COUNCIL OF INFRASTRUCTURE FINANCING AUTHORITIES

Frequently Asked Questions about the Clean Water and Drinking Water State Revolving Funds (SRFs)

What are the SRFs?

The Clean Water and Drinking Water State Revolving Funds (SRFs) are state-run subsidized loan programs that offer affordable financing for a myriad of water infrastructure projects that protect public health and the environment, including but not limited to:

- centralized treatment plants for drinking water, recycled water, wastewater and stormwater,
- pipes that distribute drinking and recycled water and collect wastewater and stormwater,
- infrastructure that manages and cleans stormwater to protect water quality,
- decentralized wastewater systems for homes and neighborhoods,
- restoration and protection of ecosystems, such as wetlands.

Why are the SRFs considered the nation's premier programs for funding water infrastructure that protects public health and the environment?

The SRFs are state-federal partnerships that provide states with the flexibility to customize their programs, under a broad federal framework, to meet the national goals of the federal Clean Water Act and Safe Drinking Water Act. The flexibility embedded in federal law makes the SRFs more effective, efficient and responsive to the unique water challenges within each state.

How is federal funding allotted to states?

Federal law provides the allotment formula for the SRFs. The Clean Water Act established the allotment formula in statute. The Safe Drinking Water Act requires the allotment to be based on a quadrennial needs survey.

How are SRF projects selected?

States select the water infrastructure projects to be funded by the SRFs. States develop a process of evaluating applications based on state priorities to reduce the risk to human health, maximize protection for water quality and supply, and address affordability. Federal law requires the process to be made available to the public for comment.

How do SRF loans save money?

SRF loans are subsidized, meaning loans must have interest rates at or below interest rates on the municipal market. According to the latest available information, the national average for interest rates on SRF subsidized loans is 1.25%. These deeply discounted interest rates save communities as much as 75% in interest payments compared to financing on the municipal market.

How does annual federal funding impact SRF loans?
Annual federal funding allows the SRFs to:

- Offer deeply discounted interest rates.
- Provide principal forgiveness and grants to communities that couldn't otherwise afford to build the water infrastructure needed to protect public health.
- Issue municipal bonds to generate more revenue to meet a higher demand for financing.
- Supplement state and local water quality programs that protect the sources of drinking water and train staff at local water utilities.
- Provide technical assistance to help small and rural communities comply with water quality standards, build physical, operation and financial resiliency, and develop water infrastructure projects.

How are SRF loans fiscally responsible?
Loan repayments from SRF loans create a permanent source of recurring revenue to meet the never-ending need to rehabilitate, replace and modernize aging infrastructure. Because the SRFs were created as loan programs, more than $85 billion remains permanently revolving, financing more projects that may never have been funded by a traditional grant program.