

# **NDWAC Drinking Water State Revolving Fund Working Group**

**September 17, 1997**

## **EXECUTIVE SUMMARY**

The second meeting of the National Drinking Water Advisory Council (NDWAC) Drinking Water State Revolving Fund (DWSRF) Working Group was held on September 17, 1997, in Washington, D.C. Eighteen of the 22 members were present or represented at the meeting. Those members unable to attend were: Alan Anders, Aurel Arndt, Anna Miller, and Beth Pusha. Working Group member Bob Lenna was represented by James Smith. Working Group member Fred Perrenot was represented by Diane VanDe Hei.

A mission statement developed at the request of the Working Group at the July 1997 meeting was presented at the start of the meeting. Next, EPA updated the Working Group on the implementation status of the DWSRF program.

Two draft issue papers requested by the Working Group had been developed and distributed to group members prior to the meeting for purposes of aiding discussions on whether states should be allowed to have eligibility limitations based on size and system ownership. A third draft information document on growth was also distributed, but was tabled for discussion until the next meeting.

The first issue addressed by the Working Group was eligibility limitations that some States are considering in the DWSRF program. Two major potential eligibility issues were discussed: minimum size limits on eligible systems; and minimum or maximum ceilings on loan amounts. The majority of Working Group members voted that States should not be allowed to categorically exclude systems from applying based on their size. Also, the group was divided over whether States should be allowed to set minimum size loan amounts. The Group also was divided on the issue of maximum size loans.

The second issue, the eligibility of privately-owned systems in State DWSRF programs, was then discussed by the Working Group. A consideration with respect to privately-owned systems is that some States have constitutional or statutory provisions limiting their ability to provide assistance to these systems and other States are considering excluding private systems as a matter of policy. EPA confirmed that it has approved applications in a few States which exclude private systems, however, each of those States had a statutory or constitutional prohibition against funding private systems. The majority of Working Group members voted that States should not be allowed to categorically exclude systems from applying based on ownership.

There was substantial discussion on whether State DWSRF allotments derived from the results of the next Drinking Water Needs Survey (2001 release date) should be based on needs for systems restricted from applying for funding by State eligibility limitations. The Group was divided on the question of whether EPA should consider adjusting the allotment to account for excluded systems.

NDWAC representative and Working Group member, Diane Kiesling, discussed a draft document by the National Association of Regulatory Utility Commissioners (NARUC) that addresses the appropriate accounting treatment for loans to investor-owned water utilities, to ensure that benefits in the form of lower borrowing costs accrue to customers and not to shareholders.

The Working Group discussed several additional issues including whether water conservation projects should be eligible for DWSRF funding. The consensus was that the Group should recommend that States be given the flexibility to address water conservation issues, but at a much lower priority level than projects related to public health and compliance. The Group also discussed the eligibility of using DWSRF funds to build new systems to replace contaminated ground water wells. The Group unanimously encouraged the Agency to seek a way of allowing financing of these projects which are currently ineligible under the Act.

The next Working Group meeting was scheduled for December 4-5, 1997 in Washington, D.C.