

Ask Me Anything! Case Study: What are the SRFs?

1.7.2026

Quick recap

This session begins the second year of the 'Ask Me Anything' series on state revolving funds (SRFs), providing an overview of the program's structure, funding mechanisms, and key characteristics. Ashley explained how SRFs operate at the state level using federal, state, and revolved funds for water infrastructure projects, highlighting the importance of matching requirements and additional subsidies. Ashley discussed the flexibility states have in implementing the programs, including setting interest rates, terms, and defining disadvantaged communities. She emphasized the strengths of SRFs, such as 100% financing, delayed repayment, and extended loan terms, while acknowledging challenges like federal requirements and declining federal funding. The session concluded with a Q&A where an attendee inquired about fee structures and potential changes in their state's classification of water systems, which could impact future SRF funding allocations.

Summary

Ask Me Anything: SRF Insights

Ashley introduced the second year of Ask Me Anything sessions, which are twice-monthly open office hours focusing on state revolving funds (SRFs). She explained that these sessions are not recorded but AI summaries and PowerPoint slides are uploaded to the registration site after a few weeks. Ashley, with over two decades of SRF experience, discussed the program's structure, including how federal funds, state matching, and loan repayments create a self-sustaining cycle. She noted that while EPA funding has decreased, loan repayments have maintained or grown, allowing some states to leverage additional funds through the municipal bond market.

SRF Funding Cycle Overview

Ashley explained the SRF program's funding cycle, emphasizing that money is treated as a single pool regardless of its source (for most situations), and highlighted the importance of understanding that each state's program operates differently. She outlined the process from congressional appropriation to EPA allocation, state application, loan award to borrowers, project completion, and repayment, noting that the cycle is continuous with 102 SRF programs across the United States and Puerto Rico.

CWSRF and DWSRF Program Overview

Ashley provided an overview of the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs, explaining their evolution from federal grant programs to loan programs. She highlighted key legislative changes, including the Infrastructure Investment and Jobs Act (IIJA), which impacted funding and eligibility. Ashley also discussed how states interpret and apply federal regulations. She mentioned that DWSRF calculations are updated every four years based on needs surveys, ensuring no state receives less than 1% of the federal grant. While CWSRF calculations are outlined in the Clean Water Act and haven't been updated since its passage.

State Infrastructure Investment Percentages

Ashley explained that state percentages for infrastructure investment are largely determined by the built environment and remain relatively stable, with Vermont, among other small states, consistently receiving 1% of the DWSRF federal appropriation. She noted changes only in lead service line replacement grant dollars, where some states had excess funds while others had more need than their allotment. Ashley clarified that state match requirements vary: 20% for base loan program funds, 10% for the first two years of BIL supplemental funds, and 20% for the last three years, while Bill Emerging Contaminant and LED grants have 0% match requirements. She emphasized that while EPA awards funds and reviews state grant applications, states have significant autonomy in implementing their programs, with EPA having limited influence over states if they comply with federal laws.

EPA's Role in State SRFs

Ashley explained the role of EPA in overseeing state DWSRF and CWSRF programs, including annual reviews and providing training to staff. She highlighted the flexibility states have in interpreting federal laws and setting their own priorities, using examples from different states to illustrate this. Ashley also discussed how states define disadvantaged communities and set interest rates, emphasizing that SRFs offer a good deal due to their low interest rates and flexibility.

SRF Loan Terms and Subsidies

Ashley explained the history and current terms of SRF loans, noting that while the federal base term changed from 20 to 30 years, many states still offer 20-year terms. She detailed how disadvantaged drinking water communities can qualify for up to 40-year terms, and discussed how interest rates must be at or below market rates, with some states offering fixed rates of 1-2% or rates tied to market metrics. Ashley emphasized that SRF loans are subsidized, offering a better deal than market rates, and explained how states manage fees

in their programs, with the combined interest rate and fees still needing to be below market rates.

SRF Subsidy Distribution Differences

Ashley explained the differences between the Clean Water SRF and Drinking Water SRF, focusing on how states determine disadvantaged communities and distribute additional subsidies. She highlighted that while the Clean Water SRF has specific criteria for affordability, the Drinking Water SRF allows more flexibility in defining disadvantaged communities. Ashley emphasized that additional subsidies, often referred to as "free money," are not truly free and come with restrictions. She also discussed the strengths of SRF programs, including delayed repayment, 100% financing without a match, extended loan terms, and the ability to use SRF loans as a non-federal match for other federal programs.

SRF Loan Fee Structures

Ashley explained the mechanics of loan origination and administrative fees in SRF programs, noting that states have the flexibility to determine fee structures but must ensure loan rates remain below market rates. She highlighted that administrative fees are restricted based on the fiscal year of the grant, with funds becoming unrestricted and usable for broader purposes once grants are closed. An attendee inquired about implementing an administrative fee to address declining SRF funds, and Ashley advised that such fees could provide a sustainable funding source for state staff and other program activities, emphasizing the importance of establishing ongoing administrative fees rather than relying solely on one-time loan origination fees.

State Revolving Fund Program Challenges

There was a discussion of the challenges of managing state revolving fund (SRF) programs, focusing on the transition from interest rates to administrative fees and the implications for state funding. Ashley emphasized that administrative fees could be more beneficial for supporting state staff and program activities, while interest rates primarily contribute to a larger fund. They also addressed the impact of federal budget decisions, such as continuing resolutions and congressionally directed spending, on SRF funding. An attendee inquired about the potential for increasing the number of water systems in their state, which could affect the state's percentage of federal funding. Ashley explained that significant changes in infrastructure needs or population could influence this percentage, but such changes are rare.

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

From the Chat:

C: Use this link to register for future AMAs and to find summaries of pas ones.

<https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion-2/>

C: Your presentations are always chock-full of useful info, plus I really appreciate your humor. Thank you!!!

C: YES! SRF Groupie!

C: Thanks for these great trainings.

Q: I have a quick question about how fees work.

A: There was a discussion on how states can charge fees and then how those fees can be used. This state does not currently charge an administrative fee and is concerned about declining capitalization grants and the impact on state staff. We ended up having a conversation outside of the office hour to go into more detail.

C: Great info and really appreciate this introductory session on SRFs! Well done, Ashley, and hope to learn more from you in the future.

C: In response to a conversation on how a state may reclassify consecutive water systems. Currently, that state does not count consecutive water systems that are supplied through a master meter as a public water system. However, there may be an argument to do so, especially if it means additional funding for the state. There was discussion of how the DWSRF allocation is calculated and I directed attendees to the Needs Survey.

<https://www.epa.gov/dwsrf/epas-7th-drinking-water-infrastructure-needs-survey-and-assessment>