



# Drinking Water State Revolving Fund



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Annual DWSRF Performance Report  
State Fiscal Year 2003

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Prepared by  
Drinking Water Unit  
Office of Water  
EPA Region 10

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## Introduction

The following is a summary of the Drinking Water State Revolving Fund (DWSRF) Program established by the Safe Drinking Water Act (SDWA) Amendments of 1996. It describes the use of appropriated funds by the Region 10 DWSRF program through June 30, 2003.

This report represents the best available information from grant applications, data from EPA and state reporting systems, discussions with DWSRF personnel, and material excerpted from DWSRF annual reports and state drinking water program newsletters.

<b>Table I: Key Players in Implementation of Region 10 DWSRF Program</b>			
<b>State</b>	<b>Implementing Organization(s)</b>	<b>State Contacts</b>	<b>EPA Contacts</b>
<b>Alaska</b>	Department of Environmental Conservation (ADEC)	<b>Rollo Pool</b>	<b>Bill Gissel</b> , Project Officer
<b>Idaho</b>	Department of Environmental Quality (IDEQ)	<b>Bill Jerrel</b>	<b>Rick Green</b> , Project Officer
<b>Oregon</b>	Department of Human Services, Drinking Water Program	<b>Dave Phelps</b>	<b>Sue Ennes</b> , Project Officer
	Oregon Economic and Community Development Department (OECDD)	<b>Tom Nelson</b>	
<b>Washington</b>	Department of Health (DOH)	<b>Chris Gagnon</b>	<b>Margo Partridge</b> , Project Officer
	Department of Community, Trade and Economic Development Department (CTED)	<b>John LaRocque</b>	
<b>Regional Office</b>	Office of Water, Drinking Water Unit		<b>Rick Green</b> , DWSRF Coordinator

The success of the DWSRF program in Region 10 depends largely on the efforts of our state partners. We recognize the importance of a healthy partnership with our state partners in carrying out the important mission of helping to ensure the provision of safe drinking water. Since the DWSRF program was introduced in Region 10, Drinking Water Unit (DWU) staff and the DWSRF staff in the four Region 10 states have worked hard to implement the program. In the table above are a few of the key players in this ongoing effort. This team of state and federal employees has collaborated to provide more than \$310 million in low interest loans to communities for drinking water infrastructure improvements. In addition there are many other employees at the local, state, and Region 10 level who help implement the DWSRF Set-Aside activities. Their efforts have resulted in more than \$43 million in expenditures for set-aside funded activities since program inception.

## Background

The Safe Drinking Water Act (SDWA) amendments of 1996 established the Drinking Water State Revolving Fund (DWSRF) program. The DWSRF was intended to assist public water systems with financing the infrastructure costs of achieving or maintaining compliance with SDWA requirements, and to protect public health objectives of the SDWA. The DWSRF is patterned after the highly successful CWSRF program, which, under the Clean Water Act has provided more than \$43 billion since 1988 in financing for wastewater infrastructure needs. The DWSRF program differs from the CWSRF by allowing up to 31% of each capitalization grant to be set aside for State programs, including source water protection, capacity development, operator certification, and technical assistance. The remaining funds from each grant (as much as 96%, or as little as 69%) are used to make loans for drinking water infrastructure. Since program inception in 1997 the DWSRF nationwide has provided more than \$6.4 billion in loans for drinking water infrastructure.

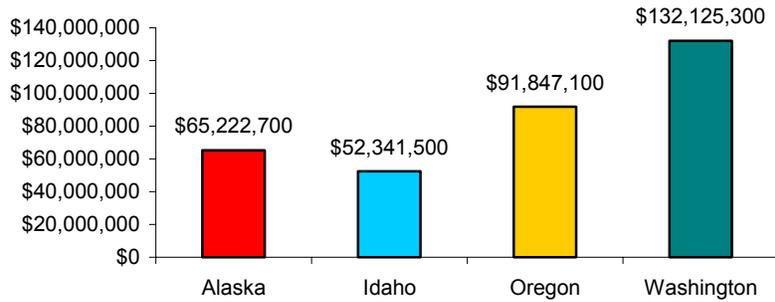
Congress intended that the DWSRF program be fundamentally a program of the State. Therefore, it is our philosophy to give the four Region 10 state as much flexibility as possible to decide program design, and to direct funding toward their most important public health protection needs. The following report shows some of the accomplishments made by the Region 10 DWSRF program during State Fiscal Year (SFY) 2003.

Table II: Summary Status of Region 10 DWSRF Programs							
State/FFY	Grant Date	Grant Amount	Set-Asides Reserved				Set-Aside Totals
			Admin. (4% max.)	Tech. Asst. (2% max.)	Prog Mgmt (10% Max)	Local Asst. (15% max.)	
AK/97	09/29/97	\$24,138,000	\$1,072,800	\$355,000	\$0	\$59,646	\$1,487,446
AK/98	09/16/98	\$10,022,300	\$293,612	\$0	\$0	\$2,682,000	\$2,975,612
AK/99	09/03/99	\$7,463,800	\$298,552	\$0	\$0	\$0	\$298,552
AK/00	08/07/00	\$7,757,000	\$310,280	\$0	\$0	\$0	\$310,280
AK/01	09/24/01	\$7,789,100	\$311,564	\$0	\$0	\$0	\$311,564
AK/02	06/04/02	\$8,052,500	\$322,100	\$0	\$0	\$0	\$322,100
<b>AK Totals</b>		<b>\$65,222,700</b>	<b>\$2,608,908</b>	<b>\$355,000</b>	<b>\$0</b>	<b>\$2,741,646</b>	<b>\$5,705,554</b>
ID/97	09/22/97	\$14,157,800	\$566,312	\$283,156	\$0	\$1,557,358	\$2,406,826
ID/98	08/04/98	\$7,121,300	\$284,852	\$142,426	\$106,713	\$712,130	\$1,246,121
ID/99	08/03/99	\$7,463,800	\$298,552	\$0	\$746,380	\$746,380	\$1,791,312
ID/00	08/22/00	\$7,757,000	\$310,280	\$155,140	\$775,700	\$1,163,550	\$2,404,670
ID/01	09/01/01	\$7,789,100	\$311,564	\$155,782	\$778,910	\$1,168,365	\$2,414,621
ID/02	06/27/02	\$8,052,500	\$322,100	\$161,050	\$805,250	\$1,207,875	\$2,496,275
<b>ID Totals</b>		<b>\$52,341,500</b>	<b>\$2,093,660</b>	<b>\$897,554</b>	<b>\$3,212,953</b>	<b>\$6,555,658</b>	<b>\$12,759,825</b>
OR/97	06/19/98	\$18,920,500	\$626,381	\$276,262	\$180,000	\$2,081,326	\$3,163,969
OR/98	01/06/99	\$10,567,800	\$422,712	\$0	\$272,230	\$266,421	\$961,363
OR/99	08/03/99	\$11,076,100	\$443,044	\$0	\$140,198	\$366,097	\$949,339
OR/00	04/05/00	\$11,511,200	\$460,448	\$99	\$611,600	\$1,047,204	\$2,119,351
OR/01	01/02/01	\$11,558,800	\$462,352	\$231,176	\$611,600	\$1,005,747	\$2,310,875
OR/02	11/01/01	\$14,148,900	\$565,956	\$282,978	\$715,068	\$996,873	\$2,560,875
OR/03	01/01/03	\$14,063,800	\$562,552	\$281,276	\$715,068	\$1,325,653	\$2,884,549
<b>OR Totals</b>		<b>\$91,847,100</b>	<b>\$3,543,445</b>	<b>\$1,071,791</b>	<b>\$3,245,764</b>	<b>\$7,089,321</b>	<b>\$14,950,321</b>
WA/97	05/12/98	\$31,145,900	\$1,245,836	\$622,918	\$3,114,590	\$1,724,295	\$6,707,639
WA/98	04/12/99	\$19,169,100	\$766,764	\$383,382	\$1,916,910	\$500,000	\$3,567,056
WA/99	08/03/99	\$20,091,100	\$803,644	\$401,822	\$2,009,110	\$2,271,100	\$5,485,676
WA/00	09/15/00	\$20,880,400	\$835,216	\$417,608	\$2,088,040	\$3,132,060	\$6,472,924
WA/01	01/23/01	\$20,966,800	\$834,559	\$417,279	\$2,086,397	\$3,129,595	\$6,467,830
WA/02	12/02/02	\$19,872,000	\$794,880	\$397,440	\$1,987,200	\$2,980,800	\$6,160,320
<b>WA Totals</b>		<b>\$132,125,300</b>	<b>\$5,280,899</b>	<b>\$2,640,449</b>	<b>\$13,202,247</b>	<b>\$13,737,850</b>	<b>\$34,861,445</b>
<b>Region 10 Totals</b>		<b>\$341,536,600</b>	<b>\$13,526,912</b>	<b>\$4,964,794</b>	<b>\$19,660,964</b>	<b>\$30,124,475</b>	<b>\$68,277,145</b>

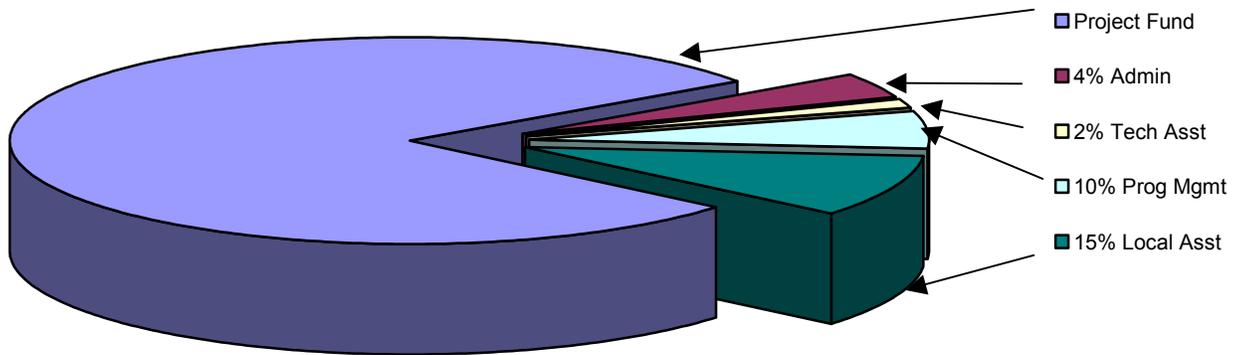
## Region 10 DWSRF Program Summary

Through the end of State Fiscal Year (SFY) 2003, more than \$341 million in federal funds have been provided to Region 10 states for the DWSRF program. Table II above shows the funding by state, as well as the specific breakdowns on how much of each capitalization grant has been reserved for set aside usage. Chart 1 below shows the totals of how much has been awarded per state.

**Chart 1: Region 10 DWSRF Cap Grants Awarded through SFY03**



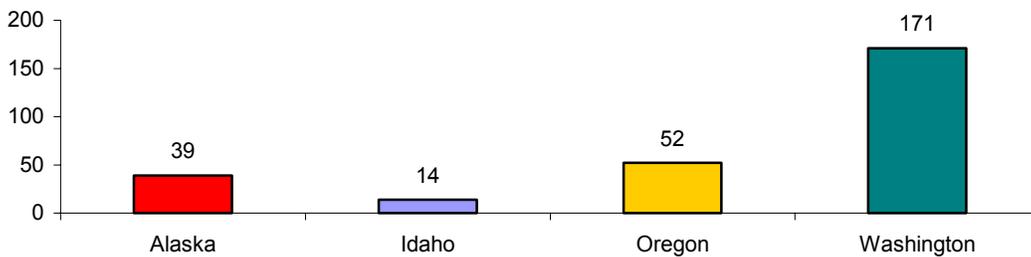
**Chart 2: Region 10 DWSRF Distribution by Funding Type**



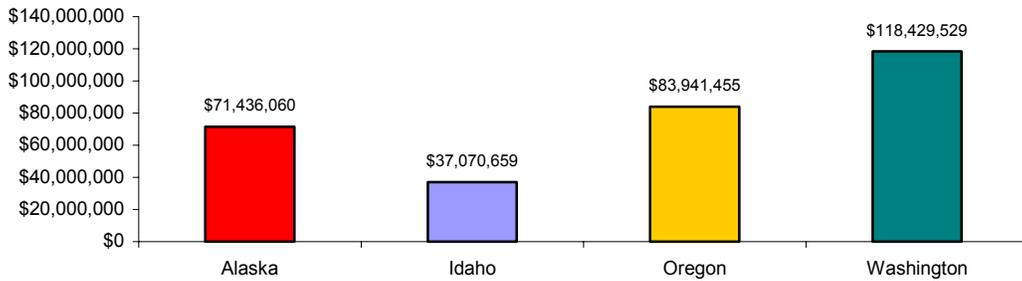
## Project Loan Fund

Of the \$341 million in DWSRF grants awarded to states in Region 10 to date, \$269 million (79%) has been placed in the states' Project Loan Funds for use as drinking water infrastructure loans (see chart 2 above). As shown in the two charts below, with these funds plus their own state matching funds, through SFY03 Region 10 states have signed 276 loans for projects totaling more than \$310 million.

**Chart 3: Region 10 DWSRF # of Loans by State through SFY 2003**



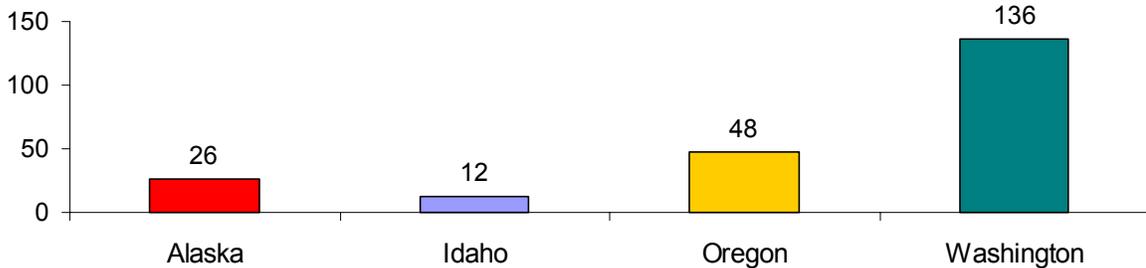
**Chart 4: Region 10 DWSRF \$ Amount of Loans by State through SFY 2003**



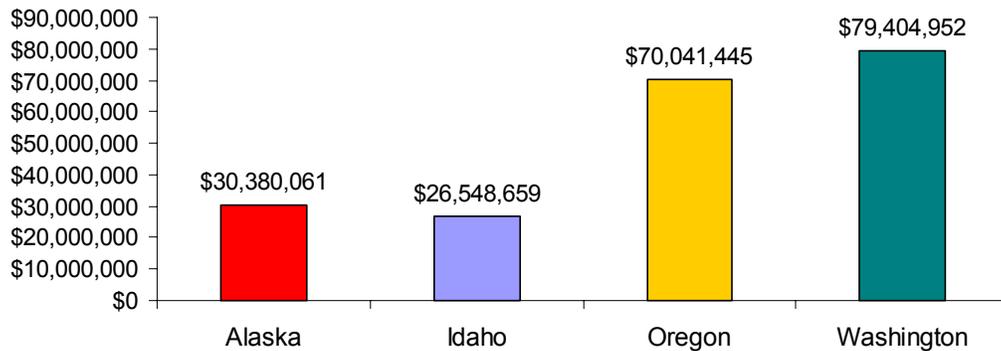
Assistance to Small Systems

One of the primary purposes of the enabling legislation for the DWSRF program was to make affordable infrastructure funding available to the small systems likely to be hardest hit by the SDWA requirements. Each state is required to provide a minimum of 15% in loan funding each year to such systems. Charts 5 and 6 show the results for each state in providing this type of funding. As can be seen, most of the funding in each state (a combined 66% for the Region) has gone to systems with a population under 10,000.

**Chart 5: Region 10 DWSRF # of Loans for Small Systems**



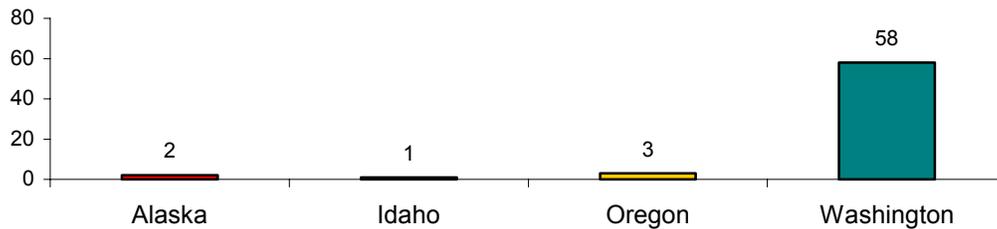
**Chart 6: Region 10 DWSRF \$ in Loans for Small Systems**



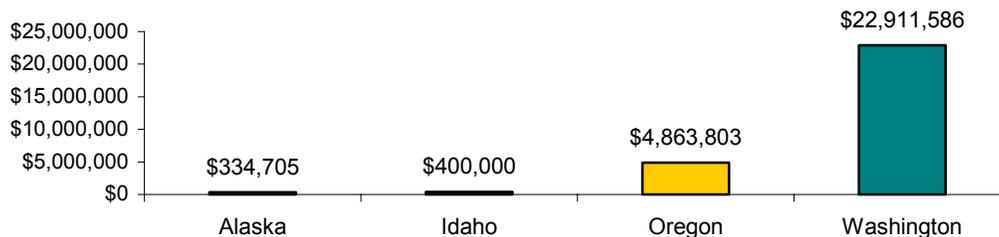
### Assistance to Private Systems

Another objective of the DWSRF is to provide funding for private systems. The two charts which follow illustrate the success that some states in the Region, in particular Washington, are having in providing low interest loans to privately owned drinking water systems. Nationally, and in this Region as well, some states had previously prohibited funding privately owned water systems. However, through SFY2003 every state in Region 10 reported having made loans to privately owned systems. The loan activity for this type of system in Region 10 is expected to gradually increase.

**Chart 7: Region 10 DWSRF # of Loans for Private Systems**



**Chart 8: Region 10 DWSRF \$ Amount Loans for Private Systems**

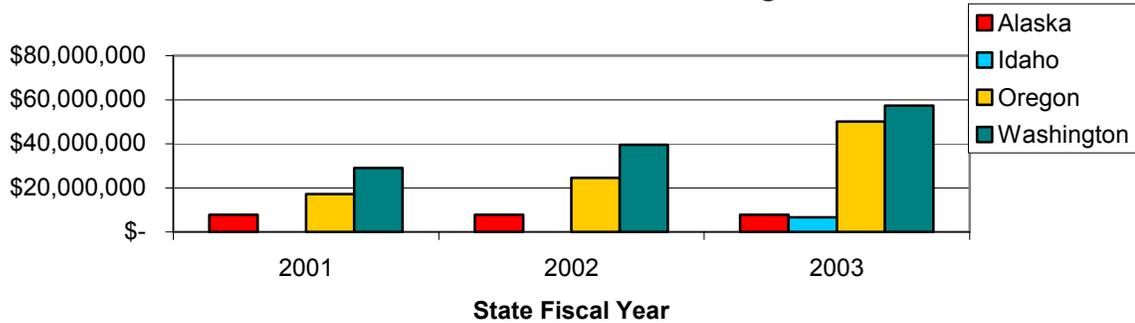


### Assistance to Disadvantaged Systems

Another very important objective of the DWSRF is to provide funding to public water systems that cannot afford standard DWSRF financing, much less conventional financing. For such systems, the provisions of the Drinking Water State Revolving Fund allow for interest rates as low as 0%, loan terms up to 30 years, and forgiveness of some principal. Each state determines its own disadvantaged assistance program, generally using criteria similar to that employed by other Federal assistance programs. The following charts illustrate the success that Region 10 states have experienced in providing this sort of funding.

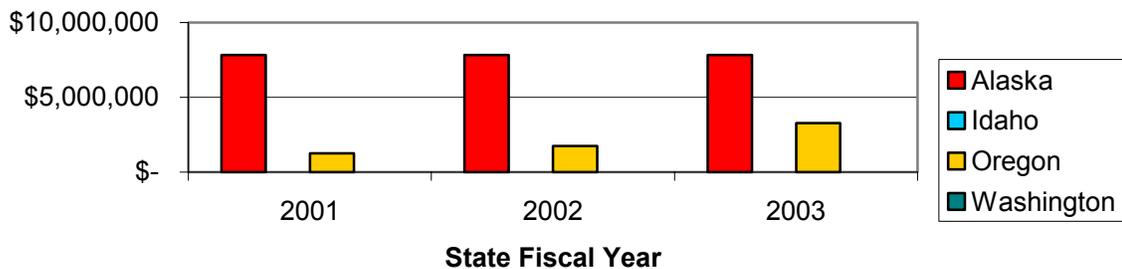
As seen in the chart below, every state in Region 10 has now provided some form of disadvantaged assistance.

**Chart 9a: Cumulative Assistance to Disadvantaged Communities**



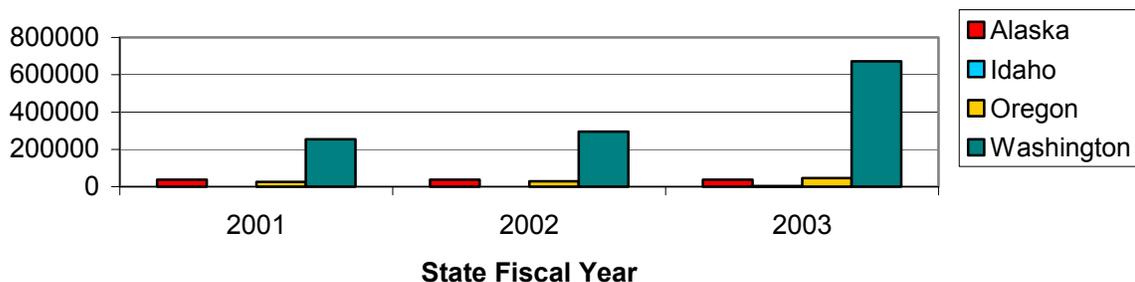
In Chart 9b below, one can see that only two states of the four in Region 10 have provided principal forgiveness as part of loans. In the first year of the program Alaska provided a large amount of this type of financing, but nothing since then. Oregon has provided small amounts of principal forgiveness beginning in SFY 1999. Idaho does allow this type of assistance, however, it has not provided any yet. Washington made the decision to not allow principal forgiveness. Rather, Washington tries to tailor the term and interest rate of each loan to the unique characteristics of the population to be served.

**Chart 9b: Cumulative Principal Forgiveness Provided to Disadvantaged Communities**



As can be seen in Chart 9c below, Washington has served by far the largest population with disadvantaged assistance.

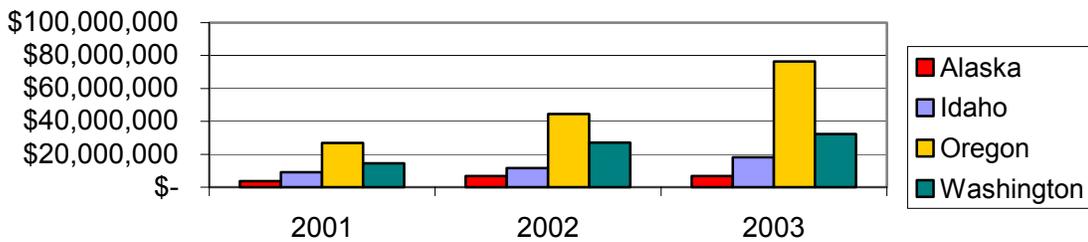
**Chart 9c: Population Served in Disadvantaged Communities Receiving Assistance (Cumulative)**



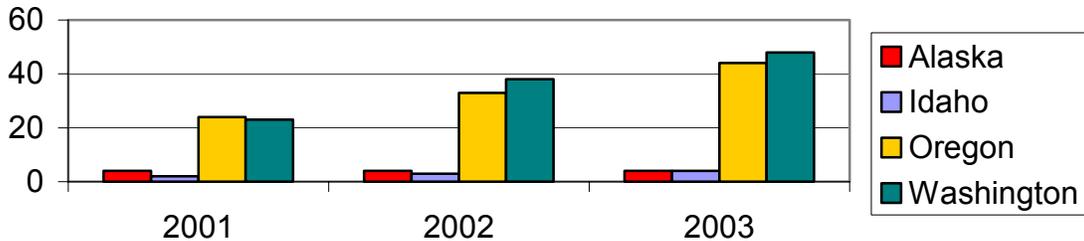
Assistance to Achieve Compliance with Drinking Water Regulations

Since 1997, the four states in Region 10 have funded numerous projects that will bring systems into compliance with various drinking water rules. Below are two charts showing, through SFY 2003, the dollar amount of loans (Chart 10a), as well as number of loans (Chart 10b) that will help bring drinking water systems into compliance with a particular drinking water rule or rules. Through this time period, Region 10 states have signed a total of 100 loans in the amount of \$133 million for this purpose.

**Chart 10a: Cumulative DWSRF Loans for Compliance (\$)**



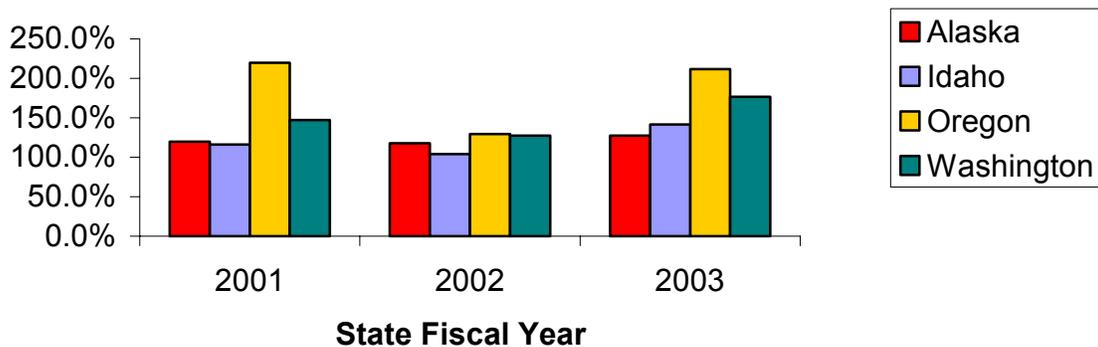
**Chart 10b: Cumulative DWSRF Loans for Compliance (#)**



## Financial Measures

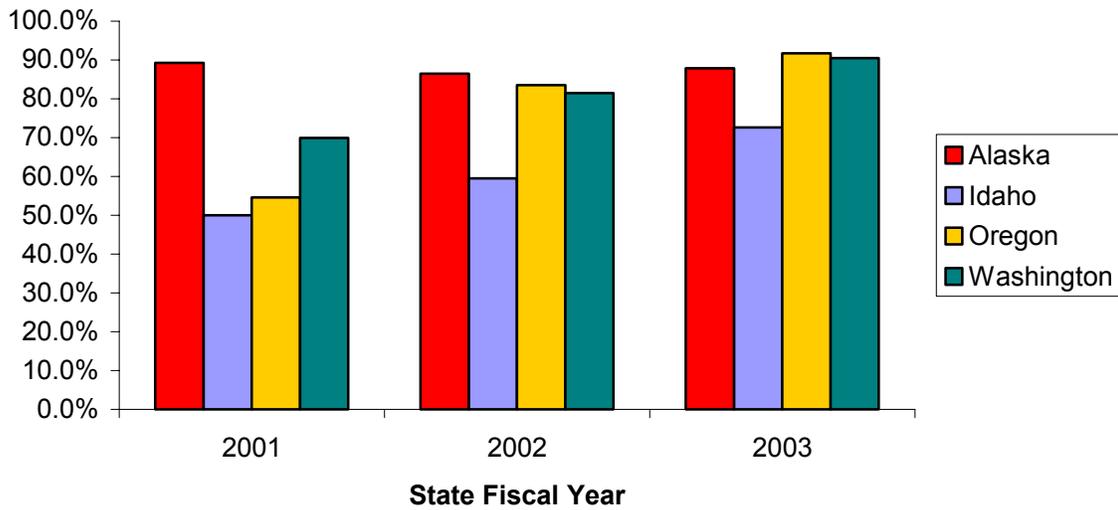
EPA has developed a set of financial and programmatic measures for the DWSRF. These measures, similar to a set used in the CWSRF program are (a) Return on Federal Investment, (b) Assistance Provided as a % of Funds Available, (c) Loan Disbursements as a % of Assistance Provided, (d) Net Return/(Loss) after Repaying Match Bonds and Forgiving Principal, (e) Net Return on Contributed Capital, and (f) Set-Aside Spending Rate. The results for each measure, and a brief discussion can be found in the section that follows.

**Chart 11a: Return on Federal Investment**



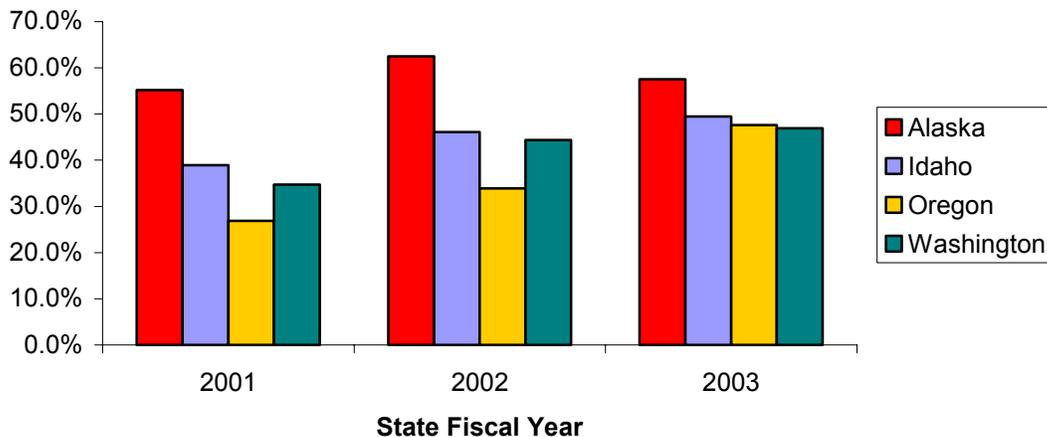
The Return on Federal Investment (ROFI) measure is calculated by dividing the funds disbursed by the states for DWSRF loans by the Federal cash draws for DWSRF loans. In general, the ROFI should be at least 120%, and every Region 10 state is above this threshold level. To put the concept in a more real sense, this measure shows how much more the DWSRF has purchased based on each Federal dollar “invested.” So for example, Oregon’s ROFI for SFY2003 is more than 200%. What that means is, for every \$1 in Federal funds drawn for loans, Oregon was disbursing more than \$2 of its own funds.

**Chart 11b: Assistance Provided as a % of Funds Available**



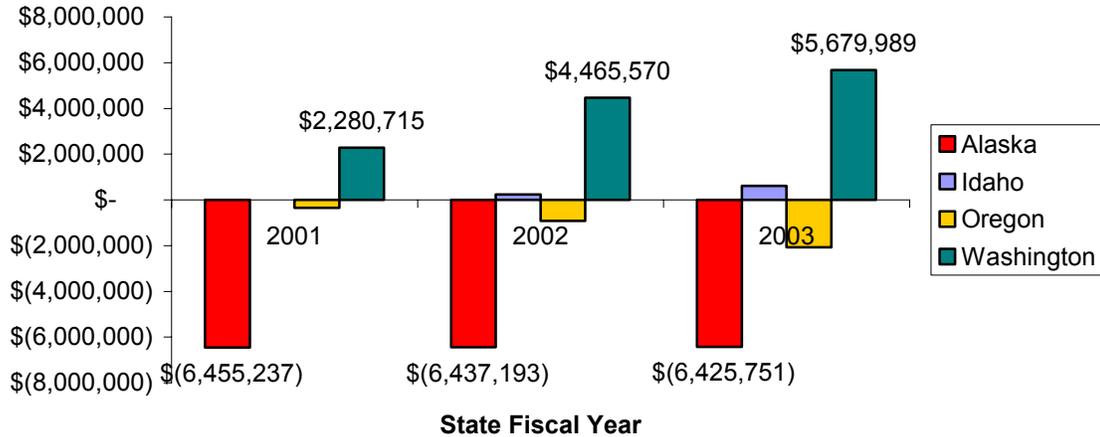
This measure shown in the chart above is calculated by dividing the total dollar amount of DWSRF loans by the total amount of funds available for loans. It attempts to demonstrate how efficient a state is at lending the money that is available for loans. Depending on how aggressive a state's cash flow strategy is, this measure can exceed 100%. No Region 10 states have a ratio that high, but three of the four were approaching 90% in SFY2003. This indicates that those three states signed loans for nearly 90% of the loan funds available.

**Chart 11c: Loan Disbursements as a % of Assistance Provided**



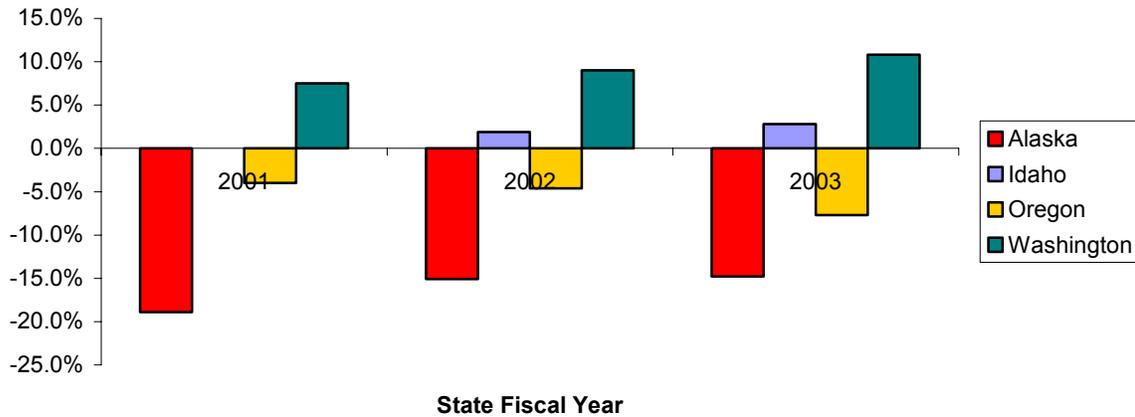
This measure, illustrated in Chart 11c above, attempts to show the speed at which funds from signed loans are disbursed to systems. It is calculated by dividing the total loan disbursements by the total dollar amount of loans. Using Alaska as an example, for SFY2002, the data indicates a ratio of 62.5%. This means that, through that date, Alaska had disbursed nearly 63% (63 cents of every one loan dollar) of signed DWSRF loan funds to borrowers.

**Chart 11d: Net Return/(Loss) after Repaying Match Bonds and Forgiving Principal**



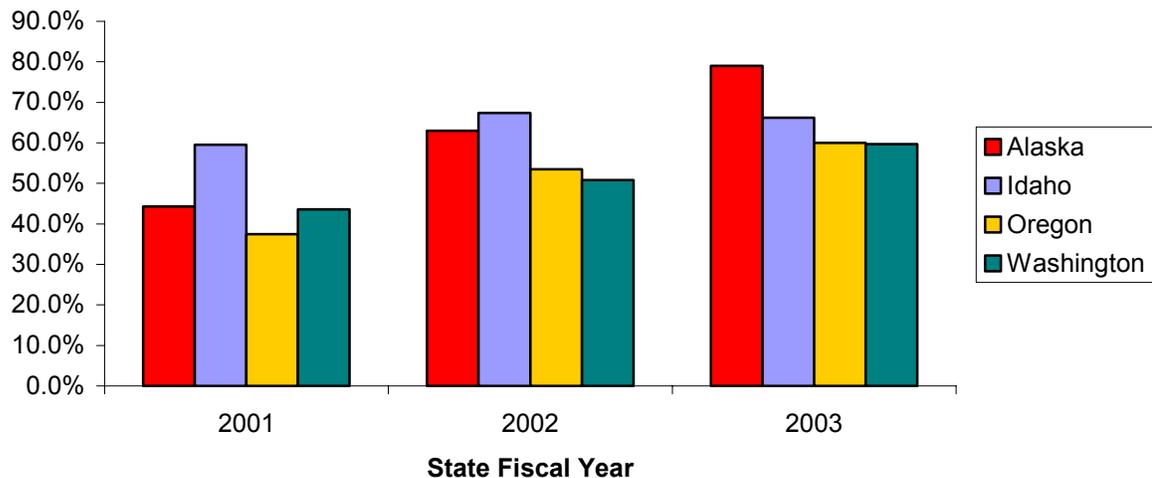
The measure above shows how state DWSRF programs are maintaining their invested or contributed capital. A value that is not negative indicates that fund revenues are at least meeting fund expenses. For example, the positive outlier state, Washington, shows a positive net return for SFY2003 of more than \$5.6 million. This indicates the state's DWSRF program is generating that much in additional funds for use as loans. Another outlier state, Alaska, shows a negative value of more than \$6 million for the same time period. This may appear unattractive in a strictly financial/business sense. However, it simply reflects the programmatic decision by that state's DWSRF program to provide a large amount of principal forgiveness (i.e., grants) early in the program to accommodate affordability issues.

**Chart 11e: Net Return on Contributed Capital**



Somewhat similar to the previous measure, this measure compares the net return of the DWSRF to the dollar amount of contributed funds. It is calculated by dividing the net return by total contributed capital. In SFY2003 Washington’s net return was nearly 15%. During the same period Alaska shows a negative value, due again to the principal forgiveness decision.

**Chart 11f: Set-Aside Spending Rate**



This measure attempts to look at how quickly the set-aside funds reserved by each state are being utilized. It is calculated by dividing the total amount of set-asides awarded by the total amount of set-asides expended. For example, in SFY2003, Alaska’s set-aside spending rate is 79%. This indicates that for every set-aside dollar awarded to that point, Alaska had expended 79 cents.

# State DWSRF Loan Program Highlights

## Alaska

Staff members from Alaska Department of Environmental Conservation (ADEC) administer the DWSRF as well as the CWSRF program. Operating out of state offices in Juneau and Anchorage, both SRF programs are supported by an experienced and capable staff. The DWSRF program undergoes a separate independent financial audit each year. To date the Alaska DWSRF program has accumulated \$71 million, or 23% of the Region 10 total loan volume. Here are a couple of projects that received funding through Alaska's DWSRF program.



The small village of Kaktovik, part of the North Slope Borough of communities, received a DWSRF loan for \$4.1 million in August 2001. Kaktovik is located on Barter Island within the Alaska National Wildlife Refuge (ANWR), approximately 120 miles from Prudhoe Bay. This community of approximately 300 in population used this loan, along with other sources of funding, to construct a new membrane filtration (nano and micro) plant to come into compliance with the Surface Water Treatment Rule. Also included in the project were a 3 million gallon storage tank (pictured above on left) and specialized distribution piping. The Arctic HDPE piping (above on right) costs approximately \$150 per foot to purchase, deliver, and install, compared to approximately \$50 per foot for more conventional drinking water distribution piping. The total cost for this project was approximately \$20 million.



A loan in the amount of \$3,723,056 was used to provide partial financing to construct a 10-million gallon water storage reservoir (above left) near Robert Service High School in Anchorage. The original loan was signed in September 1999, and increased via an amendment in November 2001. Total project costs were approximately \$5.5 million. The reservoir is an integral part of the Anchorage Loop Water Transmission Main Project and provides needed storage for delivery of water to the Anchorage Bowl. This area is comprised of eight communities with a population of just over 200,000. Also included in the project were a valve vault building (above right), emergency generator, and yard piping.

### Idaho

The Idaho Department of Environmental Quality (IDEQ) runs its DWSRF program with the same staff members that oversee the CWSRF program. IDEQ administers the program from the main IDEQ office in Boise, as well as from other regional offices strategically located around the state. The DWSRF program is well managed and receives a thorough and complete financial auditing by an auditor from the Idaho State Legislative Services Office every year. After an extended period of time with a lower binding commitment amount than required, the Idaho DWSRF has returned to compliance. Idaho has now signed a total of 14 loans in the amount of \$37 million. Idaho continues to actively promote the loan program, and has taken steps to make the DWSRF program more attractive, such as reducing loan rates for some types of loans to 2% in order to increase the pace of loan issuance. A couple of projects financed by the Idaho DWSRF program are described below.



The City of Buhl, Idaho, located some 100 miles southeast of Boise, struggled for several years with inadequate supply and low pressure in its drinking water system. In fact, at several times during 1999, one, two or even all three of the community's wells were completely inoperable. However, in April 2000 the community received a loan for \$1,761,800 from the Idaho DWSRF program. Signed at the terms of 4% for 20 years, this grant-subsidized loan enabled the community to develop a new well, build a pump house (interior pictured above on left) with pumps, motors, piping and a chlorination system, as well as replace a distribution main, and build a new finished water storage tank (above on right).



The City of Jerome, Idaho received a DWSRF loan for \$3,600,000 in November 2002. This community with a population of 7,700 is located in southeast Idaho along the Snake River. The City's Water Department was honored recently in a contest sponsored by the Idaho Rural Water Association as having the Best Tasting Water in Idaho. However, for some time the community has struggled with an inadequate water supply and an aging distribution system. To resolve these issues, this loan has allowed the community to begin work on a project that will include a new well, a new storage reservoir, and replacement of portions of the distribution system. Pictured above are photos showing initial project work, including a bypass connection of two existing service lines (above on left) and a new fire hydrant (above on right) sitting atop a section of new distribution line.

## Oregon

Oregon's DWSRF is jointly run by the Oregon Department of Human Services, Drinking Water Program (ODHS-DWP), and the Oregon Economic and Community Development Department (OECDD). Oregon's DWSRF program is one of only a handful of DWSRF programs in the country that offer loans for source water protection activities. The Oregon DWSRF program will receive a financial audit in the near future by EPA's Office of Inspector General. Through the end of SFY 2003, the Oregon DWSRF program has provided a total of 52 loans in the amount of \$83.9 million, or 27% of the Region 10 total loan volume. A couple of projects financed by the Oregon DWSRF are described below:



The City of Warrenton's drinking water system was operating under an administrative order to come into compliance with the Surface Water Treatment Rule (SWTR). In December 1998 the community received a low interest DWSRF loan to construct a membrane filtration plant. A subsequent loan increase in February 2002 brought the loan total to \$4,657,000. The DWSRF funding was part of a package of funding to pay for the \$8.5 million facility. The grant-subsidized DWSRF funding package offered to Warrenton will save the community approximately \$1.3 million in finance charge over the life of the loan, compared to private sector financing. The filtration cartridges in this system (pictured above on left) as well as the disinfection system (pictured above on right) helped this community of 8,000 to comply with the SWTR. The filtration plant became operational in September 2002.



Customers of the Youngs River Lewis and Clark Water District frequently saw the fold-down boil water notices (pictured above on left) during times of increased water turbidity. Such occurrences were so common that these signs were installed on every road in the service area. However, the signs are no longer needed after completion of a new filtration plant in December 2001. Construction of that plant was accomplished with financing assistance from an Oregon DWSRF loan signed in March 1999. After a loan increase in September 2001, the final amount loaned was \$2,190,000. Because the community qualified for disadvantaged assistance, it received a reduced interest rate as well as having \$250,000 of the loan principal forgiven. These terms, which help bring the water district into full compliance with the Surface Water Treatment Rule, will save the community approximately \$600,000 in finance charges over the life of the loan. The new facility's membrane filters are pictured above on right.

### Washington

Washington's DWSRF is administered cooperatively by the Washington State Department of Health (DOH), and the Public Works Board, through the Washington State Department of Community, Trade and Economic Development (CTED). Based in the state capitol of Olympia, Washington has a strong and well-managed DWSRF program. Much of their success is due in large part to their continued efforts to simplify the application process, and to make loan rates and terms as attractive as possible. Through SFY2003, Washington has signed 58 loans with privately owned systems. To date, the DWSRF program here has provided a total of 171 loans in the amount of \$118 million, or 38% of the Region 10 total loan volume. A couple such projects are described below.



The small community of Paradise Community Club, in Lewis County received a DWSRF loan for \$324,605 in September 2002 to construct a new 50,000-gallon storage tank (to replace the one pictured above on left), as well as a booster pumping station, and hypo chlorination equipment (pictured above on right). The system, which serves approximately 700 people, had been experiencing problems with inadequate storage capacity, distribution pressure, and poor water quality. The loan terms (1.5% for 20 years) will save this community approximately \$150,000 in finance charges.



The community of Hat Island, located in Possession Sound near the San Juan Islands, received a loan for \$816,000 in July 2000. This loan was used to finance a reverse osmosis desalination plant. For nearly half a century the small community had struggled with chronic water quality problems in their drinking water wells due to saltwater intrusion. In addition, during summer months the wells could not keep pace with the increased demand. This plant, which went into operation in February 2003, solves both problems by converting seawater to pure, safe drinking water. Pictured above on the left is the reverse osmosis plant and pump house, and the various filters used in the

desalination process are pictured on the right. The rate and term of this loan package (3.5% for 20 years) will save this community approximately \$210,000 in finance charges over the life of the loan.

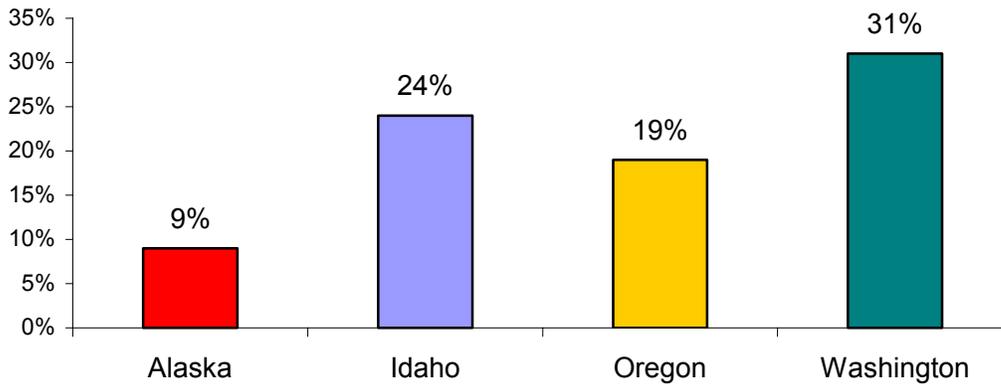
## DWSRF Set-Asides

As discussed briefly in the Introduction, the legislation enabling the DWSRF program allows states, at their discretion, to use grant money for specific targeted activities, or “set-asides.” The DWSRF set-asides are an important funding resource for states in meeting SDWA requirements. Prior to the DWSRF, Federal assistance to support state drinking water programs was provided primarily through Public Water System Supervision/Ground Water grants.

Now, however, in addition to the 4% set-aside for loan program administration, there is a 2% set-aside for technical assistance to small systems, a 15% set-aside for such activities as wellhead protection assistance and capacity development assistance to public water systems, as well as a 10% set-aside which can be used to supplement the core drinking water program, as well as support the development and implementation of a capacity development program.

Although as much as 31% of each capitalization grant can be reserved for set-aside activities, the trend nationwide has been for states to reserve approximately 20%. The set-aside usage in Region 10 is approximately 21%. There are several factors that contribute to the less-than-full utilization of these funds. Alaska for example, has historically made the decision to target the majority of funds from each DWSRF capitalization grant toward financing infrastructure projects, not set-aside activities. During DWSRF program implementation Idaho had difficulty securing legislative approval to allow the hiring of additional drinking water program staff to carry out set-aside related activities. Now, however, that approval has been granted and they are able to fully utilize all of their available set-asides. Additionally, even when Region 10 states do decide to use set-aside funds, there are often challenges in getting a prompt and/or useable work product from a third party service provider. Finally, for many states nationwide, including to some degree in Region 10, the match requirement for the State Program Management Set-Aside has proven to be a barrier to utilization of this set-aside. The chart below show the cumulative percentage of set-asides reserved by each Region 10 state to date.

**Chart 12: Region 10 DWSRF Set-Asides as a % of EPA Allotments**



Funds not reserved for set-aside use are rolled into the DWSRF Project Fund and made available for loans. The set-asides fall into four broad categories, each of which is described in detail below:

**Administration Set-Aside**

A state may use up to 4% of its capitalization grant for administering the DWSRF program. Such costs allowed under this set-aside include DWSRF program start-up costs, continued management of the program, loan administration, development of an annual Intended Use Plan, priority project ranking, and grant application, and separate independent financial audits. Table III below shows the funding activity under this set-aside.

State	Amount Eligible to be Reserved	Amount Reserved	% of Eligible Amount Reserved	Amount Expended	Available Balance
Alaska	\$ 2,608,908	\$ 2,608,908	100%	\$ 1,599,812	\$ 1,009,096
Idaho	\$ 2,093,660	\$ 2,093,660	100%	\$ 1,385,621	\$ 708,039
Oregon	\$ 3,673,884	\$ 3,543,445	96%	\$ 1,994,500	\$ 1,548,945
Washington	\$ 5,285,012	\$ 5,286,860	100%	\$ 4,026,483	\$ 1,260,377

**Technical Assistance for Small Systems Set-Aside**

A state may use up to 2% of its capitalization grant to provide technical assistance to small systems, defined as systems that serve less than 10,000 people. A state may use these funds to support a technical team, or may choose to contract for the technical assistance. Table IV shows the funding activity for this set-aside.

<b>Table IV: 2% Technical Assistance for Small Systems Set-Aside</b>					
State	Amount Eligible to be Reserved	Amount Reserved	% of Eligible Amount Reserved	Amount Expended	Available Balance
Alaska	\$ 1,304,454	\$ 355,000	27%	\$ 282,029	\$ 72,971
Idaho	\$ 1,046,830	\$ 897,554	86%	\$ 647,609	\$ 249,945
Oregon	\$ 1,836,942	\$ 1,071,791	58%	\$ 404,881	\$ 666,910
Washington	\$ 2,642,506	\$ 2,643,430	100%	\$ 1,718,506	\$ 924,924

### State Program Management Set-Aside

Up to 10% of a capitalization grant can be used to supplement state program activities, such as administration of a PWSS program. Also eligible are such activities as development and implementation of a capacity development strategy and funding an operator certification program. It should be noted that this particular set-aside must be matched 1:1 with state funds. The other set-asides do not have a similar matching requirement. Table V below shows the dollar amount of activity under this set-aside.

<b>Table V: 10% State Program Management Set-Aside</b>					
State	Amount Eligible to be Reserved	Amount Reserved	% of Eligible Amount Reserved	Amount Expended	Available Balance
Alaska	\$ 6,522,270	\$ -	0%	\$ -	\$ -
Idaho	\$ 5,234,150	\$ 3,212,953	61%	\$ 1,769,838	\$ 1,443,115
Oregon	\$ 9,184,710	\$ 3,245,764	35%	\$ 1,117,446	\$ 2,128,318
Washington	\$ 13,212,530	\$ 13,217,150	100%	\$ 9,610,276	\$ 3,606,874

### Local Assistance Set-Aside

A maximum of 15% of the state's capitalization grant can be used to support such activities as: land acquisition for source water protection purposes; voluntary source water quality protection measures; delineation and assessment of source water protection areas; implementation of wellhead protection programs; and technical and financial assistance to public water systems for capacity development purposes. Table VI shows the financial activity that has occurred under this set-aside.

<b>Table VI: 15% Local Assistance and Other State Programs Set-Aside</b>					
State	Amount Eligible to be Reserved	Amount Reserved	% of Eligible Amount Reserved	Amount Expended	Available Balance
Alaska	\$ 9,783,405	\$ 2,741,646	28%	\$ 1,961,785	\$ 779,861
Idaho	\$ 7,851,225	\$ 6,555,658	83%	\$ 5,149,087	\$ 1,406,571
Oregon	\$ 13,777,065	\$ 7,089,321	51%	\$ 3,253,124	\$ 3,836,197
Washington	\$ 19,818,795	\$ 16,707,795	84%	\$ 8,108,907	\$ 8,598,888

A very important activity that has been occurring in each state using funds from the 15% set-aside is the delineation and assessment of drinking water sources, as part of the Source Water Protection and Wellhead Protection Programs.

The photo below, submitted by staff from Oregon's Source Water/Drinking Water Protection Program, depicts representatives from the community of Molalla (located 40 miles south of Portland), as well as staff from Molalla RiverWatch, and Oregon DEQ gathering to discuss the Source Water Assessment results and future drinking water protection planning efforts. Oregon incidentally is one of only a handful of states in the nation that offers low interest loans for source water protection activities through a Source Water Protection Loan Fund using a portion of this set-aside. Oregon's most recent DWSRF Intended Use Plan included three



such source water protection projects, for a total of \$175,000.

In the City of Weiser, Idaho, development of a Source Water Protection Plan involved dealing with the situation pictured on the right. The City of Weiser pulls some of its drinking water from the Snake River. Not far upstream from that drinking water intake is an unlined sedimentation pond shown in this photo submitted by staff from Idaho's Source Water/Drinking Water Protection Program. The pond serves an animal feeding operation and was identified as a potential cause of high nitrate levels in ground water in the immediate vicinity. In addition, the manhole next to the sedimentation pond contained a pipe that connected to a drain that discharged directly to the Snake River. Both the pond and drain were identified as potential contaminant sources during the enhanced inventory phase of the preparation of the City of Weiser's Source Water Protection Plan. Before the plan was finalized and certified by the State, the discharge pipe to the Snake River was disconnected, and plans were developed to replace the unlined pond with a new, larger, properly-lined sediment pond.



## Program Future

The next few years for the Region 10 DWSRF program should prove to be very interesting. In all four states now, project loan funds are starting to revolve with loan repayments being added to the funds available to make new loans. In fact, for SFY 2003 loan principal and interest repayments made up \$7.2 million of the \$71 million in new funds available for loans. The increased compliance costs of the many new drinking water rules under the SDWA (such as arsenic) will likely drive more and more systems to seek the grant-subsidized, low interest financing available from the DWSRF. Already some communities in Region 10 states have sought DWSRF loan funds to comply with the new arsenic standard. The grants that have gone out to the State and larger drinking water systems to conduct vulnerability assessments will also likely generate requests for security-related funding. And as depicted in the previous section, the tireless efforts in each state to assess sources of drinking water are spurring action to address problem areas, often using the DWSRF program as a source of funding.

The following individuals contributed to the preparation of this report by providing information about, and/or submitting digital images of projects or set-aside funded activities:

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