

Ask Me Anything! Set-Asides 9.15.2025

Meeting summary

Quick recap

The meeting focused on State Revolving Funds (SRFs), with Ashley providing an overview of their structure, funding mechanisms, and various set-aside programs designed to support specific initiatives. She explained the different types of set-asides available within DWSRF and CWSRF programs, including their purposes, funding limitations, and how states can utilize them for various activities. The discussion concluded with examples of how different states are implementing set-aside programs and potential future uses for these funds, including specific projects and technical assistance initiatives.

Next steps

- Ashley to reschedule the source water protection and SRFs session for November or later.
- Ashley to follow up with examples of states using CWSRF technical assistance set-asides effectively and link to their intended use plans in the meeting summary.
- Gina to share the link to Ohio's guidance document and webpage about their mini-grants program.
- Ashley to finalize and upload last month's meeting summary to the website.

Summary

SRF Funding and Loan Mechanisms

Ashley apologized for canceling a previous session on source water protection and announced plans to reschedule it for November. She then provided an overview of State Revolving Funds (SRFs), explaining their structure and funding mechanism, including how federal and state governments allocate money and how loan repayments create a sustainable funding source. Ashley also briefly mentioned that some states like Texas, New Jersey, and New York leverage additional funding through bond holders when their annual loan amounts exceed available funds.

SRF Set-aside Funds Discussion

She discussed the DWSRF set-asides, which were part of the Safe Drinking Water Act Amendments of 1996, and were created to support programs and borrowers, and noted

that assistance from set-asides does not count toward additional subsidy calculations. Ashley emphasized that states are not required to use all available set-aside funds.

Set-aside Funding Structure

Ashley explained the structure of set-aside activities in DWSRF programs, clarifying that construction activities cannot be funded through set-asides but must use traditional construction loan programs or other funding sources. Ashley also explained that states can choose to take partial percentages or bank authority for future use, allowing them to potentially exceed annual limits by drawing from the banked, or reserved, authority in subsequent years.

DWSRF Program Set-aside Overview

Ashley detailed the four set-asides available: administration, program management, technical assistance, and local assistance. Admin set-aside can fund staff, partner agencies, software, and contracts without population limits, with calculation options of \$400,000, 4% of the capitalization grant, or 1/5 of 1% of the fund's total net position. Program management set-aside allows 10% of the capitalization grant for varied uses including capacity development and operator certification programs. Ashley noted a key distinction that while the local assistance set-aside can only provide technical assistance for groundwater source water protection, the program management set-aside can support all source water protection programs including surface water ones. She also explained that the technical assistance set-aside allows 2% of the capitalization grant for direct technical assistance to populations under 10,000, commonly used for rural water associations and operator certification training.

Ashley explained the Local Assistance set-aside, which represents 15% of the capitalization grant but is limited to no more than 10% for any single activity. She provided an example from Vermont's water planning loan program, which maxed out the 10% allocation before eventually running out of funding due to the additional subsidy provided. Ashley emphasized that setting up new loan programs at this late stage would be difficult, and noted that unlike other set-asides, the Local Assistance set-aside cannot be banked and must either be fully utilized or returned to construction funds.

CWSRF Program Set-aside Overview

Admin set-aside under the CWSRF is the exact same as under the DWSRF and can fund staff, partner agencies, software, and contracts without population limits, with calculation options of \$400,000, 4% of the capitalization grant, or 1/5 of 1% of the fund's total net position.

The technical assistance 'set-aside' for CWSRF was created under the bipartisan infrastructure law and allows states to allocate 2% from various sources to support small, rural, or disadvantaged communities in accessing SRFs.

SRF Set-Asides and Subsidies Overview

Ashley explained the complexities of set-asides and additional subsidies in Drinking Water and Clean Water State Revolving Funds (SRFs), particularly focusing on the emerging contaminants grant requirement to provide 100% subsidized lending. She discussed how administrative fees from loan repayments can be converted to non-program revenue, allowing greater flexibility in their use.

Water System Set-aside Funding Discussion

Ashley discussed the use of set-asides in Michigan and Ohio for various water system projects, including emergency generators. Gina explained Ohio's approach to funding emergency generators through their DWSRF set-aside program, which has evolved from \$10,000 to \$50,000 in funding capacity since 2018. The group also discussed the use of CWSRF set-asides for circuit riders, with Ashley noting that many states use DWSRF funding for this purpose but fewer use CWSRF funding. The conversation ended with a discussion about potential uses for set-asides, including pre-development funding, leak detection services, and asset management activities.

IUP Mississippi Training and Set-Asides

Ashley discussed upcoming training sessions, including a What is an IUP Mississippi-focused training on October 9th, which will be 2.5 hours long with Mississippi-specific examples. She addressed questions about CWSRF technical assistance set-asides, explaining that the main restriction is typically the size of the community benefiting, and noted that Wyoming uses set-asides for operator certification programs, which is required by all states. Several participants shared examples of their state's set-aside uses, including Nebraska's PFAS/PFOA baseline sampling and Michigan's capacity development, source water protection, and operator certification programs.

Disclaimer: this summary was generated using AI but was reviewed and edited by a Human.

From the Chat:

Q: Can you give some examples of CWSRF technical assistance? Any prohibitions overall, or state-specific that you're aware of? Any states already use CWSRF TA set-aside for circuit rider(s)?

A: There are limited examples and those that do reserve funds are very general. For example, MA indicates '2% for contracts with qualified non-profit organizations'; NM 'MOA with UNM EFC to provide technical assistance tasks associated with rural and small entities.' Most states are banking or reserving for future use.

C: In NE we plan to use the CWSRF set-aside to do baseline sampling of PFAS/PFOA sewersheds. I'm not sure if it was EC or Base.

C: In Michigan we also use [DW] set-asides for Cap Dev, Source Water Protection, and Op Cert programs

C: Agree with MI, and Ohio uses the [DW] local assistance set-aside for a variety of things, but most fun might be our mini-grants. We fund things like emergency generators, well abandonment, source water protective strategies, and asset management related projects (depends on the year and what we add to our workplan). Simply click the 'Grant Opportunities' dropdown: <https://epa.ohio.gov/divisions-and-offices/drinking-and-ground-waters/public-water-systems/financial-assistance>