

State Spotlight on SRF Financing Policy: Ohio

**2022 CIFA SRF Workshop
November 7th, 2022**

**Jerry Rouch, Deputy Director for Infrastructure Funding
Ohio EPA**



State Spotlight on SRF Financing Policy: Ohio

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

State Spotlight on SRF Financing Policy: Ohio

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

State Spotlight on SRF Financing Policy: Ohio

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



State Spotlight on SRF Financing Policy: Ohio

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

State Spotlight on SRF Financing Policy: Ohio

Where are we now?

CWSRF Program

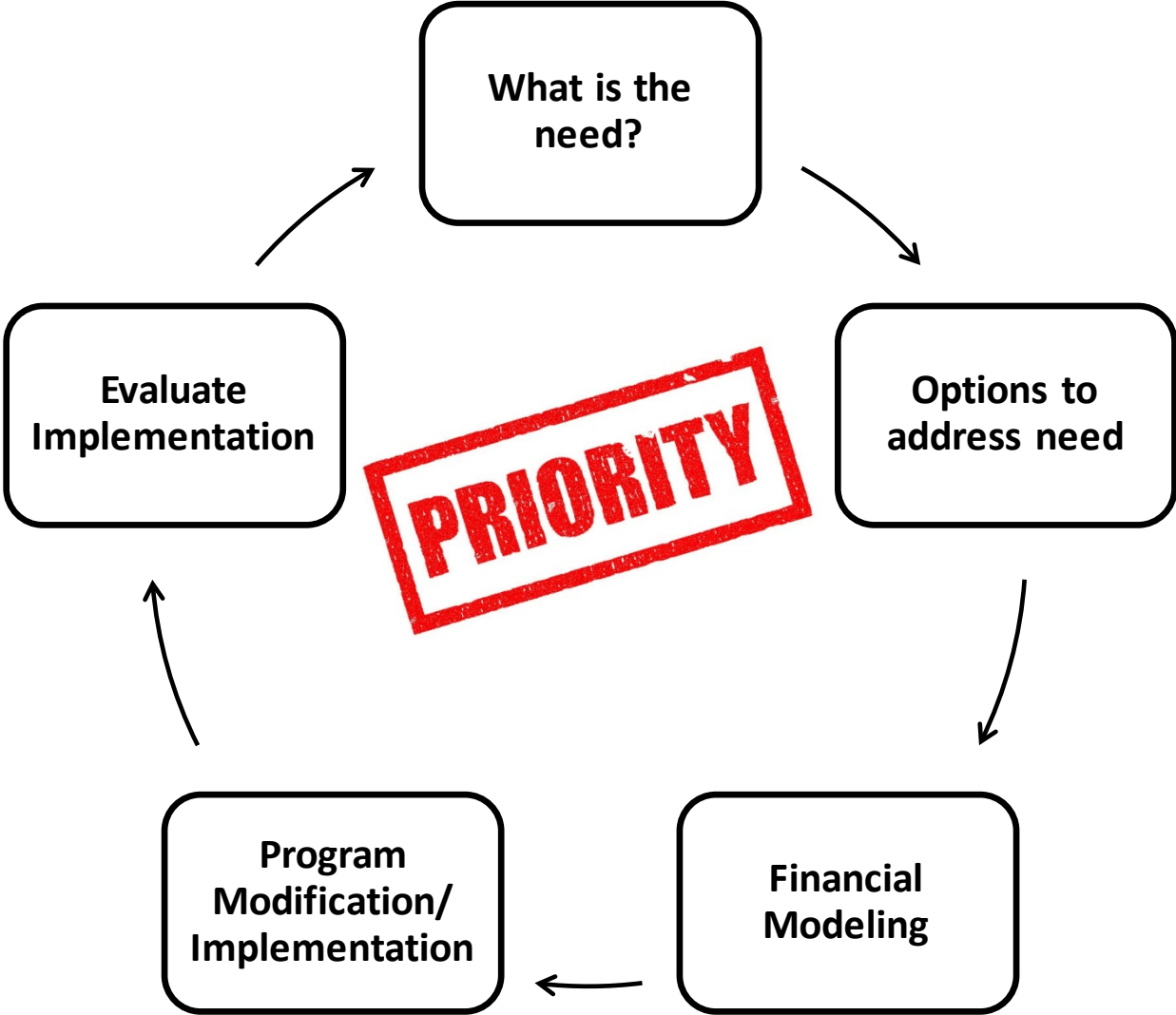
- Extended terms (up to 45 years)
- Structured Repayments available
- Regionalization discount
- Nutrient Reduction Discount
- Water Resource Restoration Sponsorship
- 0% Planning and Design Loans
- *PF = Home Sewage, Regionalization, Municipal Wastewater, Back-up Power

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

State Spotlight on SRF Financing Policy: Ohio



State Spotlight on SRF Financing Policy: Ohio

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



State Spotlight on SRF Financing Policy: Ohio

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

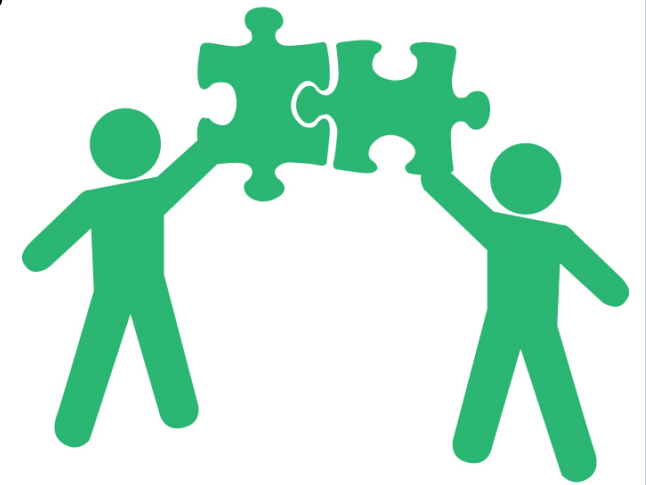
Program Implementation:

- ✓ 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



State Spotlight on SRF Financing Policy: Ohio

Incentives with limited success

Incentive

Septage Receiving Discount

Linked Deposit for Home Sewage

Direct loans for NPS projects

Early 0% funds for LSL replacement

0% Corrosion Control Plans

Limitation

Willing municipalities

Homeowner credit

Security/Repayment issues

Local implementation issues

Generally small dollar amounts



State Spotlight on SRF Financing Policy: Ohio

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



State Spotlight on SRF Financing Policy: Ohio

Jerry Rouch, Deputy Director for Infrastructure Funding

Jerome.rouch@epa.ohio.gov

(614) 644-3660

