



Insight

Primer: What is the WIFIA Program?

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The following is one of two primers on federal credit assistance programs available to infrastructure projects. This primer is on the WIFIA credit program, a program available for eligible water infrastructure projects.

Summary

- The WIFIA program is a financial assistance program that provides long-term, low-supplemental credit assistance to credit worthy water and waterworks projects.
- Every \$1 of WIFIA appropriated federal funds can provide an estimated \$65 in WIFIA loans and leverage roughly \$130 in total investment.
- In April 2017, the EPA selected 12 programs to provide \$2.3 billion in WIFIA loans, supporting \$5.1 billion in total water infrastructure investment.

What is the WIFIA Program?

The Water Infrastructure and Finance and Innovation Act (WIFIA) is a federal credit program administered by the Environmental Protection Agency (EPA) for eligible water and wastewater infrastructure projects. The WIFIA program works separately from, but in coordination with, the State Revolving Fund (SRF) programs to provide subsidized financing for water infrastructure for projects that would otherwise struggle to obtain financing. The program is a five-year pilot program established by the [Water Resources Reform and Development Act of 2014](#) (WRRDA) which authorizes the EPA to provide federal credit assistance – in the form of capital loans – to a range of drinking water and wastewater projects. The WIFIA program can provide up to 49 percent of the anticipated eligible project costs, however, total federal assistance may not exceed 80 percent of a project's eligible costs.

Eligibility

Eligible borrowers of WIFIA loans include local, state, and federal government entities, partnerships and joint ventures, corporations and trusts, and Clean Water and Drinking State Revolving Fund programs. The WIFIA program funds for development and implementation activities – pre-construction activities, construction, reconstruction, rehabilitation, and replacement activities, and acquisition of real property – for eligible projects. Eligible projects include:

- Projects eligible for assistance under section 603(c) of the Federal Water Pollution Control Act – not including the public ownership requirement.
- Projects eligible for assistance under section 1452(a)(2) of the Safe Drinking Water Act.
- Enhanced energy efficiency projects at drinking water and wastewater facilities.
- Brackish or seawater desalination, aquifer recharge, alternative water supply, and water recycling projects.

- Drought prevention, reduction, or mitigation projects.
- Acquisition of property if its integral to the project or will mitigate the environmental impacts of water resources infrastructure projects.
- A combination of projects secured by a common security pledge or submitted under a single application.

Eligibility is also contingent on project costs, public support, and creditworthiness. The project's eligible costs must be at least \$20 million. However, the threshold is lower for projects serving rural areas. Projects serving a population of 25,000 or less must have costs of at least \$5 million. Projects that are carried out by private entities must demonstrate that the community has been consulted and that the project has the support of affected state, local, or tribal government in which the project is located. In addition, projects applying for WIFIA credit assistance must be creditworthy and must have a dedicated revenue source. If a project is selected to receive WIFIA assistance it must abide by National Environmental Policy Act, Davis-Bacon, Buy America, and all federal cross-cutter provisions.

Benefits of WIFIA Credit Assistance

The volume of credit assistance offered through WIFIA is contingent on the size of congressional appropriations – set to expire after FY 2019 – and the subsidy rate of the eligible program. The EPA can use congressional appropriations for administrative purposes and loan subsidy costs – the estimated cost of default. Since the EPA is required to cover only the loan subsidy costs, a greater size of WIFIA credit assistance can be generated from the congressional appropriations. The Administration's Office of Management and Budget (OMB) has estimated an average [1.53 percent subsidy rate](#) for WIFIA projects; however, subsidy rates are project specific, meaning they will range across eligible projects. OMB's estimated subsidy rate for WIFIA suggests that every \$1 of WIFIA contract authority, on average, will enable the EPA to issue \$65 in WIFIA loans (1:65 direct loan leverage ratio). Since WIFIA can cover up to 49 percent of project total costs, WIFIA appropriations could yield a total water infrastructure investment ratio of 1:132, on average.^[1]

Furthermore, borrowers benefit from the low interest rates of WIFIA assistance and repayment schedule. The interest rate of the loan will be equal or greater to the U.S. Treasury rate of a similar maturity, thus lowering the cost of capital for borrowers beyond the cost of traditional tax-exempt municipal bond. Additionally, repayment on WIFIA loans may be deferred for a maximum of five years after the substantial completion of the project. However, the final maturity date of the WIFIA credit assistance shall be no later than 35 years after the date of substantial completion.

Implementation of the WIFIA Program

In both FY 2015 and FY 2016, Congress appropriated \$2.2 million to the EPA to design and staff the WIFIA program. In 2016, the EPA established two rulings intended to clarify provisions of the program. One rule is an [interim final rule](#) that sets guidelines for the application and selection of projects, defines the requirements for credit assistance, and outlines the process by which the EPA will administer credit assistance. The second rule is a [final rule](#) that establishes the fees related to applying for federal credit assistance under WIFIA.

Enactment of the [Further Continuing and Security Assistance Appropriations Act of 2017](#) provided the first appropriation of funds to cover the subsidy costs of loans issued under the program. The Act appropriated \$20 million to the EPA to begin subsidizing gross obligations for the principal amount of loans, and allows the agency to use \$3 million of the total for administrative costs. The Consolidated Appropriations Act of 2017 appropriated an additional \$8 million for credit subsidies raising WIFIA's total appropriations to \$25 million.

For FY 2017, the WIFIA program selected 12 projects to apply for \$2.3 billion in WIFIA loans, which, in addition to private capital and other funding resources, will help to finance \$5.1 billion in water infrastructure investment.

Conclusion

The American Water Works Association estimated that at least [\\$1 trillion over the next 25 years](#) is needed to upgrade and expand existing water systems to meet the water infrastructure needs of the growing U.S. population. The low risk of loans for water projects – due to the established repayment mechanism of water rates – has the potential for the EPA to generate more credit assistance than the OMB estimated. For example, the WIFIA projects selected by the EPA for FY 2017 suggest a higher than estimated direct loan leverage ratio. If WIFIA’s first year is any indication of its leverage power, then the program should be an essential part of the administration’s anticipated infrastructure bill.

[1] This estimate will vary depending on the subsidy rate of each project. Subsidy rates are estimated to range from 1%-2%. Therefore, as a conservative estimate, every \$1 of WIFIA appropriations could leverage \$100 in total water infrastructure investment.