
• Creation of Disadvantaged Community Program - 2006
• Elimination of the funding “cap” – 2014
• Creation of HAB discount – 2015
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Where are we now?

CWSRF Program

- Extended terms (up to 45 years)
- Structured Repayments available
- Regionalization discount
- Nutrient Reduction Discount
- Water Resource Restoration Sponsorship
- 0% Planning and Design Loans
- *PF = Home Sewage, Regionalization, Municipal Wastewater, Back-up Power

DWSRF Program

- Extended terms (up to 40 years)
- HAB/PFAS discounts
- Regionalization discount
- LSL discount
- 0% Planning and Design Loans
- *PF = Regionalization, Priority public health-based projects

*Base and BIL Supplemental
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What is the need?

Options to address need

Evaluate Implementation

Program Modification/Implementation

Financial Modeling

PRIORITY
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Example – CSO Communities

Need: Assist struggling CSO communities implement their projects

Options: Interest rate discounts, extended loan terms, structured repayments

Financial Modeling: Indicated program can do all three, with limits on each

Program Implementation:

- Offer $300 million @ 0% over a three-year period
- Approval for extended-term financing
- Develop a mechanism for structured repayments

Evaluation: Uptake in all three elements; accelerated the pace in a few cases; limited interest in structured repayments
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Example – Regionalization

Need: Reduce significant non-compliance and poorly managed utilities

Options: Interest rate discounts and principal forgiveness

Financial Modeling: 0% financing is available, with limits

Program Implementation:
- Offer $50 million @ 0% annually
- Additional subsidy: CWSRF - $15M, DWSRF - $16M

Evaluation: Tremendous response from applicants; Dozens of projects implemented; Soft approach with very positive results
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*Incentives with limited success*

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<th>Incentive</th>
<th>Limitation</th>
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<tr>
<td>Septage Receiving Discount</td>
<td>Willing municipalities</td>
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<td>Linked Deposit for Home Sewage</td>
<td>Homeowner credit</td>
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<td>Direct loans for NPS projects</td>
<td>Security/Repayment issues</td>
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<td>Early 0% funds for LSL replacement</td>
<td>Local implementation issues</td>
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<td>0% Corrosion Control Plans</td>
<td>Generally small dollar amounts</td>
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Factors influencing policy in current environment

- Balancing objectives and expectations
- IIJA funding provides opportunities and challenges
- New stakeholders to engage and educate
- Additional subsidy rules the conversation
- Post-IIJA considerations...which policies are sustainable?
- Uncertain markets, supply chains, workforce
- Impacts of ARPA funding on program demand
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