



Funding of Small Community Needs Through the Clean Water State Revolving Fund

Program Overview: How SRF Works

The Clean Water State Revolving Fund (SRF) program was authorized by Title VI of the Clean Water Act (CWA) Amendments of 1987. The SRF program replaced the long-running Federal Construction Grants program providing independent and permanent sources of low-cost assistance

for water quality infrastructure projects. EPA provides "seed money" to all 50 states and Puerto Rico to capitalize state loan funds. States administer the SRF program to provide financial assistance to local communities.

Low interest loans are the primary form of SRF financial assistance, which can also include purchasing insurance or guaranteeing loans. The "revolving" nature of the SRF is such that as loan payments are made, funds are recycled to support additional water quality projects. Total assets of the SRF program exceeded \$27 billion in 1998.

SRF funding allows states to address their highest-priority water quality needs. Funding is most commonly used to support wastewater treatment systems (including decentralized systems), nonpoint source controls, and estuary protection activities.

Did you know . . . ?

- The following states distributed the most SRF funding to small communities since 1988 (in millions):

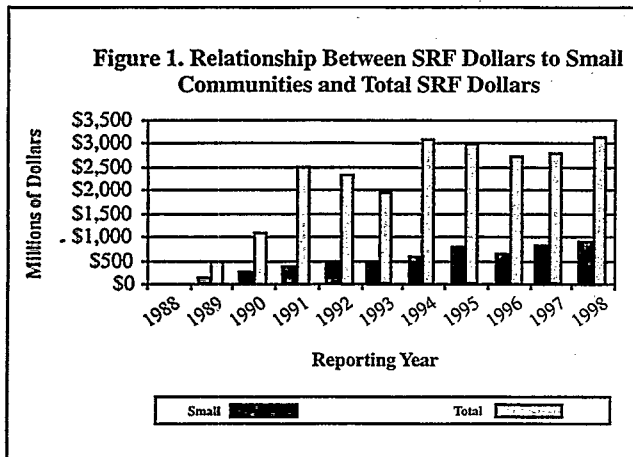
Pennsylvania	\$376.7
Ohio	\$334.5
Texas	\$321.2
New Jersey	\$219.6
New York	\$214.5
- Small communities have received about 23 percent (\$5.2 billion) of the total available SRF funding since 1988.
- 3,897 assistance agreements (loans) have been awarded to small communities since 1988.
- States in EPA Regions 3 and 5 have awarded the most assistance agreements to small communities; 953 and 741 respectively.¹

Funding Trends

Since 1988 the SRF has lent \$22.9 billion to communities nationwide. Small communities (10,000 or fewer people) account for \$5.2 billion. Very small communities (3,500 or fewer people) have received 44 percent of that \$5.2 billion. **Table 1** provides a state-by-state summary of loan dollars and agreements. This information was compiled from the SRF database maintained by EPA.

Figure 1 summarizes the distribution of SRF dollars to small communities relative to total SRF

¹ EPA Region 3 States: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia. Region 5 States: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.



funding during the past 11 years. Certain states may provide a higher percentage of their total state allocation to small communities, but their total SRF allocation is smaller than other states. Small communities averaged 23 percent of total SRF funding with some annual variability; since 1993 small communities have received from 18 to 29 percent of the total on an annual basis. SRF funding to small communities has nearly doubled from \$456 million in 1993 to \$866 million in 1998.

SRF assistance to small communities also may be evaluated in terms of the number of assistance agreements (loans). Only two states had capitalization grants in SRF's inaugural year (1988) and only three agreements were awarded that year. More states applied in 1990 and, as **Figure 2** illustrates, the number of agreements has risen steadily since then. In 1998, 1,139 SRF assistance Agreements were awarded, with 701 of those going to small communities. A total of 3,897 of 6,816 SRF assistance agreements has been awarded to small communities since 1988.

While small communities received about 23 percent of SRF dollars, they account for 57 percent of SRF agreements awarded between 1988 and 1998. Small communities have never received less than 50 percent of the total number of loans. The apparent disparity between percentage of agreements and percentage of dollars indicates that loans to small communities are usually for lesser amounts of money than loans to large ones. A possible

explanation for the smaller awards is that relatively smaller and less expensive wastewater treatment systems are being built for communities of 10,000 or fewer people.

Although SRF funds a portion of wastewater treatment needs of small communities, their needs are relatively large. EPA's 1996 Clean Water Needs Survey (CWNS) says the total documented need for wastewater treatment and collection systems for small communities amounts to \$13.8 billion. The 1990 U.S. Census Bureau data indicate that more than 80 percent of the houses in the United States without access to wastewater treatment are in small communities. **Figure 3** shows the costs associated with specific categories of need (as they are defined by the Needs Survey) and reveals that small communities clearly have the greatest need for new collector sewers and secondary treatment. Each of these needs will require approximately \$4 billion of small community funding nationwide.

The Needs Survey states that small communities with limited financial, technical, administrative, and legal resources encounter difficulties qualifying for and repaying SRF loans. Small financial bases limit the ability of small and rural communities to finance wastewater projects. Many of these communities also lack access to private credit markets. Consequently, these communities may delay addressing their needs.

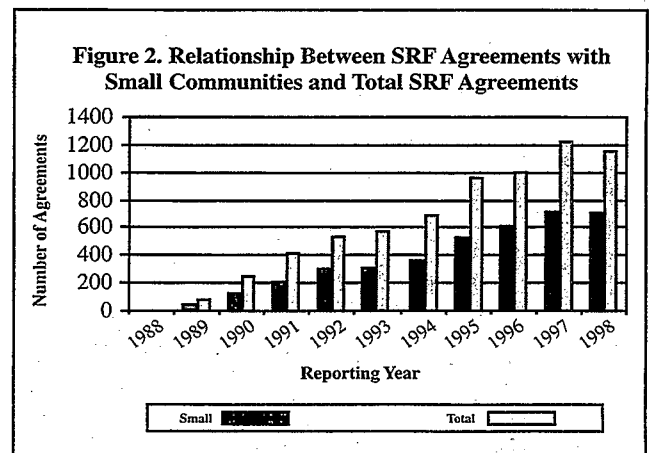
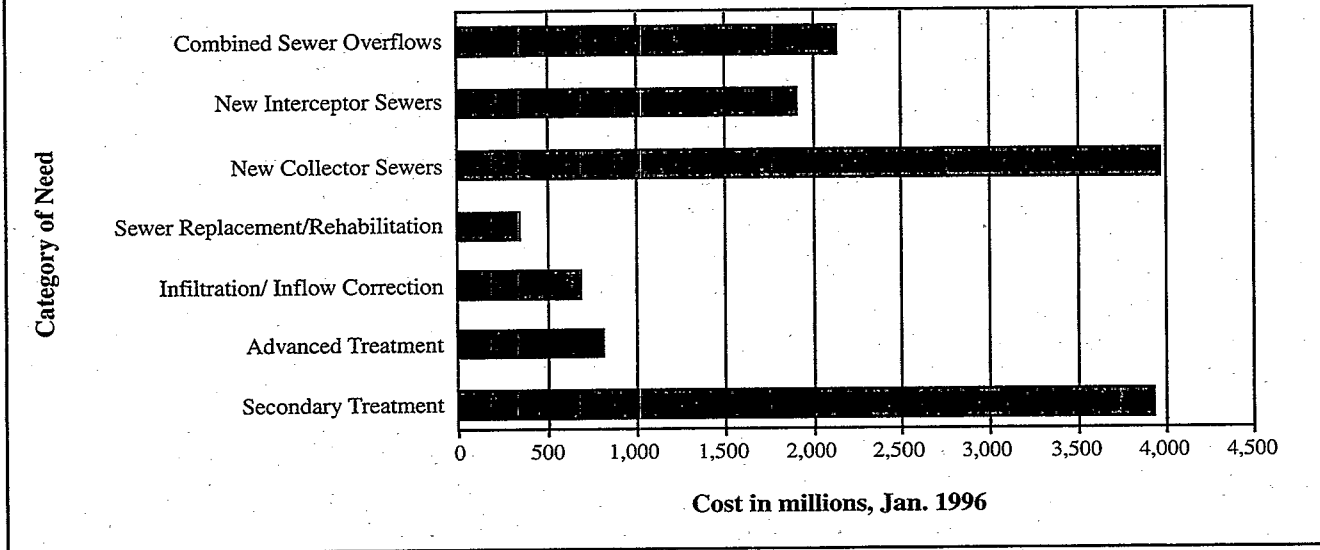


Figure 3. Documented Needs of Small Communities by Clean Water Needs Survey Need Category



Future SRF Direction for Small Communities

Despite their comparatively weak economic status, small communities still must comply with the CWA requirements for wastewater collection and treatment and must continue to address human health risks. In recognition of financial constraints on small communities, President Clinton's Clean

Water Initiative of 1994 proposed the establishment of special subsidies to make loans more affordable for small communities as part of the reauthorization of the CWA. These potential subsidies may include zero or negative (down to negative two percent) interest rates on loans, extension of the loan repayment period from 20 to 30 years, or loan forgiveness.

Additional copies of this Fact Sheet may be obtained by contacting the Office of Water Resources Center in EPA at (202) 260-7786 and referring to the document number EPA 832-F-99-057. You may also visit our Website (<http://www.epa.gov/OWM/smallc.htm>) to obtain other summaries of this information.

**Table 1. State Clean Water SRF Assistance in Dollars and Number of Agreements by
Community Size (Fiscal Years 1988 through 1998)**

State	Amount of SRF Assistance (Millions of Dollars)					Number of SRF Agreements				
	Total \$	Population < 10,000		Population < 3,500		Total Number	Population < 10,000		Population < 3,500	
		\$	Percent of Total	\$	Percent of Total		Number	Percent of Total	Number	Percent of Total
Alabama	420.8	56.3	13.4	17.3	4.1	108	59	54.6	34	31.5
Alaska	97.4	32.4	33.2	10.8	11.1	51	25	49.0	12	23.5
Arizona	188.1	47.7	25.4	21.2	11.3	31	18	58.1	11	35.5
Arkansas	205.8	80.5	39.1	27.5	13.4	80	58	72.5	37	46.3
California	1,269.0	70.4	5.5	25.8	2.0	146	27	18.5	11	7.5
Colorado	260.3	85.8	33.0	38.5	14.8	60	43	71.7	29	48.3
Connecticut	643.0	172.6	26.8	40.1	6.2	119	70	58.8	29	24.4
Delaware	65.9	23.1	35.1	2.8	4.2	318	315	99.1	313	98.4
Florida	849.4	70.7	8.3	16.8	2.0	198	50	25.3	15	7.6
Georgia	280.8	130.4	46.5	39.9	14.2	87	54	62.1	24	27.6
Hawaii	150.7	74.8	49.7	65.3	43.3	30	19	63.3	12	40.0
Idaho	80.2	29.4	36.6	21.3	26.6	44	28	63.6	20	45.5
Illinois	803.8	174.5	21.7	65.4	8.1	255	113	44.3	61	23.9
Indiana	225.8	112.7	49.9	76.5	33.9	48	35	72.9	29	60.4
Iowa	215.3	107.2	49.8	31.0	14.4	119	90	75.6	62	52.1
Kansas	255.2	60.3	23.6	42.8	16.8	114	81	71.1	68	59.6
Kentucky	249.5	131.4	52.6	58.8	23.6	125	95	76.0	64	51.2
Louisiana	186.8	50.9	27.2	8.9	4.8	48	20	41.7	7	14.6
Maine	175.6	84.4	48.1	12.7	7.2	67	43	64.2	13	19.4
Maryland	345.9	80.3	23.2	34.6	10.0	131	77	58.8	54	41.2
Massachusetts	1,356.9	81.9	6.0	20.5	1.5	525	137	26.1	48	9.1
Michigan	746.4	147.0	19.7	84.5	11.3	139	54	38.8	33	23.7
Minnesota	645.5	187.9	29.1	114.8	17.8	465	196	42.2	138	29.7
Mississippi	193.8	58.7	30.3	28.4	14.7	97	40	41.2	24	24.7
Missouri	658.8	129.0	19.6	48.3	7.3	114	71	62.3	46	40.4
Montana	49.8	29.7	59.7	21.0	42.2	41	32	78.0	24	58.5
Nebraska	91.4	45.8	50.1	29.4	32.2	61	47	77.0	39	63.9
Nevada	95.5	20.0	20.9	4.9	5.1	20	8	40.0	3	15.0
New Hampshire	179.1	28.5	15.9	8.7	4.9	57	25	43.9	12	21.1
New Jersey	1,019.2	219.6	21.5	78.3	7.7	152	57	37.5	30	19.7
New Mexico	78.7	15.4	19.6	2.7	3.4	35	18	51.4	12	34.3
New York	3,519.3	214.5	6.1	88.6	2.5	334	158	47.3	102	30.5
North Carolina	308.0	107.1	34.8	55.1	17.9	98	58	59.2	35	35.7
North Dakota	82.3	20.3	24.7	18.6	22.6	69	53	76.8	50	72.5
Ohio	1,217.9	334.5	27.5	154.9	12.7	512	319	62.3	244	47.7
Oklahoma	206.5	42.1	20.4	21.7	10.5	54	34	63.0	23	42.6
Oregon	273.2	109.2	40.0	23.5	8.6	127	79	62.2	48	37.8
Pennsylvania	460.8	376.7	81.8	203.6	44.2	371	329	88.7	269	72.5
Puerto Rico	190.9	97.5	51.1	69.8	36.6	64	50	78.1	40	62.5
Rhode Island	117.5	3.8	3.2	0.0	0.0	86	5	5.8	0	0.0
South Carolina	165.1	53.8	32.6	5.1	3.1	40	16	40.0	4	10.0
South Dakota	90.9	32.2	35.4	25.4	27.9	101	69	68.3	59	58.4
Tennessee	346.9	96.6	27.8	26.6	7.7	113	66	58.4	35	31.0
Texas	2,004.3	321.2	16.0	146.0	7.3	287	156	54.4	86	30.0
Utah	114.5	38.2	33.4	12.5	10.9	35	15	42.9	7	20.0
Vermont	62.1	31.4	50.6	19.7	31.7	65	55	84.6	25	38.5
Virginia	504.4	228.8	45.4	91.9	18.2	127	92	72.4	63	49.6
Washington	295.1	118.8	40.3	49.7	16.8	177	127	71.8	77	43.5
West Virginia	238.1	166.7	70.0	111.7	46.9	157	140	89.2	117	74.5
Wisconsin	573.4	149.0	26.0	55.7	9.7	68	34	50.0	21	30.9
Wyoming	64.9	33.5	51.7	7.5	11.6	46	37	80.4	10	21.7
Total	22,920.5	5,215.2	22.8	2,287.1	10.0	6,816	3,897	57.2	2,629	38.6