Jeff Freeman
Executive Director, Minnesota Public Facilities Authority
Council of Infrastructure Financing Authorities, President
1st National Bank Building, Suite W820
332 Minnesota Street
Saint Paul, MN 55101-1378

Dear Mr. Freeman:

Thank you for your May 6, 2019, letter to the U.S. Environmental Protection Agency (EPA) regarding implementation of provisions in America’s Water Infrastructure Act that streamline access to financing through the State Revolving Fund Water Infrastructure Finance and Innovation Act (SWIFIA) program. EPA aims to create an efficient and flexible program to provide State Revolving Fund (SRF) borrowers with additional resources to accelerate infrastructure investment in their state. Feedback from the SRF community will help EPA to achieve this goal.

Security and Credit Terms
EPA’s objective is to accept existing SRF master bond indentures when the SWIFIA loan is issued on a senior lien, parity with other capital market debt of the same credit quality. For SWIFIA loans, EPA will accept the same terms and conditions as other bond holders under the master indenture to the extent that is permitted by Federal law and regulation.

If there are instances when EPA cannot accept master bond indenture without modification, the SRF program may seek financing through the WIFIA base program under customized loan terms. For non-leveraged SRF programs without a bond indenture, the WIFIA program will develop standard security terms, including coverage ratio requirements, to minimize risk, ensure the Government will be repaid, and streamline the loan approval process.

Applicant Evaluation
EPA intends to create an efficient evaluation process that does not duplicate efforts. For SRF borrowers, the WIFIA program may not require additional engineering reviews of individual projects beyond what is already required by the Clean Water Act and Safe Drinking Water Act. The WIFIA program will review the SRF program’s engineering review procedures. Similarly, EPA will not conduct additional financial reviews of sub-borrower pledged loans assuming the pledge is a large and diversified pool and will only review the SRF program rules, requirements, and procedures for loan approval. For both the engineering and financial reviews, the WIFIA program review is focused on evaluating the risk to the Government for the loan.
The WIFIA program will not conduct environmental reviews of individual projects beyond what is already required by the Clean Water Act and Safe Drinking Water Act; however, the EPA will issue a National Environmental Policy Act (NEPA) determination on the SRF program prior to closing a SWIFIA loan. The SRF program can utilize the Programmatic Environmental Assessment (PEA) to streamline the review. Being covered by the PEA means that all the SRF program must do is complete an environmental questionnaire regarding potential impacts. With the PEA, EPA relies on the SRF program’s existing procedures, methodologies, and tools for determining projects’ impacts within its state environmental review process to do its assessment. Additionally, use of the PEA does not require a new public comment period, notice in the federal register, or issuance of a new Finding of No Significant Impact, providing further efficiency.

**Funding**

For the SWIFIA program, EPA will create a flexible process consistent with statute, regulation, and program priorities. SRF borrowers will be required to provide a list of projects included in the loan and will be allowed to substitute similar projects. Once a final decision is made about NEPA and the selection process for SWIFIA, the WIFIA program will develop guidance for swapping projects. In addition, SRF programs are allowed by statute to use 100 percent of WIFIA financing to fund the full cost of a project.

**Project Management**

As an investor, the WIFIA program will seek reporting like what is reported to bond holders in EMMA and what is reported to EPA as a grantor for the annual capitalization grant. It will rely on information already reported to EPA and EMMA when possible. However, there may be additional reporting requirements for SWIFIA loans to meet statutory and regulatory requirements.

Again, thank you for your letter. If you have further questions, please contact me or Jorianne Jernberg, WIFIA program director, at jernberg.jorianne@epa.gov or (202) 566-1831.

Sincerely,

Andrew Sawyers
director

cc:

Kim Colson, North Carolina Department of Environmental Quality, Treasurer
Jim McGoff, Indiana Financing Authority, Secretary
Mark Bennett, Arkansas Natural Resources Commission, Past President
Nate Keenan, Massachusetts Clean Water Trust
David Zimmer, New Jersey Infrastructure Bank
Brion Johnson, PENNVEST
Angela Knecht, Florida Department of Environmental Protection
Scott Campbell, Ohio Water Development Authority
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