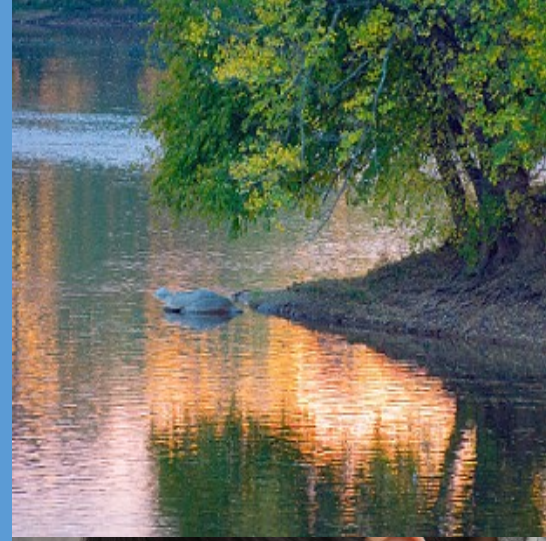




Drinking Water State Revolving Fund

2016 Annual Report



A Message from the Office Director

I am pleased to present the Drinking Water State Revolving Fund's 2016 Annual Report. The DWSRF is a \$34 billion federal-state partnership dedicated to protecting America's public health. The program finances the construction and rehabilitation of critical drinking water infrastructure, along with public health-focused programs and activities across our nation. Investments in drinking water systems and programs provide assurances of continued delivery of safe drinking water to homes, schools, and businesses, and are key to strong local economies across the United States.



In 2016, we made tremendous progress towards maximizing the use of each federal dollar while concurrently demonstrating exceptional financial integrity across the state DWSRF programs. Each additional investment in drinking water infrastructure projects and activities through the DWSRF translates into additional jobs and improved public health for our fellow citizens.

Ensuring that our nation's drinking water infrastructure delivers clean and safe water is a major challenge. The DWSRF offers tools and flexibilities to states to help meet this challenge.

Moving forward, we have a tremendous opportunity to continually maximize the use of DWSRF funds and leverage all available resources in order to meet the great drinking water-related public health needs across the U.S. Many states have successfully built financial modeling tools that accurately predict the revolving fund's cash availability over time. These cash flow analysis tools help state managers evaluate the "supply side" of drinking water infrastructure funding sources: the amount of money that is potentially available to lend for drinking water infrastructure construction. The most successful DWSRF programs pair these financial projections with dynamic outreach to community water systems throughout their state, supporting the "demand side" of the program.

As a reminder, the DWSRF administrative set-asides are a funding source for multiple tools to strengthen public health protection through the DWSRF program, including development of a cash flow model. This set-aside may also be used for outreach to drinking water systems and to help those systems become ready to proceed for drinking water infrastructure financing and construction. The EPA's national DWSRF team stands ready to assist our state partners in achieving the fullest utilization of all sources of DWSRF funds to maximize the protection of public health in America.

I welcome this opportunity to share our accomplishments with you.

Sincerely,

Peter C. Grevatt, Ph.D., Director

Office of Ground Water and Drinking Water

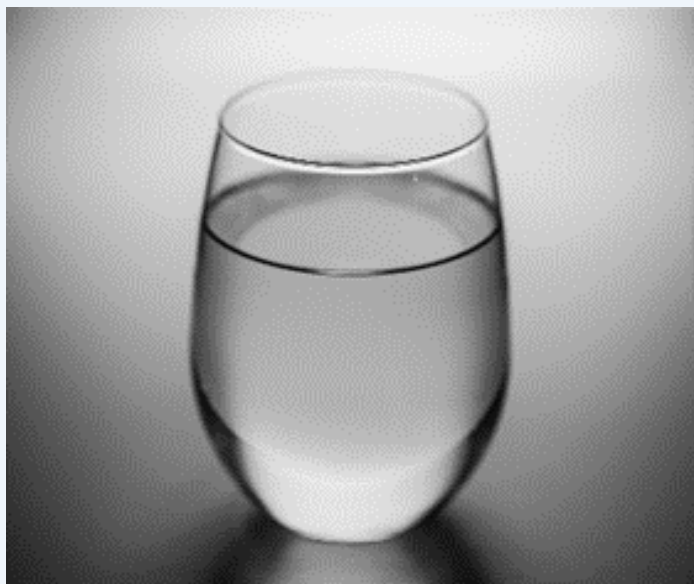


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I. About the Drinking Water State Revolving Fund



The 1996 Amendments to the Safe Drinking Water Act created the Drinking Water State Revolving Fund (DWSRF) to help communities finance infrastructure improvements needed to protect public health and ensure compliance with drinking water standards. Each of the 50 states and Puerto Rico operate their own DWSRF programs and receive annual grants from the EPA, which in turn provide low-interest loans and other types of assistance to public water systems. The DWSRF programs are managed or co-managed by state agencies that oversee drinking water systems and can therefore effectively prioritize infrastructure needs for funding.

The Safe Drinking Water Act (SDWA) directs states to give priority for the use of DWSRF project funds to:

- address the most serious risks to human health,
- ensure compliance with the requirements of the SDWA, and
- assist systems most in need on a per household basis according to state affordability criteria.

Not all drinking water compliance problems, however, can be solved through capital financing of infrastructure improvements. With that in mind, Congress gave states the option to take a portion of their federal capitalization grant for “set-asides.” Set-asides can be used to administer state programs, provide technical assistance and training for water utilities, and fund other activities that support

achieving the public health protection objectives of the SDWA. The programs and activities supported by set-asides include DWSRF administration, water system capacity development, operator certification, source water protection, small systems technical assistance and support for the state Public Water System Supervision (PWSS) program. Each state determines the appropriate balance between water infrastructure projects and set-asides for their unique circumstances.

Through June 30, 2016, nearly \$32.5 billion has been signed into nearly 13,000 DWSRF loans* by the state programs to water systems to fund critical infrastructure needs. Furthermore, nearly \$2.9 billion has been provided to states and utilities to support the non-infrastructure set-asides programs.

The DWSRF is an exceptionally versatile tool. In 2016, the DWSRF loan program improved the lives of nearly 50 million Americans, returning systems to compliance and maintaining systems with aging infrastructure, while also focusing on small systems that are most at risk. Systems serving fewer than 10,000 people accounted for 73 percent of the loans signed by state programs.

**Throughout this report, “loans” and “assistance agreements” are used interchangeably.*

II. Highlights From 2016

A. Lending and Disbursements Approach Record High

DWSRF funds are in high demand. The program answered this demand by increasing infrastructure lending by 18 percent in 2016, with \$370 million more lent to local drinking water systems over the previous year. States provided nearly \$2.5 billion in new infrastructure loans, the most assistance ever provided outside of the American Recovery and Reinvestment Act (ARRA) of 2009. Implementation of The *Unliquidated Obligations Strategy* was an important contributor to the large annual increase in spending in 2016.

The DWSRF operates as a reimbursement program. Funds are released from the state to localities once eligible costs are incurred. This year, the program experienced a significant jump in construction activity. Disbursements to reimburse incurred construction costs increased 24 percent over the previous year, with \$466 million more going to pay invoices over the previous year. With this jump, the program disbursed nearly \$2.4 billion to local drinking water systems, the highest-ever amount of disbursements outside of one year during ARRA.

B. Unliquidated Obligations Reach Record Low

Each Congressionally-appropriated DWSRF dollar used by local utilities and states for drinking water

quality activities translates into better public health protection for the American people. With that in mind, EPA partnered with state DWSRF managers, the Council of Infrastructure Financing Authorities and the Association of State Drinking Water Administrators to develop and implement the 2014 *Unliquidated Obligation Strategy*. The Strategy provided specific drawdown targets for the federal funds and best practices to improve the flow of funds to high-priority public health needs.

In the span of just 3 years, the effort yielded outstanding results: the national program collectively reduced federal ULOs by over one billion dollars, from \$2.3 billion in October 2013 to \$1.2 billion in October 2016, nearly a 50 percent decrease. Furthermore, in August 2016, we hit the lowest ULO in program history at about \$650 million. That's about two-thirds of an average year's Congressional appropriation. The increase from August to October was driven by the annual awarding of that year's DWSRF grants to states.

To reach this major achievement, many states dramatically transformed their programs to more efficiently use all available funds and to improve outreach to communities.

Exhibit 1: DWSRF National Annual Disbursements

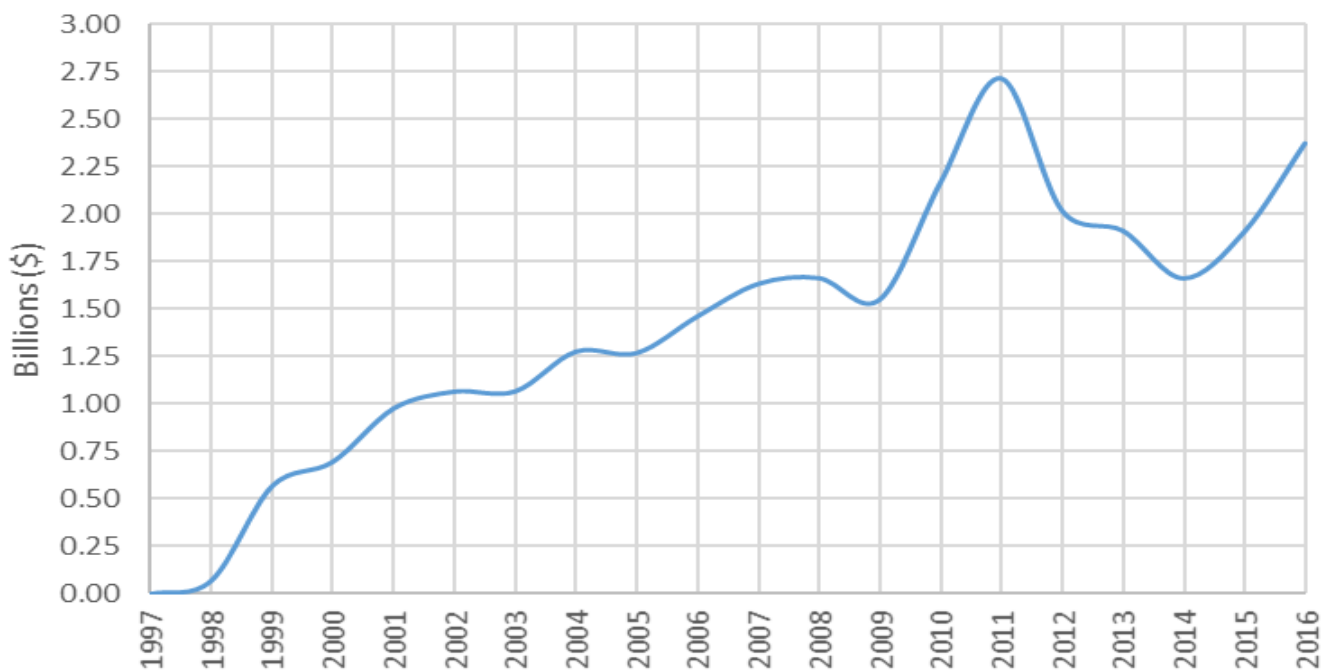
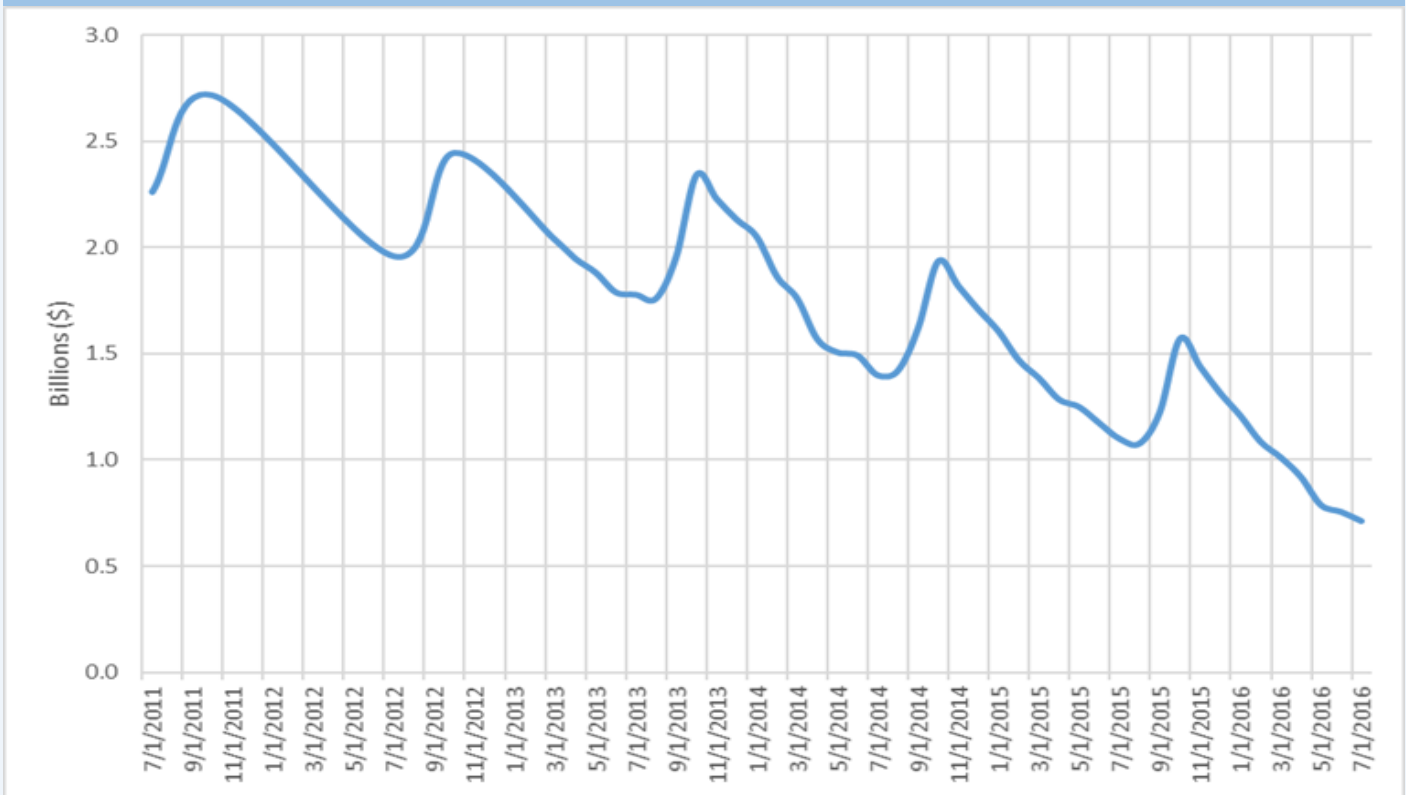


Exhibit 2: DWSRF ULOs



For example, the California DWSRF aggressively pursued new borrowers and developed a cash flow model to improve management of the program. Also, the Texas DWSRF reached out to new borrowers, more quickly invoked their bypass procedures if construction projects were not ready to proceed, and separated the planning and design portion of construction loans from the larger construction loan to enable those funds to move more quickly. Utilization of these funds represents money spent to protect public health through drinking water infrastructure improvements and technical assistance to help water systems develop the capacity to reliably deliver safe water to the communities they serve.

These investments are critical to help us close the needs gap and strengthen the capacity of drinking water systems across the country. We are very proud of the state's accomplishments and the associated public health improvements.

C. Program Exhibits Outstanding Financial Integrity

EPA and the states demonstrated their extraordinary commitment to the financial integrity of all DWSRF transactions throughout 2016. This year, the agency's

review of state draws from the federal treasury showed a remarkable 0.01 percent error rate. This exceptionally low rate is a result of strong state internal controls to ensure funds are used correctly. Furthermore, where errors were found, all funds were recovered.



III. How States Used DWSRF Infrastructure Funds

In State Fiscal Year (SFY) 2016, the DWSRF provided nearly \$2.5 billion in assistance and entered into 708 assistance agreements. The majority of funding was used to assist with transmission/distribution and treatment projects, and communities with populations of 10,000 or less accounted for 28 percent of all assistance provided. Since 1997, the DWSRF has provided over \$32 billion in assistance, and 35 percent of this assistance has been directed to communities with populations of 10,000 or fewer.

In SFY 2016, the DWSRF facilitated assistance agreements with a broad diversity of communities, emphasizing a strong focus on communities serving 10,000 individuals or fewer. In terms of dollars, 28 percent of the SFY 2016 funds provided were provided to these smaller systems. Principal forgiveness was a key tool utilized in these agreements; 70 percent of systems serving populations of 500 or less received principal forgiveness, with 42 percent of those systems receiving full principal forgiveness. As the charts show, the percentage of SFY 2016 funds directed at small systems decreased compared to the cumulative data, while number of assistance agreements directed at small systems is slightly greater than the cumulative percentages.

Exhibit 3: Assistance by Project Type (Millions of Dollars)

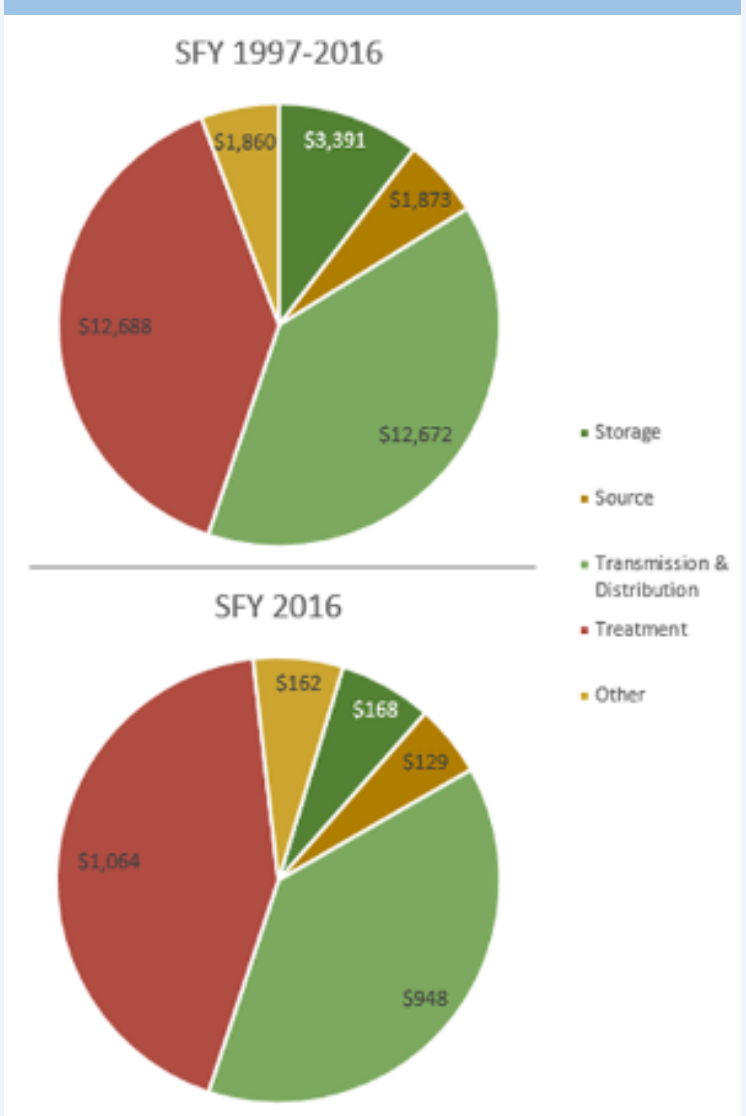
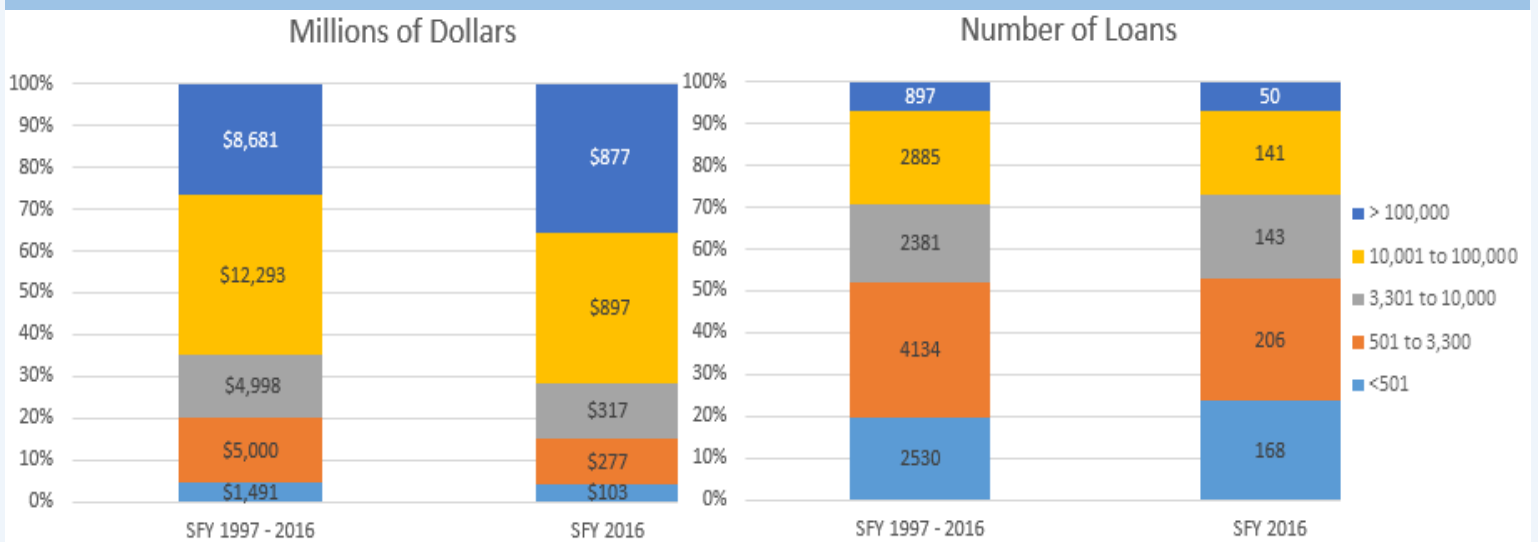


Exhibit 4: Assistance by Community Size



IV. Innovative and Effective State Management



In 2016, state DWSRF programs continued to take advantage of the extraordinary flexibility for eligible projects under the DWSRF to effectively manage their funds and aid their communities. Examples include funding to support local strategies to maximize community benefits associated with infrastructure investments. This includes such innovations as:

- Incentivizing the incorporation of water and energy efficiency into project planning and construction.
- Providing technical assistance to communities for training and development of asset management plans.
- Utilizing the Interagency Preliminary Engineering Report template (developed by the U.S. Environmental Protection Agency, U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, and Indian Health Service) to ensure projects have evaluated technically-feasible alternatives and life-cycle costs, incorporate sustainability aspects into projects being funded, and facilitate co-funding of projects across federal programs.



V. Maintaining the Fund's Growth and Revolving Nature

To ensure the DWSRF meets both current and future needs, the fund's financial growth is carefully balanced with the need to provide subsidy and address the most critical public health needs. State DWSRF programs balance all of these objectives

while maintaining the growth of the fund to ensure it remains available for a growing nation that relies on strong infrastructure as a fundamental pillar of a strong economy.

Exhibit 5: DWSRF Cumulative Assistance Provided

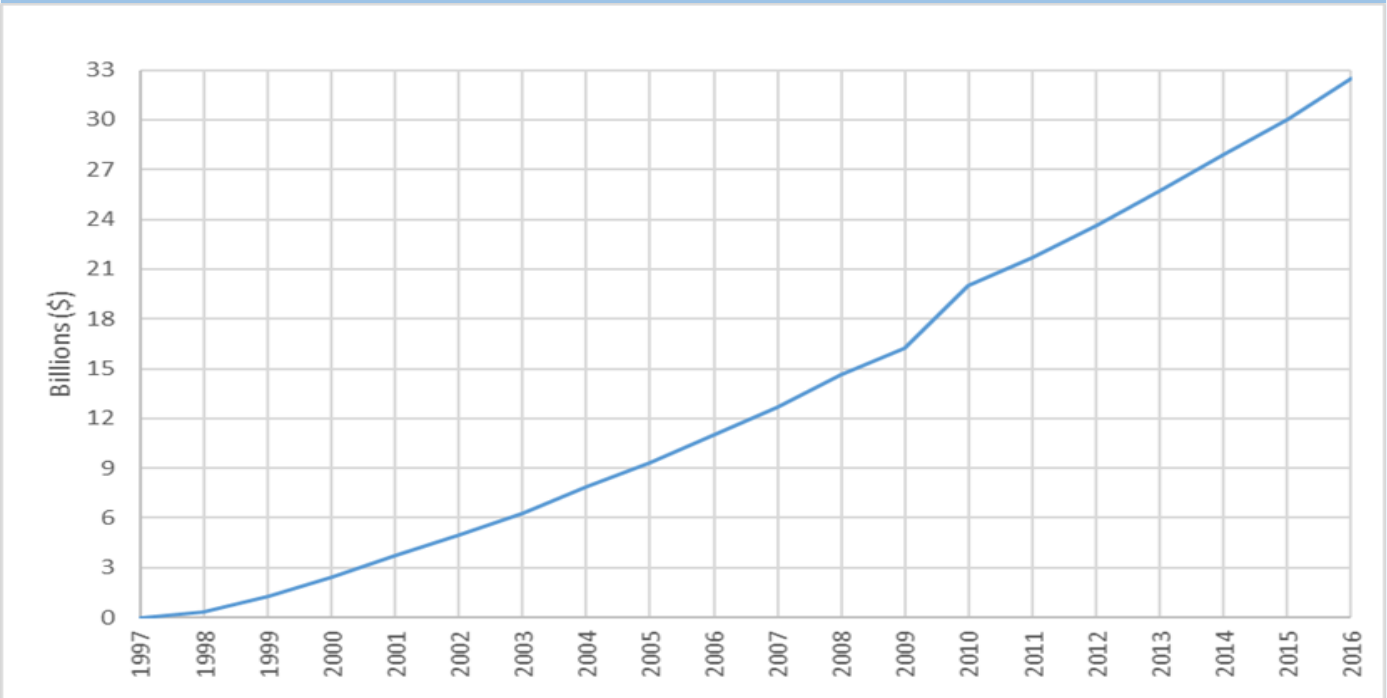
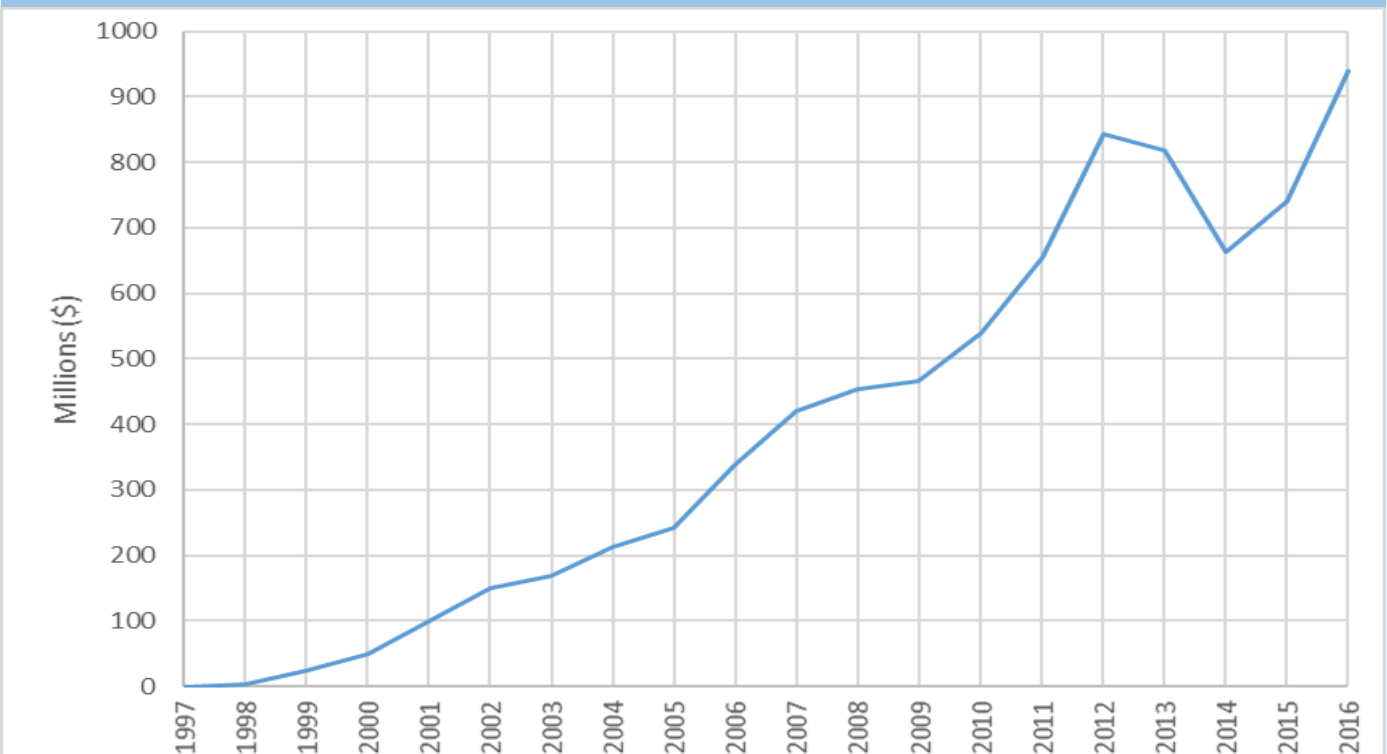


Exhibit 6: DWSRF Annual Net Repayments



*The sharp jump in repayments in 2011 and 2012 was due to a large number of borrowers refinancing older loans, driven by the low interest rate environment.

VI. 2016 Financial Overview

A. Financial Success

The fundamental purpose of the DWSRF is to provide low-cost capital to finance sustainable, long-term public health protection. The fund's ability to assist projects that protect public health is dependent on three pillars:

- continued federal capitalization,
- innovative, intelligent, and effective state management, and
- maintaining the fund's growth and revolving nature.

Since the DWSRF's inception, Congress has appropriated about \$18 billion into the fund. These funds have gone both to the revolving loan fund and the state set-asides. Together, the 51 state DWSRF programs have effectively leveraged these funds to provide nearly \$32.5 billion in loans to the nation's water utilities and nearly \$2.9 billion to both states and utilities for set-aside programs to support capacity development, source water protection, and operator training and certification. For the loan program, this translates into \$1.80 in disbursements for every \$1 drawn from the Treasury.

From the 2010 appropriation onward, Congress mandated that a certain portion of the federal capitalization grant be provided to borrowers as additional subsidy. This change allowed states to aid communities most in need and incentivize particular types of projects. Because this subsidy comes from the federal dollars, continued federal support is needed to maintain this benefit and continue growing the fund.

B. Financial Reports

The Single Audit Act designates the threshold for auditing federal programs. Most DWSRF programs receive a program-specific audit in addition to auditing required under the Single Audit Act. Because the 51 DWSRF programs are independent state-level entities, no nationally-audited DWSRF program financial reports are available. Using the EPA's National Information Management System, national aggregate financial statements, best viewed as non-audited cash flow-based reports, are shown on the following pages.



1. Statement of Fund Activity

As shown in Exhibit 7 below, in SFY 2016, DWSRF programs executed approximately \$2.5 billion worth of assistance agreements, a significant increase from 2015. Overall for SFY 2016, assistance provided as a percent of funds available (“pace of funds provided”) was 95%, indicating that states have successfully directed federal funding to drinking water infrastructure projects. This robust percentage of funds utilization also demonstrates a high demand for DWSRF funding. A portion of the disbursed funds are used to provide principal forgiveness to disadvantaged communities or to help finance specific water systems meeting the criteria for state priority funding; in SFY 2016, more than \$208 million was provided in the form of principal forgiveness.

While the amount of federal capitalization grant decreased in 2016, the total amount of new funds available for assistance increased. The amount of new funds includes new investments, net leveraged bonds, and loan principal and interest repayments. The dollar amount of project commitments also increased, reflecting the overall increase in new funds available.



Exhibit 7: Statement of Fund Activity (Millions of Dollars)

Annual Fund Activity	FY2015	FY2016
Federal Capitalization Grants	933.2	834.9
State Matching Funds	165.5	155.9
New DWSRF Funds Available for Assistance	1,867.8	2,107.1
Project Commitments (Executed Loan Agreements)	2,102.2	2,470.8
New Set-Aside Funds Available for Assistance	166.3	166.2
Project Disbursements from the Fund	1,906.4	2,372.5
Cash Draws from Federal Capitalization Grants (Fund)	951.7	1,039.0
Cash Draws from Set-Asides	187.1	192.9
Cumulative Fund Activity		
Federal Capitalization Grants	17,517.5	18,352.4
State Matching Funds	3,293.8	3,449.7
DWSRF Funds Available for Assistance	32,073.5	34,180.6
Project Commitments (Executed Loan Agreements)	30,011.1	32,481.8
Set-Aside Funds Available for Assistance	2,706.4	2,872.5
Project Disbursements from the Fund	25,673.1	28,045.6
Cash Draws for Fund	14,004.9	15,043.9
Cash Draws for Set-Asides	2,383.5	2,576.4
Loan Principal Forgiven	193.2	208.6

¹ This includes funds drawn from previous grants.

2. Statement of Revenues, Expenses, and Earnings

This statement is a useful tool to view the sources of funds and the expenses of the DWSRF program nationally, and how those impact net assets. For 2016, interest earnings exceeded expenses, adding to the growth of the program. From 2015 to 2016, operating expenses increased by \$29.4 million, with an increase in DWSRF funds used for refunding (Exhibit 8). DWSRF net assets increased by \$1.1 billion, reflecting the steady increase in assets since the program's inception.

3. Statement of Cash Flow

This statement is a useful tool to view the impact of DWSRF activities on cash on hand. DWSRF programs require a reserve to maintain their programs. With the program reaching its first milestone under the ULO strategy of spending down built up federal funds, it is expected that states will need to draw heavily from state cash reserves in the near future to pay invoices from the high level of lending at which they are operating. As indicated in Exhibit 9, DWSRF

loan disbursements to be repaid increased by \$450.7 million from 2015 to 2016, reflecting the overall increase in project disbursements. Loan principal repayments and state contributions increased, while loan interest remained nearly constant since the previous state fiscal year. Given the increase in loan disbursements to be repaid, it is expected that principal repayments will increase during upcoming years.

While state match bond proceeds decreased by \$41.3 million, leveraged bond proceeds added \$260.3 million to program cash flows. This reflects an increase in bond issuance in 2016. In SFY 2016, states paid \$602.1 million in principal and interest on leveraged bonds and state match bonds, demonstrating a decrease of \$26.8 million from the previous year. Bond issuance is one method by which states may balance their loan demand with the need to maintain the long-term sustainability of their revolving funds.

Exhibit 8: Statement of Revenues, Expenses, and Earnings (Millions of Dollars)

	FY2015	FY2016
Operating Revenues		
Interest on Fund Investments	67.3	60.1
Interest on DWSRF Loans	294.0	293.8
<i>Total Operating Revenues</i>	361.3	353.9
Operating Expenses		
Bond Interest Expense	150.2	141.2
DWSRF Funds Used for Refunding ²	38.4	61.2
Amortized Bond Issuance Expense	6.9	7.0
<i>Total Operating Expenses</i>	200.1	209.4
Non-Operating Revenues and Expenses		
Cash Draws from Federal Capitalization Grants ¹	951.7	1,039.0
Loan Principal Forgiven	193.2	208.6
State Contributions ³	86.8	118.5
Transfers from (to) CWSRF	(7.6)	7.9
<i>Total Non-Operating Revenues (Expenses)</i>	1,224.1	1,374.0
Increase (Decrease) in Net Assets	1,003.6	1,101.2
Net Assets		
Beginning of Year	14,928.7	15,932.3
End of Year	15,932.3	17,033.5

¹ This includes funds drawn from previous grants.

² Refunding occurs when outstanding bonds are retired with newly-issued bonds.

Exhibit 9: Statement of Cash Flow (Millions of Dollars)

Operating Activities	FY2015	FY2016
Cash Draws from Federal Capitalization Grants ¹	951.7	1,039.0
State Contributions ³	86.8	118.5
Loan Disbursements to be Repaid	(1,713.2)	(2,163.9)
Loan Principal Forgiven	(193.2)	(208.6)
Loan Principal Repayments	1,009.2	1,186.9
Interest Received on Loans	294.0	293.8
<i>Total Cash Flows from Operating Activities</i>	435.3	265.6
Non-Capital Financing Activities		
Gross Leveraged Bond Proceeds	65.3	325.6
Bond Issuance Expense	(2.2)	(3.8)
State Match Bond Proceeds	78.7	37.4
Cash Received from Transfers with CWSRF	(7.6)	7.9
Interest Paid on Leveraged and State Match Bonds	(150.2)	(141.2)
DWSRF Funds Used for Refunding ²	(38.4)	(61.2)
Principal Repayment of Leveraged Bonds	(394.0)	(415.6)
Principal Repayment of State Match Bonds	(84.7)	(45.3)
<i>Total Cash Flows from Non-Capital Financing Activities</i>	(533.0)	(296.2)
Investing Activities		
Cash Flows from Capital and Related Financing Activities	0	0
Interest Received on Fund Investments	67.3	60.1
Deposits to Debt Service Reserve for Leveraged Bonds	(59.8)	51.7
<i>Total Cash Flows from Investing Activities</i>	7.4	111.8
Net Increase (Decrease) in Cash and Cash Equivalents	(90.3)	81.2
Cash and Cash Equivalents		
Beginning of Year	4,976.7	4,886.4
End of Year	4,886.4	4,967.6

¹ This includes funds drawn from previous grants.

² Refunding occurs when outstanding bonds are retired with newly-issued bonds.

³ This includes state match but excludes state match bonds.

4. Statement of Net Assets

Total assets increased by \$1 billion, while total liabilities decreased by \$97.9 million; therefore, net assets increased by \$1.1 billion, or 6.9 percent of total 2015 net assets. This reflects the overall health

of the DWSRF program, which has shown a net asset growth of at least 6 percent per year over the past 10 years (Exhibit 10).

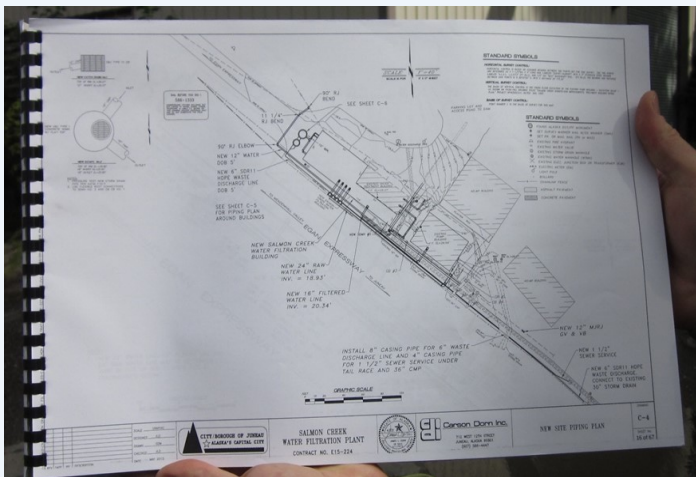
Exhibit 10: Statement of Net Assets (Millions of Dollars)

Assets	FY2015	FY2016
Cash and Cash Equivalents	4,886.4	4,967.6
Debt Service Reserve - Leveraged Bonds	803.6	751.9
Loans Outstanding	14,820.2	15,797.3
Unamortized Bond Issuance Expenses ⁴	72.4	69.3
<i>Total Assets</i>	<i>20,582.7</i>	<i>21,586.0</i>
Liabilities		
Match Bonds Outstanding	243.0	235.1
Leveraged Bonds Outstanding	4,407.4	4,317.5
<i>Total Liabilities</i>	<i>4,650.4</i>	<i>4,552.5</i>
Net Assets		
Federal Contributions	14,004.9	15,043.9
State Contributions	2,468.7	2,587.2
Transfers - Other SRF Funds	(7.6)	7.9
Other Net Assets	(533.8)	(605.6)
<i>Total Net Assets</i>	<i>15,932.3</i>	<i>17,033.5</i>
Total Liabilities & Net Assets	20,582.7	21,586.0

⁴ Unamortized bond issuance expenses are costs that have been incurred but have not been fully recognized (amortized). These costs will be recognized (amortized) over time over the remaining life of the bonds outstanding, similar to a pre-paid expense.



VII. 2016 Financial Activity for DWSRF Set-Asides



States may reserve a portion of their annual capitalization grants to fund non-infrastructure programs supporting safe drinking water. Set-asides expand the impact of DWSRF by helping to ensure that systems have the necessary technical, managerial and financial capacity to get the greatest public health protection from their drinking water infrastructure investments. Each of the four DWSRF set-aside categories has a different connection to public health. Upon receiving capitalization grants, states may reserve funds under each of the four categories at their discretion and up to the maximum allowable limit. The following sections of this report provide details about the overall financial management of set-asides as well as a more specific breakdown of expenditures in particular categories

Administrative and Technical Assistance (4% Set-Aside)

States may set aside up to 4 percent of their annual capitalization grants to administer their DWSRF programs and to provide technical assistance to systems of any size. For example, states may use these funds to hire staff or to assist systems with project plans or loan applications.

Small Systems Technical Assistance (2% Set-Aside)

States may reserve up to 2 percent of their annual

capitalization grant to fund programs providing assistance to drinking water systems serving 10,000 people or fewer. Small systems often face greater challenges than larger systems, and they frequently have difficulty obtaining funding. This set-aside helps them to build their capacity and to better align their operations with current population needs.

State Program Management (10% Set-Aside)

This set-aside may be used to fund Public Water System Supervision (PWSS) programs overseeing all drinking water programs in individual states. Funding from this set-aside can be used for source water protection work, capacity development, operator certification programs and other activities.

Local Assistance and Other State Programs (15% Set-Aside)

States can use up to 15 percent of their capitalization grant (but no more than 10 percent for any single activity) to provide loans for the purchase of land, to support source water protection, to implement voluntary water quality protection activities or to assist PWSSs with their capacity development.



1. Statement of Set-Aside Revenues, Expenses, and Earnings

As expected, Exhibit 11 shows that 2016 operating expenses greatly exceeded operating revenues because of the nature of set-aside funding. Between 2015 and 2016, set-aside net assets increased by \$4.5 million, due in large part to grants made under the 10% set-aside.

Exhibit 11: Statement of Set-Aside Revenues, Expenses, and Earnings (Millions of Dollars)

	FY2015	FY2016
Operating Revenues		
Interest on 1452(k) Loan Account Investments	2.77	3.79
Interest on 1452(k) Loans	0.03	0.03
<i>Total Operating Revenues</i>	2.80	3.81
Operating Expenses		
Operating Expenses Under the 4% Set-Aside	36.3	34.1
Expenses: 2% Set-Aside, Small Systems Technical Assistance	14.4	15.2
Expenses: 10% Set-Aside, State Program Management	72.2	81.7
Grants Made Under the 1452(k) Set-Aside	62.5	61.3
<i>Total Operating Expenses</i>	185.4	192.3
Non-operating Revenues and Expenses		
Federal Contribution	187.1	192.9
<i>Total Non-operating Revenues (Expenses)</i>	187.1	192.9
Increase (Decrease) in Net Assets	4.5	4.5
Net Assets		
Beginning of Year	40.6	45.1
End of Year	45.1	49.6

2. Statement of Set-Aside Cash Flow

This statement indicates a strong continuous demand for set-aside funding. States took \$192.9 million for set-asides in 2016 (Exhibit 12), similar to previous years. Total national set-aside awards have fluctuated from 14% to 16% over the past 10 years.



Exhibit 12: Set-Aside Statement of Cash Flow (Millions of Dollars)

Operating Activities	FY2015	FY2016
Federal Contribution	187.1	192.9
1452(k) Loan Disbursements Made to Borrowers	(1.7)	(0.7)
1452(k) Loan Principal Repayments	0.9	1.1
Interest Received on 1452(k) Loans	0	0
Administrative Expenses Under the 4% Set-Aside	(36.3)	(34.1)
Expenses: 2% Set-Aside, Small Systems Technical Assistance	(14.4)	(15.2)
Expenses: 10% Set-Aside, State Program Management	(72.2)	(81.7)
Grants Made Under the 1452(k) Set-Aside	(62.5)	(61.3)
<i>Total Cash Flows from Operating Activities</i>	0.9	1.1
Non-capital Financing Activities		
<i>Net Cash Provided by Non-capital Financing Activities</i>	0	0
Cash Flows from Capital and Related Financing Activities	0	0
Investing Activities		
Interest Earnings on 1452(k) Loan Account Investments	2.8	3.8
<i>Net Cash Provided by Investing Activities</i>	2.8	3.8
Net Increase (Decrease) in Cash and Cash Equivalents	3.7	4.9
Beginning of Year	35.9	39.6
End of Year	39.6	44.5

3. Statement of Set-Aside Net Assets

As shown in Exhibit 13, the overall federal contribution to set-asides totaled more than \$2.6 billion as of 2016, demonstrating the value of set-asides as an integral part of state DWSRF programs.

4. Set-Asides Taken as Percentage of Capitalization Grants

For 2016, states took more of the State Program Management (10%) set-aside and Local Assistance (15%) set-aside than they have historically (Exhibit 14). This indicates a greater reliance on the DWSRF to fund these activities.

Exhibit 13: Statement of Set-Aside Net Assets (Millions of Dollars)

Assets	FY2015	FY2016
Cash and Cash Equivalents	39.6	44.5
Loans Outstanding	5.5	5.1
<i>Total Assets</i>	45.1	49.6
Liabilities		
<i>Total Liabilities</i>	0	0
Net Assets		
Federal Contributions	2,383.5	2,576.4
Other Net Assets	(2,338.3)	(2,526.8)
<i>Total Net Assets</i>	45.1	49.6
Total Liabilities & Net Assets	45.1	49.6

Exhibit 14: Set-Asides Taken as a Percentage of Capitalization Grants

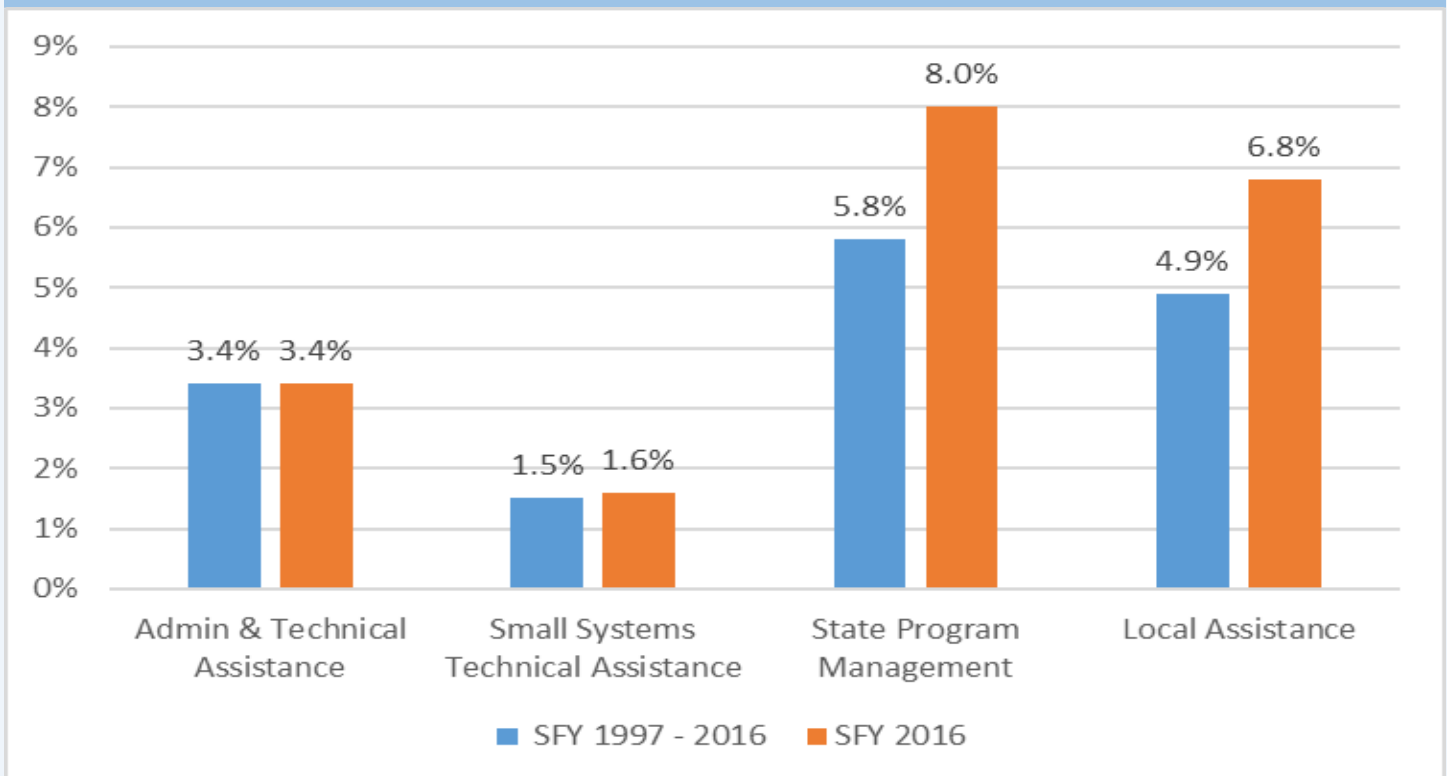
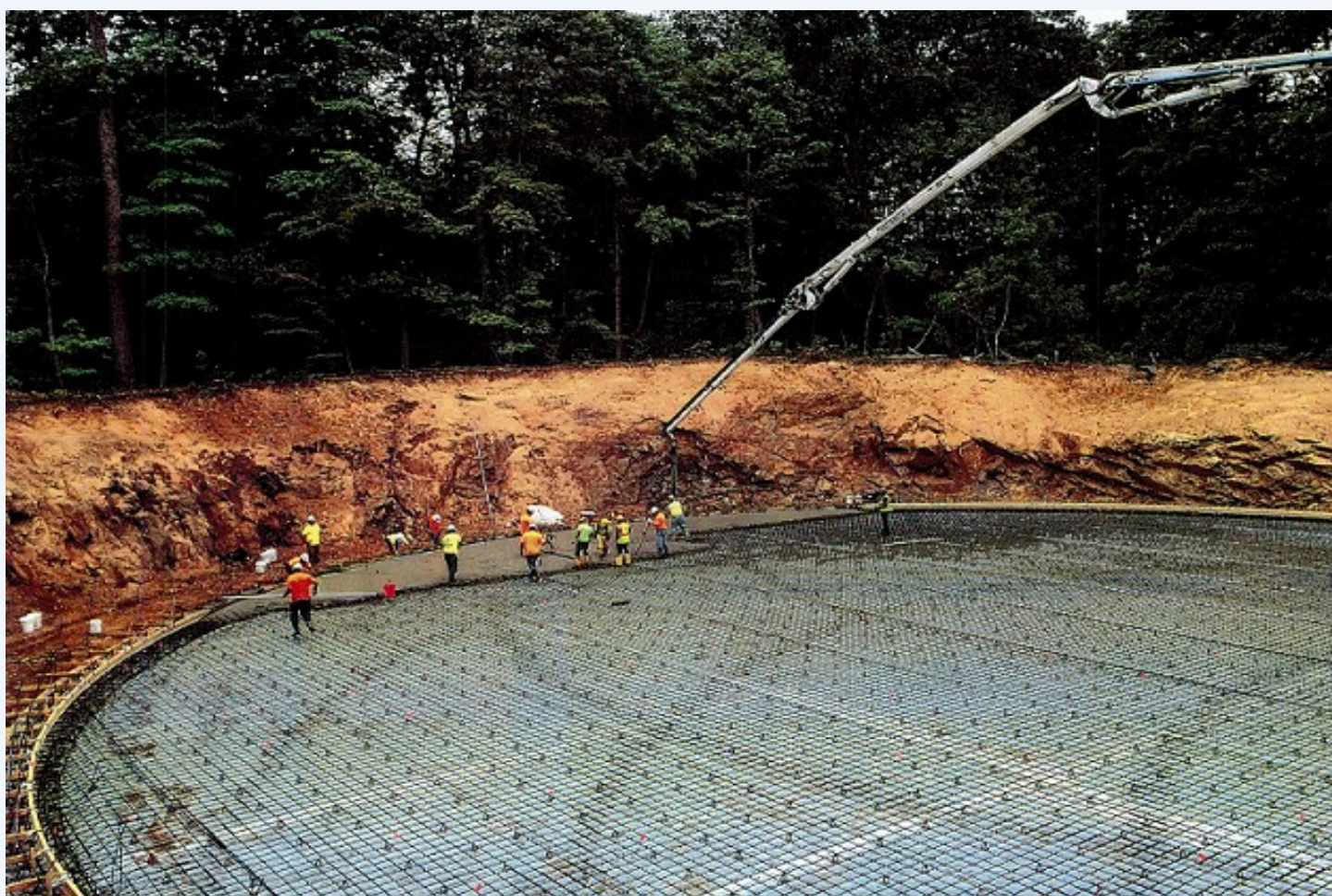


Exhibit 15: Set-Aside Expenditures (Millions of Dollars)

Set-Aside Category	Sub-Category	SFY2016	Cumulative (1997-2016)
Administrative	Administrative Assistance	\$ 34.03	\$ 583.20
	Technical Assistance	\$ 0.03	\$ 3.23
Small Systems	Technical Assistance	\$ 15.24	\$ 248.71
State Program Management	PWSS Administration	\$ 69.14	\$ 683.47
	SWP Technical Assistance	\$ 4.53	\$ 93.42
	Capacity Development	\$ 5.94	\$ 154.99
	Operator Certification Programs	\$ 2.04	\$ 39.20
Local Assistance	Loans for SWP Land Acquisition	\$ 0.00	\$ 8.89
	Loans for Incentive-Based SWP Measures	\$ 0.00	\$ 7.75
	SWP Area Delineation/ Assessment	\$ 2.58	\$ 118.83
	Wellhead Protection	\$ 19.72	\$ 274.91
	Technical or Financial Assistance	\$ 39.68	\$ 361.12
TOTAL		\$ 192.94	\$ 2,577.70



State Agencies Managing the DWSRF

EPA Region 1

Connecticut Department of Public Health
Connecticut Office of the Treasurer
Maine Department of Human Services
Maine Municipal Bond Bank
Massachusetts Clean Water Trust
Massachusetts Water Management Administration
Massachusetts Executive Office of Administration and Finance
New Hampshire Department of Environmental Services
Rhode Island Infrastructure Bank
Rhode Island Department of Health
Vermont Facilities Engineering Division

EPA Region 2

New Jersey Department of Environmental Protection
New Jersey Environmental Infrastructure Trust
New York State Department of Health
New York State Environmental Facilities Corporation
Puerto Rico Department of Health
Puerto Rico Infrastructure Financing Authority

EPA Region 3

Delaware Department of Health and Social Services
Maryland Water Quality Financing Administration
Maryland Water Management Administration
Maryland Department of the Environment
Pennsylvania Infrastructure Investment Authority
Pennsylvania Department of Environmental Protection
Virginia Department of Health, Office of Drinking Water
Virginia Resources Authority
West Virginia Department of Health and Human Resources
West Virginia Water Development Authority

EPA Region 4

Alabama Department of Environmental Management
Florida Department of Environmental Protection
Georgia Environmental Finance Authority
Georgia Environmental Protection Division
Kentucky Infrastructure Authority
Kentucky Division of Water, Drinking Water Branch, EEC
Mississippi State Department of Health
North Carolina Department of Environmental Quality
South Carolina Department of Health and Environmental Control
South Carolina Budget and Control Board
Tennessee Department of Environment and Conservation
Tennessee Comptroller of the Treasury

EPA Region 5

Illinois Environmental Protection Agency
Indiana State Revolving Fund Program
Indiana Finance Authority
Michigan Department of Environmental Quality
Michigan Municipal Finance Authority
Minnesota Public Facilities Authority
Minnesota Department of Health
Ohio Environmental Protection Agency
Ohio Water Development Authority
Wisconsin Department of Natural Resources
Wisconsin Department of Administration





EPA Region 6

Arkansas Natural Resources Commission
Arkansas Department of Health
Arkansas Development Finance Authority
Louisiana Department of Health
New Mexico Finance Authority
New Mexico Environment Department
Oklahoma Department of Environmental Quality
Oklahoma Water Resources Board
Texas Water Development Board
Texas Commission on Environmental Quality

EPA Region 7

Iowa Department of Natural Resources
Iowa Finance Authority
Kansas Department of Health and Environment
Kansas Department of Administration
Kansas Development Finance Authority
Missouri Department of Natural Resources
Missouri Environmental Improvement and Energy Resources Authority
Nebraska Department of Environmental Quality

EPA Region 8

Colorado Water Resources and Power Development Authority
Colorado Water Quality Control Division
Colorado Department of Local Affairs, Division of Local Government
Montana Department of Environmental Quality
Montana Department of Natural Resources and Conservation
North Dakota Department of Health
North Dakota Public Finance Authority
South Dakota Department of Environment and Natural Resources
Utah Department of Environmental Quality, Division of Drinking Water
Wyoming Office of State Lands and Investments
Wyoming Department of Environmental Quality
Wyoming Water Development Office

EPA Region 9

Arizona Water Infrastructure Finance Authority
California State Water Resources Control Board
Hawaii Department of Health
Hawaii Safe Drinking Water Branch
Nevada Division of Environmental Protection
Nevada Office of Financial Assistance

EPA Region 10

Alaska Department of Environmental Conservation, Division of Environmental Health
Idaho Department of Environmental Quality
Oregon Health Authority, Public Health Division
Oregon Infrastructure Finance Authority, Business Oregon
Oregon Department of Environmental Quality
Washington State Department of Health
Washington Department of Commerce

DWSRF At-a-Glance

Assistance Provided for Projects (Millions of Dollars)		
	2016	1997-2016
Total, by Project Type	2,470.8	32,481.8
Planning and Design Only	28.3	339.2
Construction		
Treatment	1,064.3	12,687.1
Transmission & Distribution	947.6	12,671.4
Source	129.3	1,873.0
Storage	168.0	3,391.0
Purchase of Systems	32.3	290.5
Restructuring	0.9	98.7
Land Acquisitions	16.9	79.1
Other	83.2	1,051.8
Total, by Population Served		
Less than 501	102.8	1,491.3
501 to 3,300	276.5	4,999.7
3,301 to 10,000	317.2	4,997.9
10,001 to 100,000	897.0	12,293.2
100,001 and Above	877.3	8,681.0
# of Loans, by Population Served		
Less than 501	168	2530
501 to 3,300	206	4134
3,301 to 10,000	143	2381
10,001 to 100,000	141	2885
100,001 and Above	50	897

Funds Available for Projects (Millions of Dollars)		
	2016	1997-2016
Total Funds	2,107.1	34,180.6
Federal Capitalization Grants	834.9	18,352.4
State Match	155.9	3,449.7
Net Leveraged Bonds	335.9	7,059.2
Net Loan Principal Repayments	771.3	5,964.0
Net Interest Earnings	167.3	1,867.4
Net Transfers with CWSRF	7.9	360.4
Less Set-Asides	(166.2)	(2,872.5)

Other Key Statistics

- In 2016, every \$1 federal appropriation to DWSRF programs resulted in **\$1.80** disbursed.
- The DWSRF average interest rate in 2016 was **1.7%**, compared to 3.5% market-value interest rate. This lower interest rate results in over **\$500 million** in savings to local community ratepayers over the life of these loans.
- States also awarded **\$208.6 million** as principal forgiveness to communities in 2016. These grant-like funds help keep water rates affordable for communities.
- **22** states sell bonds in order to further leverage their DWSRF programs.

For more information about the Drinking Water State Revolving Fund, please contact us at:

Drinking Water State Revolving Fund Program
U.S. Environmental Protection Agency
1201 Constitution Avenue, NW (Mailcode 4606M)
Washington, DC 20460

Internet: www.epa.gov/drinkingwatersrf

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