

**PROGRAM DESCRIPTION**

<b>Department of Natural Resources</b>	<b>HB Section(s): <u>6.225, 6.235</u></b>
<b>DEQ - Financial Assistance Center</b>	
<b>Program is found in the following core budget(s): Financial Assistance Center</b>	

**1a. What strategic priority does this program address?**

The Financial Assistance Center helps Missouri citizens thrive by managing natural resources to promote a healthy environment and economy by:

- Promoting environmental responsibility and resource stewardship.
- Enhancing services, information, and communication to improve customer experience.
- Modernizing community infrastructure, strengthening workforce, and supporting economic development.
- Improving internal processes to better serve our customers.

**1b. What does this program do?**

The Financial Assistance Center (FAC) is dedicated to helping Missouri communities plan, finance, and build water infrastructure projects that improve the lives of Missourians. To accomplish this goal, the program provides financial assistance to applicants for projects including drinking water and wastewater infrastructure and a variety of other water quality improvements.

The FAC provides low-cost financial assistance to aid Missouri communities with capital improvements to water, wastewater, and stormwater systems. The program provides grants and below-market-rate loans for water and wastewater infrastructure. Small communities receive grants for engineering studies to plan for infrastructure improvements. Communities receiving infrastructure loans and grants serve approximately 1,224,209 Missouri residents annually.

The following table shows financial data for the Financial Assistance Center budget units included in this form.

	<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Current</b>	<b>FY 2024 Gov Rec</b>
Operations (78840C)	n/a data included in Water Protection Program Operations				2,457,223
Water Infrastructure PSD (79415C)	98,709,907	150,095,132	134,210,893	556,582,916	556,582,916
Water Infrastructure Encumbrance (79415C)	n/a encumbrance authority must lapse			224,939,825	220,939,825
Total	98,709,907	150,095,132	134,210,893	781,522,741	779,979,964
Total excluding Encumbrances	98,709,907	150,095,132	134,210,893	556,582,916	559,040,139

The FY 2023 and FY 2024 budgets include approximately \$220 million appropriation authority to be used for encumbrance purposes only for Water Infrastructure loans and grants. FY 2023 and FY 2024 also include \$234,105,716 Bipartisan Infrastructure Law pass-through funding.

In March 2022, the Water Protection Program's Financial Assistance Center was realigned and shifted from the Water Protection Program to a new program under the Division of Environmental Quality. Prior year actual (FY 2020 – FY 2022) and current year budget (FY 2023) data is included in the Water Protection Program Operations Core form. These changes are reflected in the FY 2024 budget request as this is the first opportunity to adjust the budget.

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**2a. Provide an activity measure(s) for the program.**

State Revolving Fund Financial Assistance (Loans Issued and Grants Awarded)

	<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Projected</b>	<b>FY 2024 Projected</b>	<b>FY 2025 Projected</b>
Drinking Water SRF Loans	6	3	5	3	11	14
Drinking Water SRF Grants	4	2	2	1	8	4
Clean Water SRF Loans	11	8	6	43	28	24
Clean Water SRF Grants	2	4	10	30	10	10
<b>Total Assistance Dollars Issued</b>	<b>\$139,967,287</b>	<b>\$281,529,709</b>	<b>\$58,981,735</b>	<b>\$668,435,536</b>	<b>\$212,362,405</b>	<b>\$273,139,716</b>

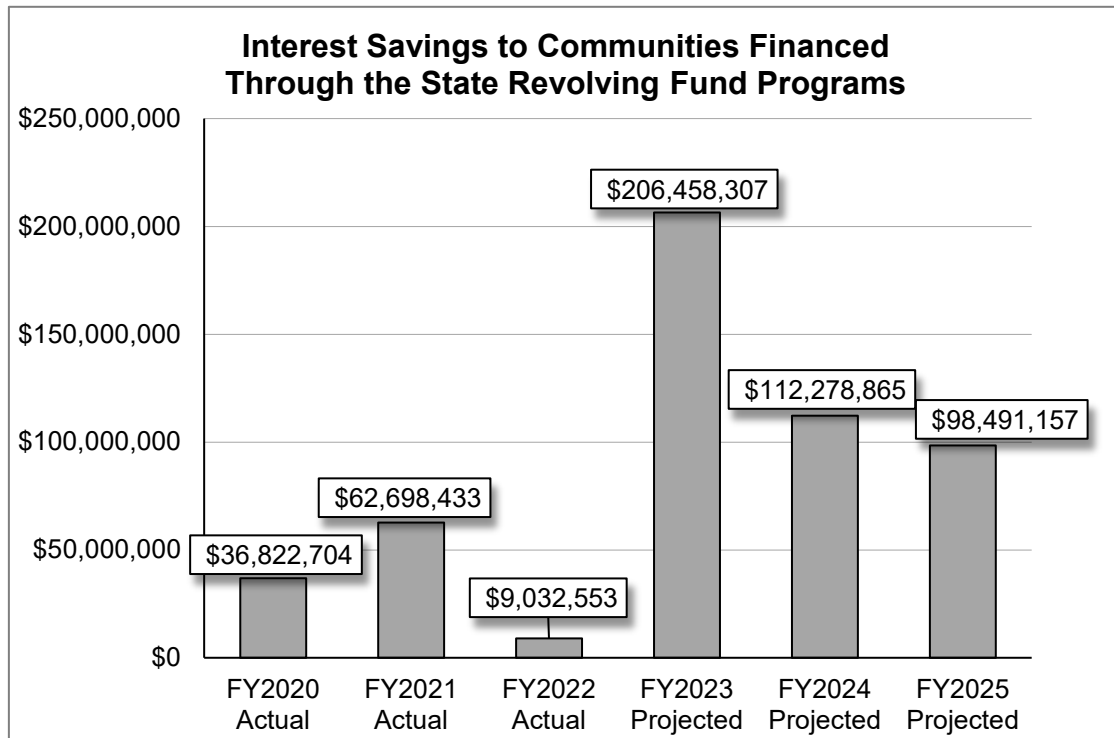
The FAC issues financial assistance through Drinking Water and Clean Water State Revolving Fund (SRF) loans and grants to eligible applicants for drinking water and wastewater infrastructure projects. The number of projected loans and grants in FY 2023 through FY 2025 are increased due to the additional SRF funding expected through the Bipartisan Infrastructure Law. The FY 2023 assistance dollars are projected to be high due to several large infrastructure projects anticipated to be issued financial assistance during the year. This measure includes infrastructure projects only and does not include planning grants funded through the SRF.

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**2b. Provide a measure(s) of the program's quality.**



Fiscal Year	Average Conventional Interest Rate	SRF Average Interest Rate	Difference
FY2020 Actual	3.06	0.92	2.14
FY2021 Actual	2.65	0.80	1.85
FY2022 Actual	2.71	0.82	1.89
FY2023 Projected	3.66	1.10	2.56
FY2024 Projected	3.66	1.10	2.56
FY2025 Projected	3.66	1.10	2.56

\*Source: The Bond Buyer

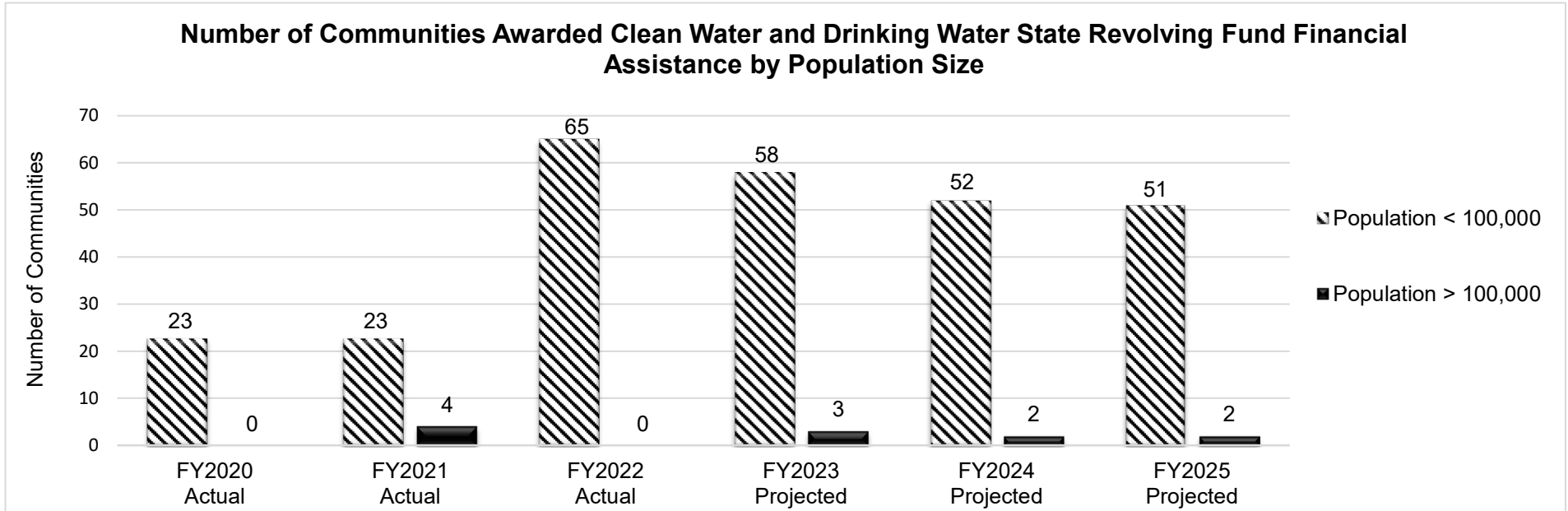
The financing provided through the SRF programs allows communities to save approximately 70% of the interest cost of a conventional loan. For FY 2021, the average conventional interest rate was 2.65% as compared to the SRF average interest rate of 0.80%; a difference of 1.85% (70% savings) resulting in an overall estimated savings to Missouri communities of \$62.7 million. A decrease in FY 2022 interest savings is the result of a decrease in loan demand (as demonstrated by the number of loans issued) with a corresponding decrease in financial assistance awards during this period. The SRF Program closed on several large loans in FY 2021 and anticipates closing on several more large loans during FY 2023 and FY 2024, resulting in above-average interest savings. The SRF offers 20 year loan terms at a fixed-rate and 30 year loan terms with an additional interest charge added to the fixed-rate.

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**2c. Provide a measure(s) of the program's impact (continued).**



The Clean Water and Drinking Water SRF programs provide assistance to systems serving populations of all sizes. SRF financial assistance is provided through an application process and is based on eligibility. Financial assistance is open for all Missouri cities, towns, counties, regional sewer and water districts, water authorities, public water systems, not-for-profit, and instrumentalities of the state to apply for low interest loans and grants. The program continues marketing efforts and has implemented numerous customer service and process improvements intended to improve efficiency and program attractiveness to borrowers. In FY 2021 the Department implemented new grant programs, which increased the number of awards for FY 2022. An increase in awards is expected for FYs 2023 through 2025 due to the additional SRF funding expected through the Bipartisan Infrastructure Law. This measure includes infrastructure assistance as well as planning grants funded through the SRF.

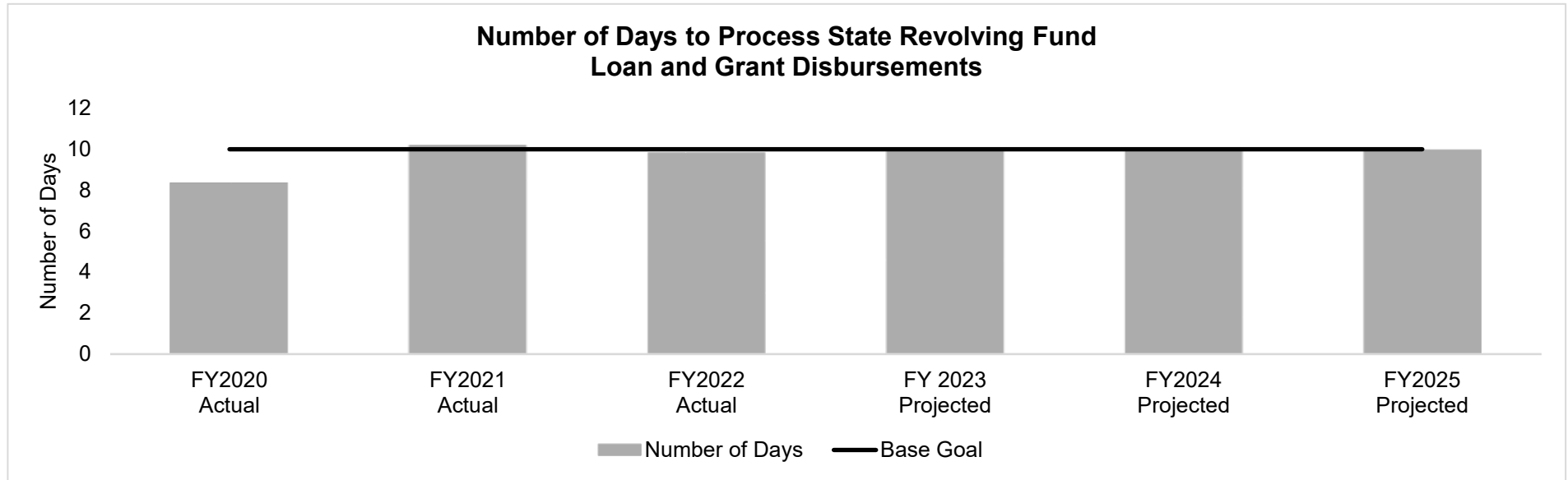
The goal is to assist as many communities that apply as possible with water infrastructure improvements through low interest loans and grants. Water infrastructure improvements benefit each community's health, economy, and overall well-being.

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**2d. Provide a measure(s) of the program's efficiency.**



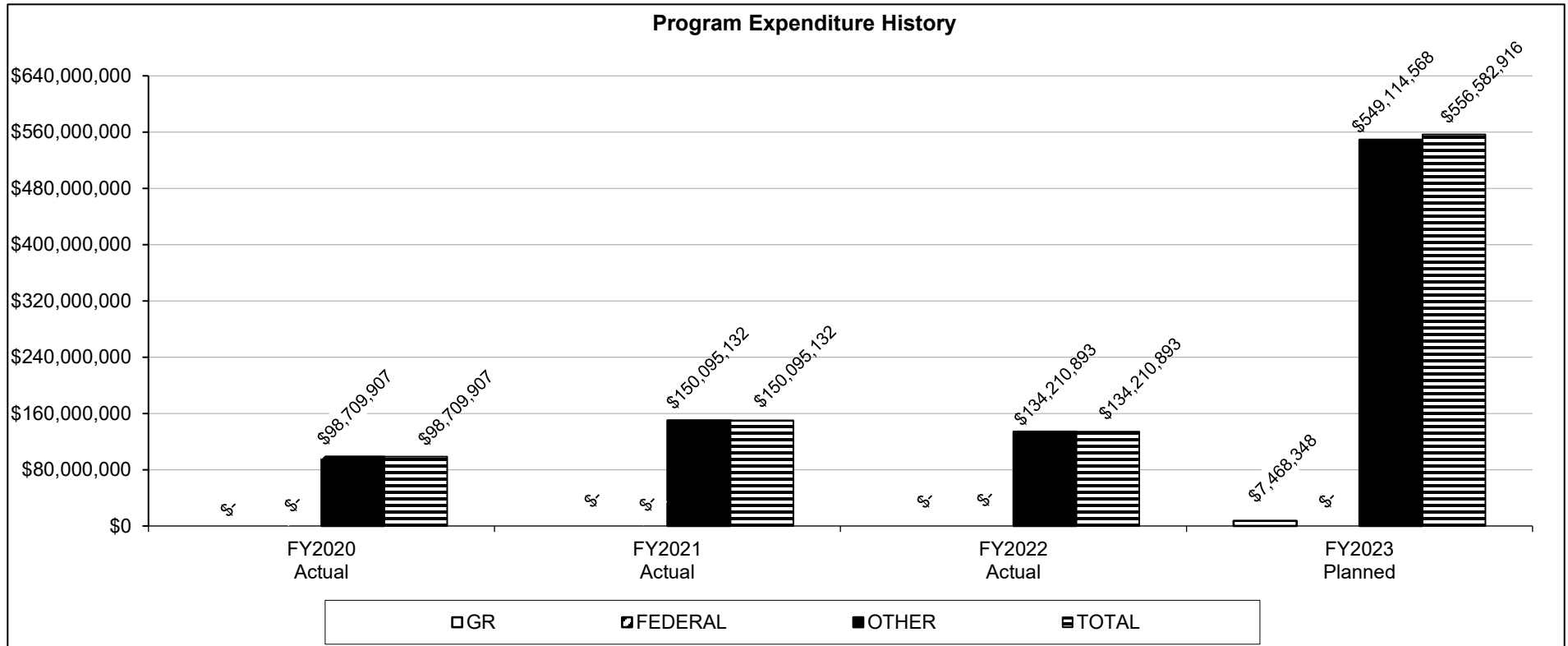
The nature of SRF projects is that funds are disbursed over time as construction proceeds. SRF participants have three years to draw down their loan and two years to draw a grant. The participant submits supporting invoices of costs incurred and requests reimbursement for those costs on a monthly basis. The FAC has an internal goal to reimburse each participant requesting payment within 10 days of receiving the reimbursement request. Meeting this goal is extremely important to ensure Missouri communities have adequate cash flow to pay their engineers and contractors on time for successful completion of the project.

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3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year. (Note: Amounts do not include fringe benefit costs.)



Data from FY 2020 - FY 2023 only reflects the Water Infrastructure pass-through appropriations (Financial Assistance Center operations is included in the Water Protection Program's data for FY 2020 – FY 2023). In many cases, pass-through appropriations have been provided to allow for encumbrance and payment of our commitments, which often span multiple fiscal years causing high unexpended balances. Not included in the data above is appropriation authority of \$224,939,825 for Water Infrastructure loans and grants encumbrance purposes only, which must lapse. Otherwise, FY 2023 Planned is shown at full appropriation.

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**4. What are the sources of the "Other " funds?**

Stormwater Control Fund (0302); Water Pollution Control Funds (0329, 0330); Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount (0568); Water and Wastewater Loan Revolving Fund (0602); Water and Wastewater Loan Fund (0649); Stormwater Loan Revolving Fund (0754); Rural Water and Sewer Loan Revolving Fund (0755)

**5. What is the authorization for this program, i.e., federal or state statute, etc.? (Include the federal program number, if applicable.)**

Title 42, Chapter 6A, Subchapter XII, Part B, § 300(g)	Federal Safe Drinking Water Act
Title 33, Chapter 26, Subchapters I-IV	Federal Clean Water Act
Public Law (107-117)	Recovery from and Response to Terrorist Attacks on the United States Act, 2002
Missouri Constitution Article III, Sect 37(c),(e),(g), & (h)	Water Pollution Control and Storm Water Control Bonds
RSMo Chapter 644	Missouri Clean Water Law
RSMo 640.100 through 640.140	Missouri Drinking Water Law
RSMo 644.101 through 644.124	Water Pollution Grants and Loans or Revolving Fund
RSMo 644.500 through 644.564	Water Pollution Bonds

**6. Are there federal matching requirements? If yes, please explain.**

Clean Water State Revolving Fund Base Capitalization Grant	20% State/Local (EPA)
Clean Water State Revolving Fund BIL General Supplemental Capitalization Grant	10% State/Local (EPA)
Drinking Water State Revolving Fund Base Capitalization Grant	20% State/Local (EPA)
Drinking Water State Revolving Fund BIL General Supplemental Capitalization Grant	10% State/Local (EPA)
Small and Disadvantaged Communities Drinking Water Grant	45% State/Local (EPA)

**7. Is this a federally mandated program? If yes, please explain.**

EPA has delegated implementation of the Federal Clean Water Act and the Federal State Drinking Water Act to Missouri. This includes the Clean Water State Revolving Fund and Drinking Water State Revolving Fund.

The Federal Safe Drinking Water Act requires public drinking water systems to conduct routine chemical, radiological, and microbiological monitoring of the water. Section 640.100.3, RSMo, mandates that the state will provide this monitoring for these drinking water systems.