



The Drinking Water State Revolving Fund: Protecting the Public through Drinking Water Infrastructure Improvements

The Challenge

The Nation's 54,000 community water systems must make significant investments to install, upgrade, or replace infrastructure to continue to ensure the provision of safe drinking water to their 254 million customers. Installation of new treatment facilities can improve the quality of drinking water to comply with national primary drinking water standards and protect public health. Improvements are also needed to help those water systems experiencing a threat of contamination due to inadequate distribution and transmission pipes.

The Drinking Water State Revolving Fund

Many public water systems find it difficult to obtain affordable financing for infrastructure improvements which would enable systems to comply with national primary drinking water standards and protect public health. Recognizing this fact, Congress established the Drinking Water State Revolving Fund (DWSRF) as part of the 1996 Safe Drinking Water Act (SDWA) Amendments. The goal of the program is to provide States with a financing mechanism for ensuring safe drinking water to the public. States can use federal capitalization grant money awarded to them to set up an infrastructure funding account from which assistance is made available to public water systems. Loans made under the program can have interest rates between 0 percent and market rate and repayment terms of up to 20 years. Loan repayments to the State will provide a continuing source of infrastructure financing into the next century. The program also places an emphasis on small and disadvantaged communities and on programs that emphasize prevention as a tool for ensuring safe drinking water.

Available Funding

Congress provided \$1.275 billion for the DWSRF program in fiscal year 1997. The amount of funding each State was eligible to receive in 1997 was based on a formula used to award State program grants under the Public Water System Supervision program. Congress has provided an additional \$3.145 billion

for the DWSRF program for fiscal years 1998 through 2001, including \$825 million for fiscal year 2001. The amount of funding each State is eligible to receive for fiscal years 1998 through 2001 is based on the total eligible need determined for each State by the Drinking Water Infrastructure Needs Survey which the Environmental Protection Agency (EPA) released in January 1997.

Eligible Systems and Projects

Both publicly and privately owned community water systems and nonprofit non-community water systems are eligible for funding under the DWSRF program. Eligible projects include installation and replacement of failing treatment facilities, eligible storage facilities and transmission and distribution systems. Projects to consolidate water supplies may also be eligible.

Determining Funding Priority

States develop a priority system for funding projects based on three criteria from the Act. States rank the projects and then offer loans to systems based on their ranking order. Priority is given to those eligible projects that:

- (1) address the most serious risk to human health;
- (2) are necessary to ensure compliance with the requirements of the Safe Drinking Water Act; and,
- (3) assist systems most in need, on a per household basis, according to State-determined affordability criteria.

Public Involvement

Public involvement is an important element of both the DWSRF program and the SDWA Amendments. States must provide information about their program and the projects they intend to fund in an Intended Use Plan that is made available to the public for review and comment prior to award of the capitalization grant from EPA to the State.

Small Communities

The needs facing small communities are considerable. However, many public water systems serving these small communities, particularly those with populations fewer than 10,000, often find it difficult to obtain favorable interest rates when applying for loans to make infrastructure improvements. The SDWA Amendments target small communities for special consideration by the DWSRF program. States must provide a minimum of 15% of the available funds for loans to small communities.

Disadvantaged Communities

For many communities, even the lower interest rate loans available through the DWSRF may be too high to make loans affordable. A State has the option of providing up to 30% of the grant awarded to the State to provide additional assistance to these State-defined disadvantaged communities. This assistance can take the form of lower interest rates, principal forgiveness, or negative interest rate loans. The State may also extend repayment terms of loans for disadvantaged communities to up to 30 years.

Preventing Future Threats to Drinking Water

While it is important to take care of the infrastructure needs facing water systems now, Congress also recognized that it is important to establish programs which will prevent drinking water problems in the future. States have the flexibility to set aside a portion of their capitalization grant to develop programs that encourage a strong emphasis on preventing contamination problems through source water protection and encourage better system operations through enhanced water systems management.

Set-Asides for Other Program Management Purposes

States have the flexibility to take set-asides for several different activities that can help develop their drinking water programs. A State can use up to 10% of its capitalization grant (with a 1:1 dollar State match) to support its State drinking water program, or to develop and implement capacity development, source water protection, and operator certification programs. Up to 2% of the grant may be set aside to provide technical assistance to systems serving communities with populations fewer than 10,000, and up to 4% of the capitalization grant may be set aside for costs associated with administering the DWSRF program.

Up to 15% of the capitalization grant (limited to 10% of the grant for any one activity) is available for local assistance and other eligible activities as described in the law. Activities are aimed at source water protection (including loans for land acquisition and conservation easements), capacity development and wellhead protection. States could also use part of the fiscal year 1997 appropriation to fund required source water delineation and assessment activities.

More Information

For more information about the Drinking Water State Revolving Fund, consult the informational page for the program on the EPA Office of Ground Water and Drinking Water (OGWDW) Internet website at <http://www.epa.gov/safewater/dwsrf.html>. Information about the DWSRF and other drinking water issues is also available from the EPA Safe Drinking Water Hotline at 1-800-426-4791 or via email at hotline-SDWA@epa.gov.

To get the contact for the DWSRF Manager in a specific State, consult the contact list on the OGWDW website or contact the Association of State Drinking Water Administrators at (202) 293-7655 (<http://www.asdwa.org>).

The EPA DWSRF program is administered by the Infrastructure Branch, Office of Ground Water and Drinking Water, U.S. Environmental Protection Agency, 1200 Pennsylvania Avenue, NW (Mailcode 4606), Washington, DC 20460, Phone: (202) 260-5526 Fax: (202) 401-2345.

