

The Water Infrastructure Finance and Innovation Act (WIFIA): A Potential Funding Source for Communities Looking to Replace Lead Drinking Water Pipes

In 2014 the Environmental Protection Agency (EPA) enacted the Water Infrastructure Finance and Innovation Act (WIFIA), with a mission to accelerate investment in the nation's water and wastewater infrastructure.¹ The WIFIA program does this by providing loans for large-scale water infrastructure projects that can be paid back over the course of 30 years at low interest. Up to 49% of the costs of a multi-million dollar water project can be covered by the WIFIA program. Although there are several requirements a project must fulfill before it is deemed "eligible" for funding, the WIFIA program represents a potentially valuable resource for municipal governments as well as community groups looking to reduce water contamination or increase access to quality water for the greater area.

The application process for WIFIA funding is divided into three parts: Selection, Approval, and Closing. The Selection Phase is the most important. During this phase, the EPA announces how much funding it will provide and selects projects it intends to fund. Selected projects are then invited to submit an application, which is largely a formality. By being invited to apply, the EPA is stating that it intends to fund the project. Finally, the Closing Phase is when the final credit agreement is agreed upon and ultimately executed.

Before starting the application process for WIFIA funding, it is crucial to first meet two key elements of the program: **the project must be eligible for WIFIA funding**, and **it needs to meet as many selection criteria as possible**. This factsheet provides an overview of the WIFIA program including these two critical components.

Eligibility

Projects must meet EPA's standards for eligibility before it can be reviewed. First, the entity applying for a WIFIA loan must be an **Eligible Borrower**. This essentially means that it must be someone other than an individual. Corporations, local governments, partnerships, etc. are all eligible borrowers. Non-Governmental Organizations (NGOs) can also apply as long as they have public sponsorship of the project showing support from the relevant state, local, or tribal government agency. Only **Eligible Projects** can receive WIFIA funding, though there is no strict definition for an eligible project. Many diverse water projects can be eligible, including ones that focus on: drinking water, wastewater, energy efficiency in the public water system, infrastructure repair, desalination, and drought mitigation. Projects must also meet certain thresholds for their **Eligible Costs**, depending on the size of the population it serves. Not all project costs meet this requirement, as eligibility is limited to costs associated with development-phase activities (planning, environmental review, permitting, etc.), construction, property acquisition, capitalized interest, and other similar costs. For projects that serve communities greater than 25,000 people, the project's eligible costs must be at least \$20 million. For smaller communities, the threshold is \$5 million or greater. If other government money is used in the project, the total amount of Federal aid cannot exceed 80% of the total eligible costs of the project.

For the entire list of eligibility requirements, review the WIFIA Program Handbook, found here: https://www.epa.gov/sites/production/files/2018-04/documents/program_handbook_fy18_final.pdf

Selection Criteria

Once the EPA announces the Notice of Funding Availability (NOFA) in the Federal Register, prospective borrowers can submit a Letter of Interest (LOI) to the WIFIA program. Preparing the Letter of Interest is the most

¹ <https://www.epa.gov/wifia/learn-about-wifia-program>

important step in the process. The LOI describes every aspect of the proposed project, broken up into 8 component parts: Borrower Information, Project Plan, Operations and Maintenance Plan, Financing Plan, Selection Criteria, Contact Information, Certification, and State Revolving Fund (SRF) Notification. Guidance on how to prepare each of these sections can be found in the handbook linked above. The Selection Criteria, however, are the most complex and difficult to understand, and the most important for project approval. There are three main categories for selection criteria, each consisting of 100 points. Projects that score higher are considered more favorable. These categories can change slightly from year to year. For example, in 2018 the EPA prioritized the removal of lead from water by making 20 points available to any project with that focus. In 2018 the three selection criteria are:

1. **Project Impact** – This category outlines how the project will work, who it will serve, and what benefits it will yield. The EPA identifies important qualities such as:
 - National or regional significance including public benefits to health, economy, and environment
 - Innovative methods of approaching the problem
 - Environmental awareness and increased protection from extreme weather events caused by climate change
 - Location in a region with significant importance for energy exploration or production
 - Solving water resource challenges (groundwater, recreational value, ecology, flooding, etc.)
 - Addressing municipal, state, or regional priorities for water
 - Addressing aging and/or degraded water infrastructure needing repair or replacement
 - Minimizing economic stress within communities, avoiding disproportionate impacts for certain pockets
 - Reducing lead in the nation’s drinking water system
2. **Project Readiness** – This category evaluates whether a funded project is ready to go. Important qualities include:
 - Readiness to proceed toward development (Demonstrating that the project can start construction within 90 days of WIFIA funding)
 - Preliminary WIFIA engineering feasibility score (A group of engineers determine whether the project can be completed on time and within budget, and will rate feasibility based on information in the Letter of Interest. Also looks at the ability to comply with at local and federal law)
3. **Borrower Creditworthiness** – This category measures the ability of a project’s supervisors to repay the government for its investment within an appropriate timeframe.
 - Likelihood that WIFIA funding would let project start sooner than otherwise possible
 - Inclusion of public or private financing in addition to WIFIA loan (as long as federal involvement doesn’t exceed 80% of total eligible project costs)
 - Reducing funding from other Federal assistance if WIFIA assistance is secured
 - Low budget authority required to fund the project (the smaller the loan, and the more creditworthy the borrowers, the lower the budget authority required to grant project funds)
 - Preliminary creditworthiness assessment score (Like the engineering feasibility score mentioned above, a group of EPA professionals determine two things: whether they are reasonably assured to be repaid, and to estimate the amount of necessary budget authority to fund WIFIA assistance)

For eligible projects, the Letter of Interest is the deciding factor for whether or not funding is secured. EPA officials recommend providing as much clear, reputable, and well-referenced information in the LOI as possible to have a greater chance of success in the overall process.