



## **Clean Water and Drinking Water State Revolving Funds** **Meeting Water Infrastructure Needs – Now and in the Future**

### **Mission: A Long-Term Commitment to Funding for Water Infrastructure**

The Clean Water and Drinking Water State Revolving Funds (SRFs) – the nation’s premier programs for funding water infrastructure – provide subsidized loans for water infrastructure that protects public health and the environment. The programs provide a perpetual, renewable source of revenue for water infrastructure, funding projects that would never have been built if the SRFs were a traditional grant program.

### **History: A National Program, Managed by States, Delivering Results Locally**

Established in 1987, the Clean Water SRF replaced a federal grant program which provided funding directly to municipalities for construction of wastewater treatment facilities. Transitioning from a federally-run construction grant program to a state-run loan program offered significant benefits. State management ensures federal investment in infrastructure effectively meets the diverse and evolving needs of thousands of communities across the country. Subsidized loans lower the cost of infrastructure which helps utilities keep water and sewer rates affordable. The revolving nature of the loan program provides a perpetual source of funding for water infrastructure that is protected from potential budget constraints.

### **Funding: State-Federal Partnership and Perpetuity**

All funding provided to the SRFs and loan repayments must remain the SRFs forever.

- Federal: Congress provides an annual federal grant, which is called a “capitalization” grant because it’s designed to build the principal or “corpus” of the SRFs.
- State: States are required to match 20% of the annual capitalization grant with state funds, which can be provided through appropriation, bonds or other means.
- Other: Some states also use fees or issue bonds to increase availability of funding.

### **Affordability: All SRF Loans are Subsidized**

#### **Interest Rate Subsidization**

All SRF loans must be provided at or below the interest rate available on the open market, saving an average of 50% in interest payments. Federal and state funding allows SRF interest rates to be offered at these “discounted” rates.

#### **Additional Subsidization**

Some SRF loans offer additional subsidization, also called “Add Sub,” which is funding that doesn’t need to be repaid. Additional subsidization comes in three forms – Principle Forgiveness, grants, and negative interest loans.

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### Eligible Projects and Uses of the SRFs

Wastewater and drinking water treatment facilities are eligible projects under the Clean Water and Drinking Water SRFs.

#### Clean Water

Municipal Wastewater Treatment Facilities

- Build, replace, rehabilitate or repair pipes and plants to collect and treat municipal wastewater, including measures to
  - increase security,
  - reduce energy consumption, and
  - reduce demand through water conservation, efficiency, and reuse
- Assist small and medium systems with planning, developing, and obtaining financing for projects

#### Drinking Water

Community Drinking Water Systems  
(including privately-owned systems)

- Build, replace, repair, relocate or improve treatment and delivery of safe drinking water
- Store drinking water
- Rehabilitate existing wells or develop alternative sources drinking water
- Consolidate two or more water systems

### Clean Water: Other Eligible Projects

Pollution Prevention and Reduction

- Prevent or reduce pollution from non-point sources (section 319)
- Protect watersheds from pollution from sewer overflows and stormwater (section 122)
- Protect national estuaries from nutrients (section 320)

Decentralized Wastewater Systems

- Municipal: Build, replace or repair decentralized systems that treat municipal wastewater
- Household: Repair or replace existing household wastewater treatment systems and install new household wastewater treatment systems when it's not cost-effective to connect to a centralized system

Stormwater: Manage, reduce, treat or recapture stormwater or subsurface drainage water

Water Reuse: Reuse or recycle wastewater, stormwater, or subsurface drainage water

### Drinking Water: Other Eligible Uses (“Set-Asides”)

The Drinking Water SRF can “set-aside” up to 27% of the capitalization grant to provide technical assistance to support water systems through the Public Water Supply Supervision program.

- Up to 2% for technical assistance and training for systems that serve 10,000 or fewer people
- Up to 10% for the state public water supply supervision program
- Up to 15% for local programs, such as wellhead protection, development of asset management plans, or system consolidation