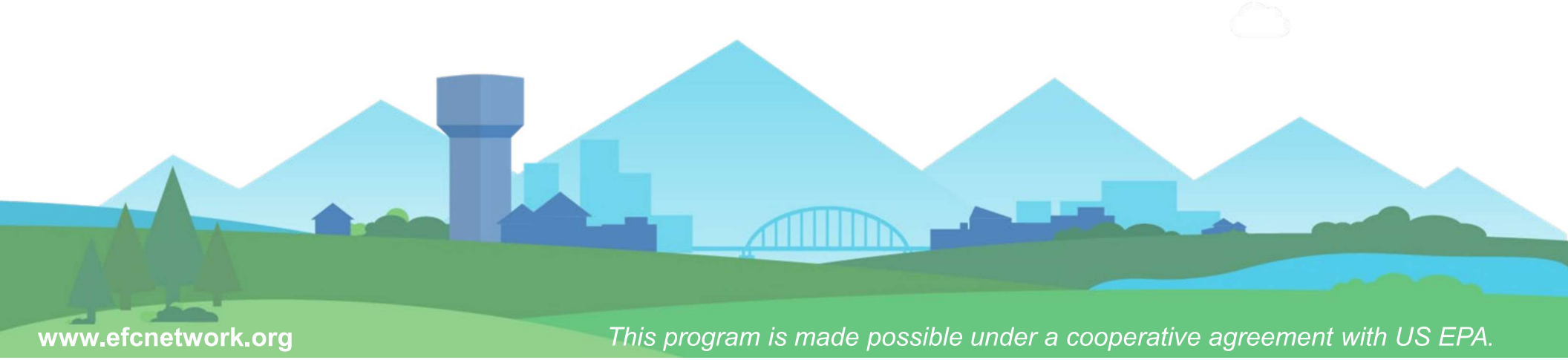
Ask Me Anything: DWSRF Eligibilities

February 4, 2026



This program is made possible under a cooperative agreement with US EPA.

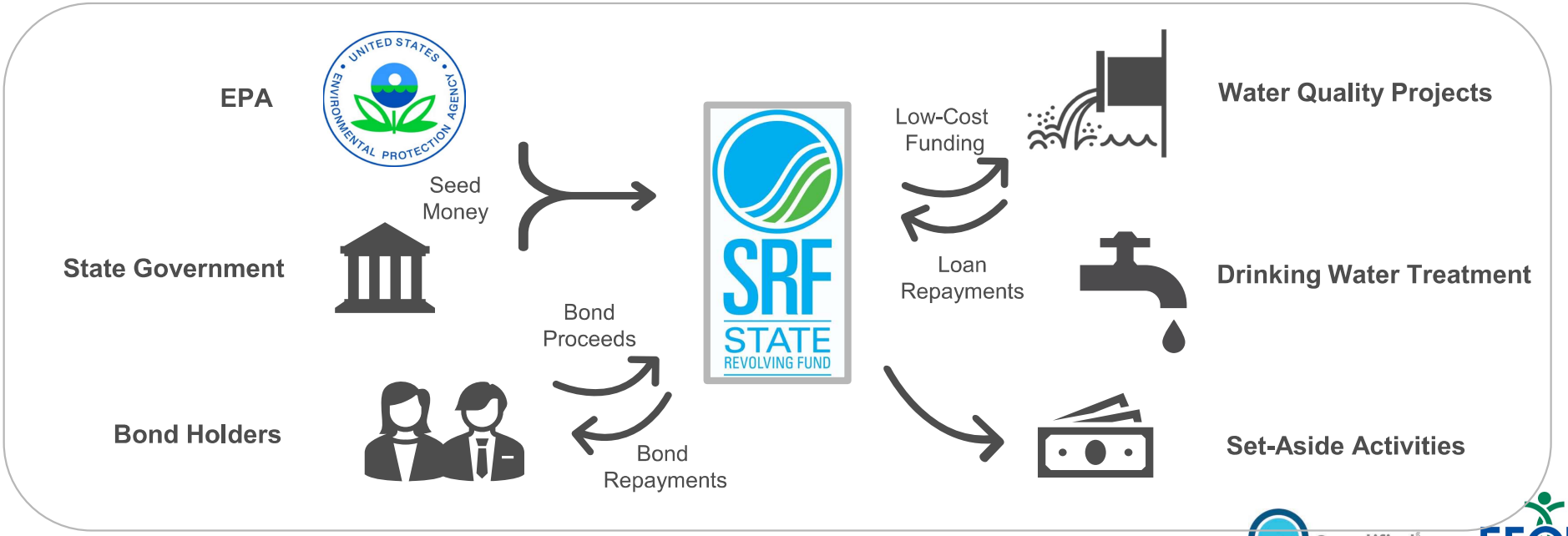
About Us

The **Environmental Finance Center Network (EFCN)** is a university- and non-profit-based organization creating innovative solutions to the difficult how-to-pay issues of environmental protection and water infrastructure.

The EFCN works collectively and as individual centers to address these issues across the entire U.S, including the 5 territories and the Navajo Nation. The EFCN aims to assist public and private sectors through training, direct professional assistance, production of durable resources, and innovative policy ideas.

What are the SRFs?

- Low interest revolving loan program with subsidies for targeted projects and communities
- Money comes from EPA/Federal Government, state match, loan repayments, interest, bond proceeds



SRF State Logo source: Iowa's State Revolving Fund

Where it all began

Safe Drinking Water Act (SDWA) of 1974

- Passed to protect public health by regulating nations' public water supply

1974

1986 Amendments

- Aquifer and wellhead protection
- Regulate contaminants in DW
- Lead-containing plumbing material ban
- https://archive.epa.gov/epa/aboutepa/president-signs-safe-drinking-water-act-amendments.html

1986

1996 Amendments

- Created the DWSRF
- DBP and interim enhanced surface water treatment Rules
- Operator certification
- CCR & public information
- Source Water Protection
- Capacity development
- Sanitary surveys, enforcement, technical assistance

1996

Quantified Ventures

EFCN environmental finance center network

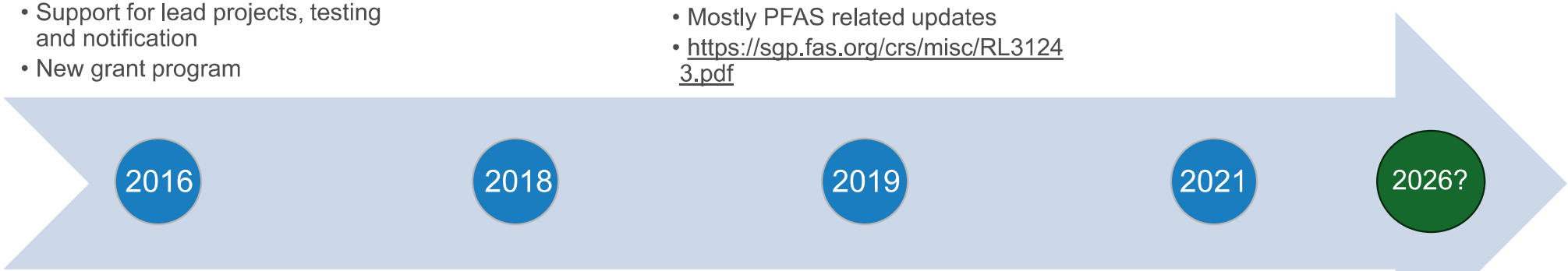
Where it all began

2016 amendment– Water Infrastructure Improvements for the Nation Act (WIIN)

- Support for lead projects, testing and notification
- New grant program

2019 amendment- National Defense Authorization Act (NDAA)

- Mostly PFAS related updates
- https://sgp.fas.org/crs/misc/RL31243.pdf



2018 amendment- American Water Infrastructure Act (AWIA)

- Reauthorize appropriations
- New grant programs
- Update eligibilities
- Expand subsidy, loan terms, repayment start
- AIS and Davis Bacon permanent
- https://sgp.fas.org/crs/misc/R45656.pdf

2021 amendment– Infrastructure Investment and Jobs Act (IIJA) & Bipartisan Infrastructure Law (BIL)

- Sweeping changes to the program's implementation
- Focus on environmental justice and equity
- New grant programs
- https://www.epa.gov/system/files/documents/2022-03/bil-srf-memo-fact-sheet-final.pdf

Quantified Ventures

EFCN environmental finance center network

DWSRF Loan Rates & Terms

- Terms
  - 20- many states still limit to this lower term
  - 30- base, historic max for DWSRF disadvantaged borrowers; many states still have this limit
  - 40- only for disadvantaged borrowers; many states do not allow
- Rate
  - Must be at or below market rate
  - Fees- not required but typical
- Loan term cannot exceed expected useful life of assets funded; statement must be included in loan agreement

DWSRF Loans	• 40 years for Disadvantaged • 30 years for Non-Disadvantaged • Or Useful Life (whichever is less)
Purchase Municipal Debt Obligations	• DWSRF Non-Disadvantaged >30 years • DWSRF Disadvantaged >40 years

Quantified Ventures

EFCN environmental finance center network

Disadvantaged Community Criteria

- “Disadvantaged community” means the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.
- SDWA required all DWSRF programs to establish affordability criteria for disadvantages communities when the DWSRF program began
  - Used to distribute subsidy and extend loan terms
  - No EPA definition for criteria
  - Each state is different
  - States may should reevaluate existing criteria to ensure they are capturing urban and rural disadvantaged communities and/or disadvantage populations within a larger service area
    - Many states offer lower loan rates for disadvantaged communities

Quantified Ventures

EFCN environmental finance center network

DWSRF Additional Subsidy

SRF Funding Program	Additional Subsidy Percentage	Eligibility for Additional Subsidy
DWSRF BIL General Supplemental	49%	Disadvantaged Communities
DWSRF BIL Emerging Contaminants	100%	25% for Disadvantaged Communities or Public Water Systems serving <25,000 people
DWSRF BIL Lead Service Lines	49%	Disadvantaged Communities
DWSRF 2022 Appropriation/Continuing Resolution	14%	Any assistance recipient; or >14% in event of emergency declaration to exposure to lead
DWSRF Base Program	12%-35%	Disadvantaged Communities (can be stacked with appropriation additional subsidy)

Quantified Ventures

EFCN environmental finance center network

TMF Capacity

Water system capacity is the ability to plan for, achieve, and maintain compliance with applicable drinking water standards.

Capacity development is the process of water systems acquiring and maintaining adequate technical, managerial, and financial capabilities to enable them to consistently provide safe drinking water.

Technical	Managerial	Financial
• Source water adequacy	• Ownership accountability	• Revenue sufficiency
• Infrastructure adequacy	• Staffing & organization	• Credit worthiness
• Technical knowledge & implementation	• Effective external linkages	• Fiscal management & controls

- Each state develops its own way of determining TMF called the Capacity Development Strategy
- If a borrower lacks TMF they cannot receive a loan unless the project will result in achieving capacity
- Set-asides are crucial in helping borrowers achieve capacity
- States must ensure each loan recipient has TMF or 20% of CAP grant may be withheld

Quantified® Ventures

EFCN environmental finance center network

Capacity Development Strategy

- Assistance provided by state staff, contracted organizations, or 3rd party entities
- Goal: pool of PWSs that are more sustainable and self-sufficient

- Free engineering services
- Develop online OpCert classes
- Training for sanitary surveys
- Asset management tools, plans and training
- Technical assistance for private wells
- PWS mentor program
- Partnerships with academic institutions
- Completing funding applications
- Rate studies

- Financial management consulting
- Well location and capping
- Interstate water organization participation
- Planning grants
- Consolidation planning and design grants
- O&M manuals
- Vulnerability assesment and ERPs
- GIS mapping
- Energy and water audits/leak detection

- Cross-connection campaign
- Operator internship program
- Source water mapping and assessment
- Drug return program
- Cyanotoxin monitoring equipment
- SCADA system
- Backup power generators
- Addressing failing septic and cesspool
- Income Surveys

Quantified Ventures

EFCN environmental finance center network

The Basics- What is a Public Water System?

Public Water System (PWS)

- Source of water that serves 25 or more people more than 60 days a year
- ~163,000 Public Water Systems

Public Community (PCWS) ~54,000

- 15+ residential connections or 25+ year-round residents
- Examples: small towns, cities, residential developments, manufactured home communities

Non-transient, non-community (NTNC) ~20,000

- 25+ of the same people >6 months a year
- Examples: office buildings, schools, daycares

Transient, non-community (TNC) ~89,000

- 25+ different people >60 days a year
- Examples: campgrounds, restaurants, motels, rest areas, churches

Quantified Ventures

EFCN environmental finance center network

The Basics- Borrower Eligibility

Eligible

- Community water systems (public or private, for- or non-profit)
- Non-profit non-community water systems
- New community water systems to address serious risks caused by:
  - Unsafe drinking water from wells, surface water sources w/in service area affected by contamination
  - TMF difficulties resolved by consolidation

Ineligible

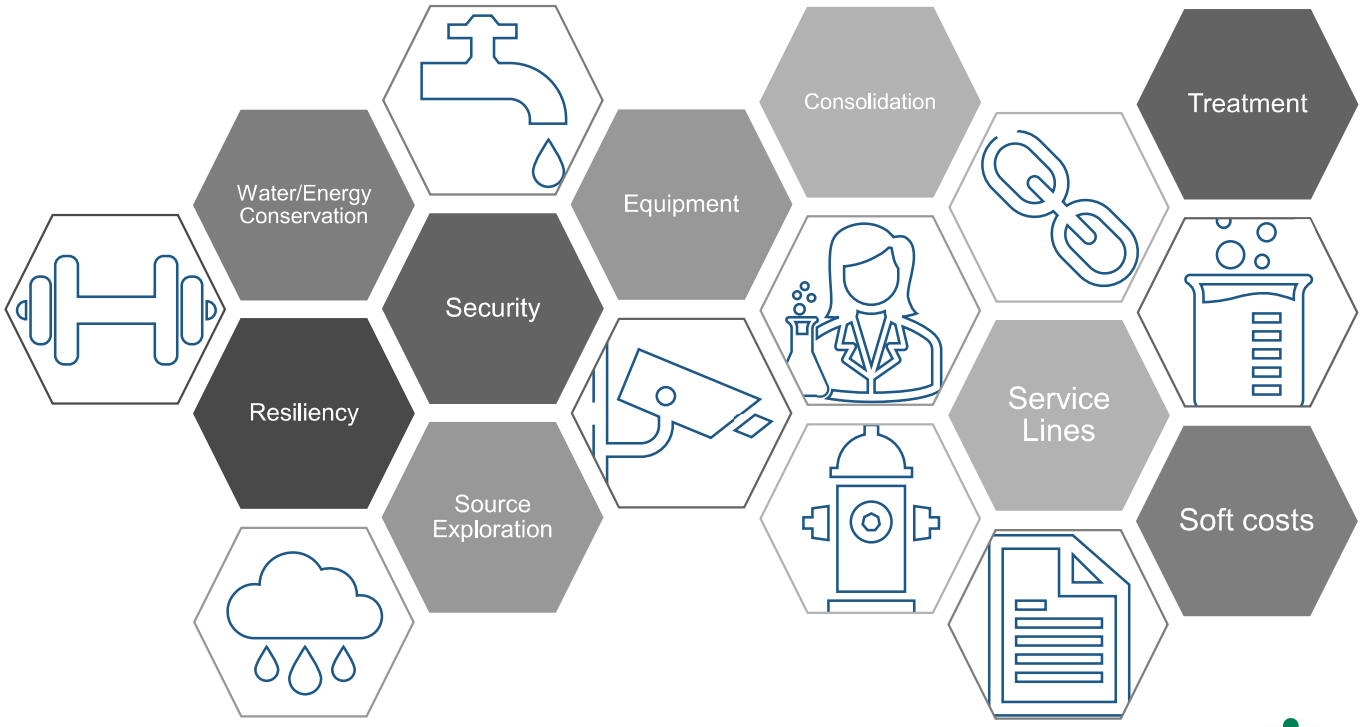
- Systems with insufficient TMF UNLESS system agrees to operational changes deemed necessary by the state
- Systems in significant non-compliance UNLESS DWSRF assistance will ensure compliance
- Federally-owned public water systems
- For-profit non-community water systems

Quantified Ventures

EFCN environmental finance center network

The Basics- Project Eligibility

Capital investments that help DW systems achieve or maintain Safe Drinking Water Act (SDWA) compliance, examples include:



Quantified Ventures

EFCN environmental finance center network

Eligibility- Water Rights

Class deviance issued by EPA November 2019

Requires notification of EPA Region for review

Criteria for eligibility:

- Directly addresses a compelling, imminent public heath threat
- Project is a cost-effective alternative
- DWSRF funding is a significant factor to ensure project will proceed
- The main project cannot be to prepare for future growth
- May be standalone project or part of larger project
- Can be temporary or permanent (preferred)
- Intent must be to use the water (not acquiring water as investment)

Eligibility- Dams & Reservoirs

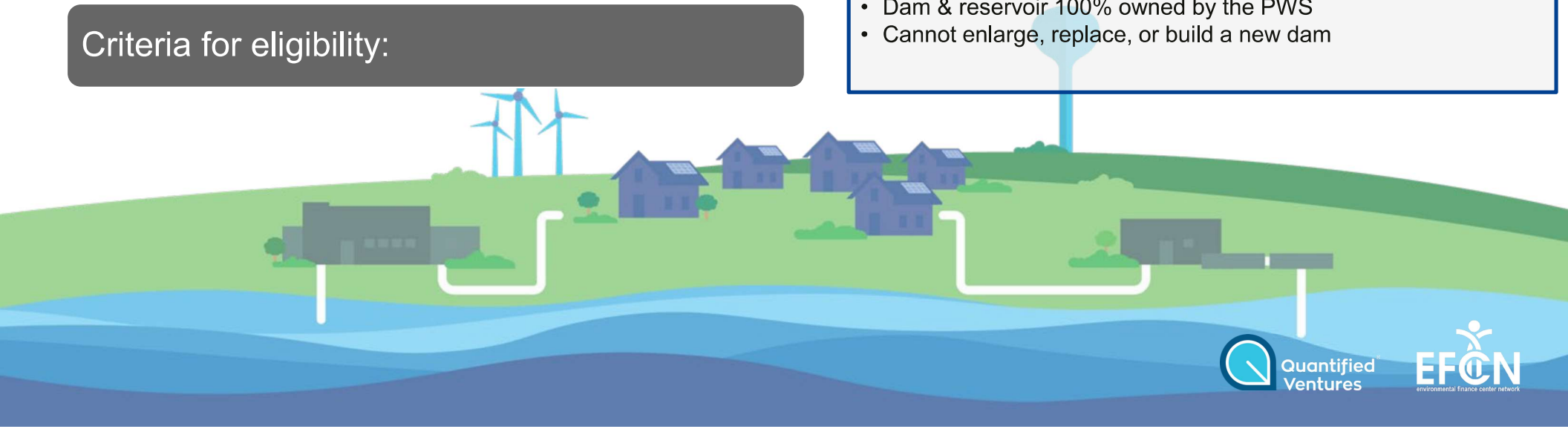
Class deviance issued by EPA July 2021

Allows for rehab for public health protection

Requires notification of EPA Region for review

Criteria for eligibility:

- Directly addresses a compelling, imminent public heath threat
- Project is a cost-effective alternative
- DWSRF funding is a significant factor to ensure project will proceed
- The main project purpose must be for drinking water supply
  - Recreation is allowable but cannot be primary purpose
  - Purpose cannot be future growth
  - Can be used for power generation in addition but additional rules apply
- May be standalone project or part of larger project
- Dam & reservoir 100% owned by the PWS
- Cannot enlarge, replace, or build a new dam

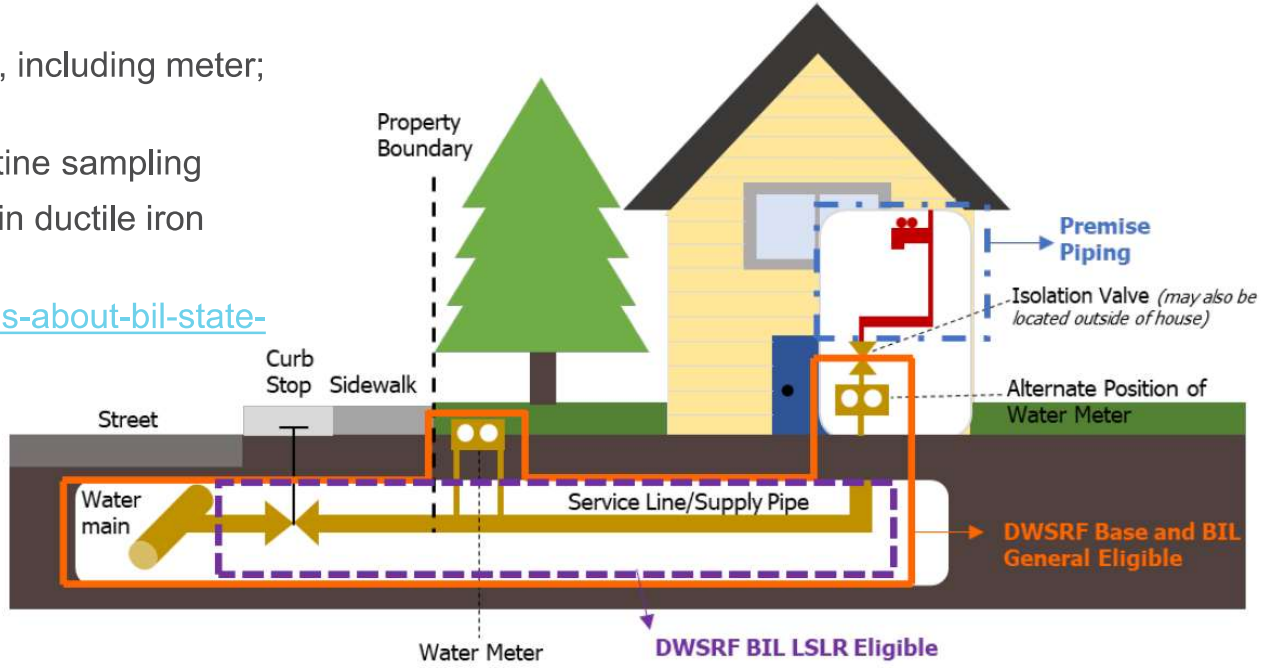


Quantified Ventures

EFCN environmental finance center network

Eligibility- Service Lines/Lead Service Lines

- Complete replacement of LSL is required
- Entire service line DWSRF eligible, regardless of current or future ownership
- Can reach inside house up to isolation valve, including meter; premises piping ineligible
- Inventories, pilot project testing and non-routine sampling
- Consider galvanized steel and leaded joints in ductile iron pipes
- https://www.epa.gov/dwsrf/frequent-questions-about-bil-state-revolving-funds#LSLR



Source: https://www.epa.gov/system/files/documents/2021-09/addressing-lead-in-drinking-water-with-the-dwsrf-1.pdf

Quantified Ventures

EFCN environmental finance center network

The Basics- Ineligibilities

O&M	Routine Testing	Water hauling/bottled water
System expansion	Growth-driven projects	Fire protection-only projects
Land purchase/easement	Deregulation	Premature asset failure

Quantified Ventures

EFCN environmental finance center network

Source Water Protection

Pros

- Logic dictates that drinking water funding resources should be used to support drinking water activities
- Set-Asides provide significant flexibility in how states can implement SWP activities

Cons

- SWP activities are not allowed under the construction loan program
- Limits on use of set-aside money
- Competition for use of funds
- New loan program is a drain on staff resources
- SWP loan program prescribed in SDWA; states can't write their own rules

Plot Twist: the CWSRF is better designed to fund SWP activities

Eligibility Scenarios

Eligibility Scenario

Summer camp needs treatment

A non-profit transient, non-community public water system (summer camp) needs to install treatment on their water source to meet the state's water supply rules.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Small water system facing expensive improvements

A small privately-owned (homeowners' association) public community water system shares one well. The HOA is facing declining source water yield and significant upgrades to its treatment, storage and distribution systems. The upgrades are very expensive, but one option is to drill individual wells with the goal of no longer being a regulated public water system.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Source Water Protection Area Purchase

A municipality has been presented an opportunity to purchase a tract of land in their source protection area. They are also doing a waterline replacement project and just want to add the land purchase to the loan.

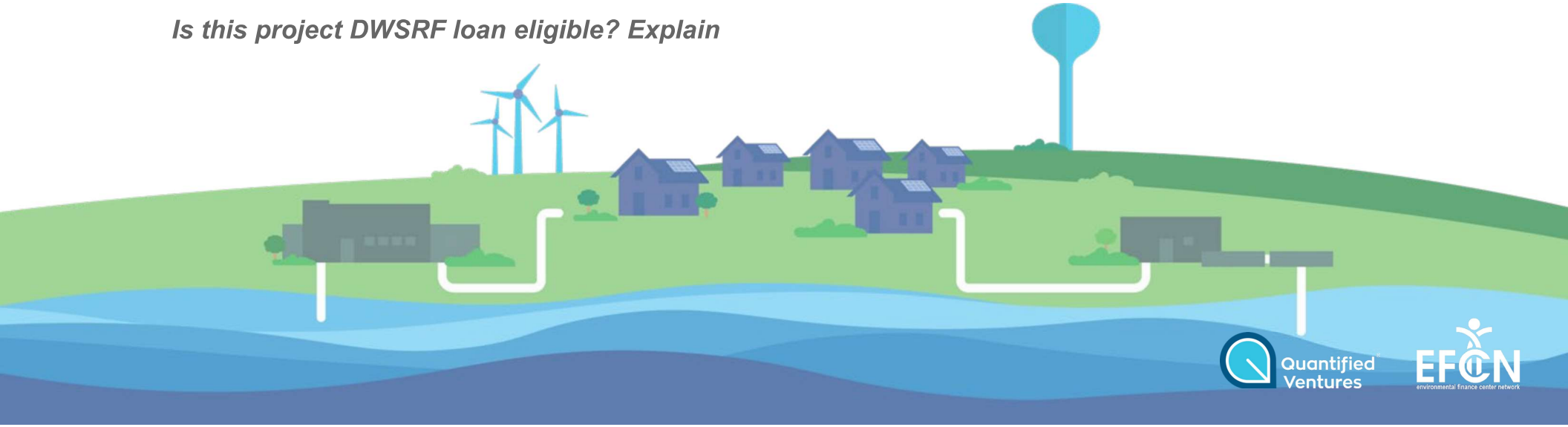
Is this project DWSRF loan eligible? Explain

Eligibility Scenario

New Community Water System from Salt Storage Contamination

The municipality's salt pile contaminated onsite wells in the neighboring area and used it as an opportunity to explore creating a new public community water system. The vision for the new water system was to serve a larger area than what was impacted by the salt contamination and serve as a basis for growth. The larger area included a few public non-community water systems like restaurants, hotels, shopping and offices, and the elementary school, which would be consolidated, but there were also large undeveloped areas zoned commercial and industrial.

Is this project DWSRF loan eligible? Explain



Eligibility Scenario

New Community Water System from Failed Septic Systems

A municipality has ongoing, widespread onsite drilled well contamination from failed onsite septic systems. The area is largely developed consisting of small parcels where alternative sites for replacement leachfields is limited. The options were to create a new decentralized community wastewater system(s) or a new public community water system. At the time, the water system was the more cost-effective option and required less regulatory and permitting challenges. The new public community water system would serve many public non-community water systems like restaurants, motels, shopping and offices, and the elementary school, thereby consolidating many of these very small public water systems.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Daycare needs treatment

A non-transient, non-community public water system (daycare center) operated by an LLC needs to install treatment on their water source to meet the state's water supply rules.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

New Water Meters

A municipality wants to add meters to its water system. It will also need to purchase the meter reading equipment and software and pay an ongoing annual subscription fee.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Well lost yield

A privately-owned public community water system (homeowners' association) water supply experienced a sudden loss of yield. As a result, the HOA had to hire a water hauler to fill the storage tank to meet the community's domestic water needs while the HOA worked through the permitting process to get the well hydrofractured in hopes of recovering lost yield.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

New Water Storage Tank

A municipality's public community water system needs a new storage tank as the existing single wall steel tank has reached (exceeded) its expected useful life. The town is looking to construct a concrete tank that meets the ISO fire flow requirements, in addition to reasonable growth over the asset's life. The ISO fire flow requirement results in storage volume that is significantly higher than the volume to meet state's water supply rule minimum. The public water system's distribution system was designed, permitted and built to meet ISO fire flow requirements.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Lead

A municipally owned public water system is replacing a water main that contains leaded joints and goosenecks but is not planning to replace lead service lines.

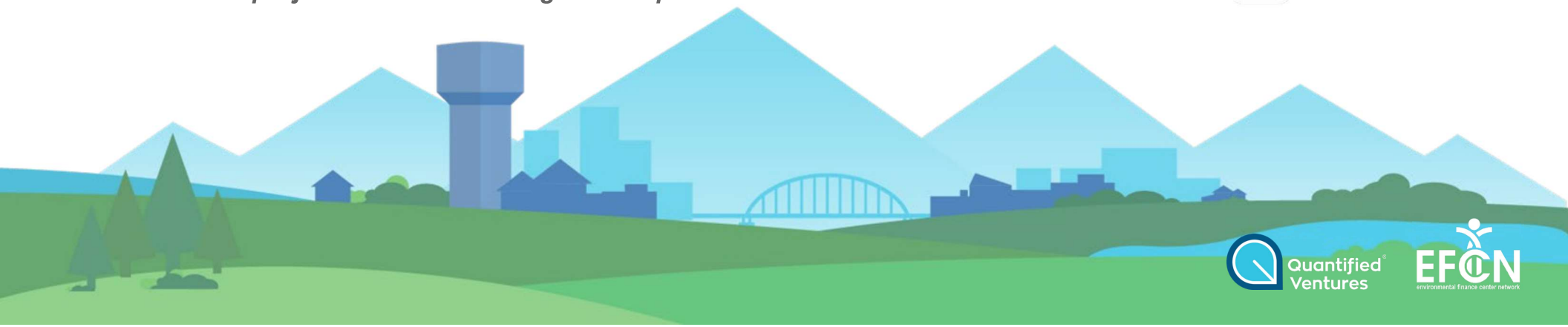
Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Insufficient Rates

A small public community water system has applied to the DWSRF for a small waterline replacement project. The system has had to repair the line many times in the past few years depleting their reserves in the process. During the financial review, it was discovered that the system had not raised rates to keep up with existing expenditures, nor had it refilled the reserve account. The new debt payment would add significantly to system expenses but would be balanced by eliminating the need for frequent expensive emergency repairs. The system agreed to raise rates, however, further analysis revealed the increase was not enough to meet the minimum financial capacity requirements. When brought to the governing body's attention, they refused to increase rates more.

Is this project DWSRF loan eligible? Explain

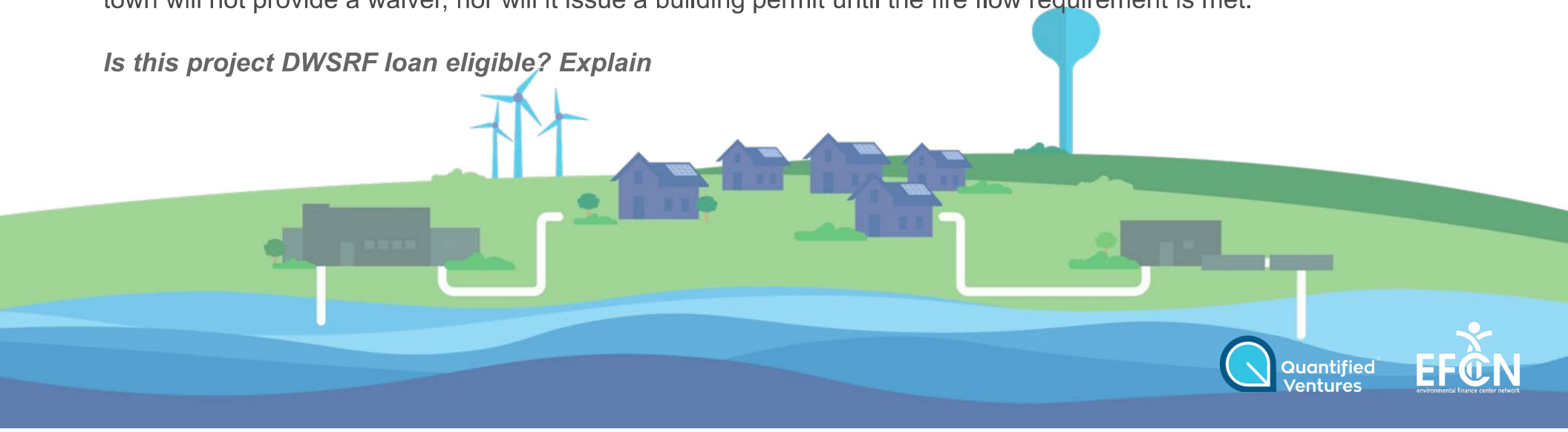


Eligibility Scenario

Fire Protection to meet Town Requirements

A privately-owned public community water system (condo complex at a ski resort) needs to replace their potable water tank which also supplies water for fire protection. The new storage will meet the minimum design flow and storage requirements of the state's water supply rules. However, the town requires that any new or upgraded systems meet more expansive flow requirements for fire protection. The addition of these new requirements results in a larger more costly project and may result in poor water quality due to the amount of water stored combined with the infrequency of use. The town will not provide a waiver, nor will it issue a building permit until the fire flow requirement is met.

Is this project DWSRF loan eligible? Explain

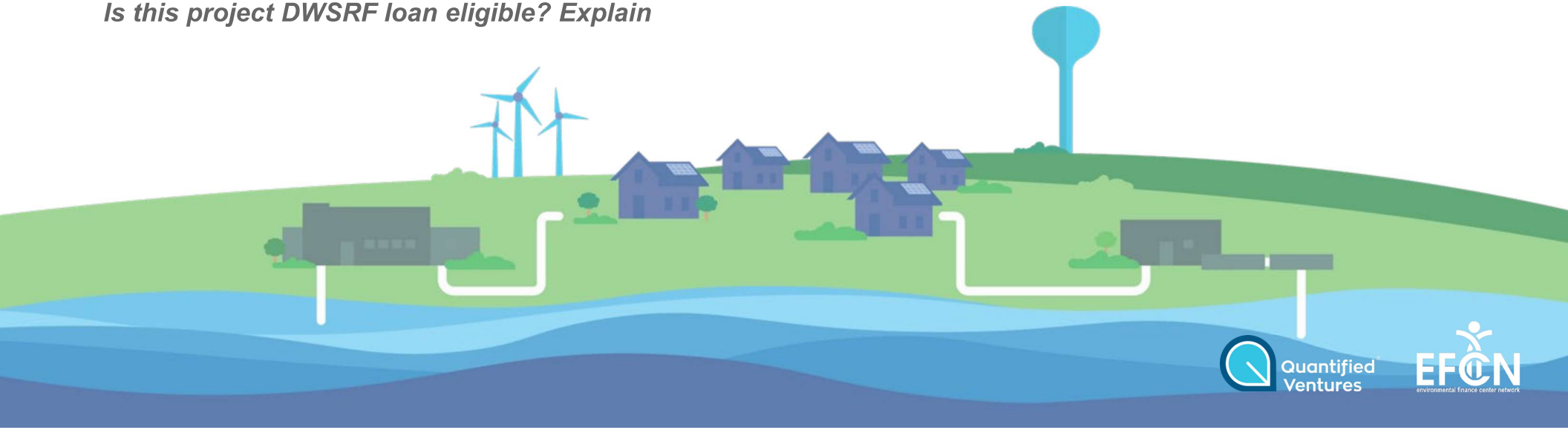


Eligibility Scenario

Service Line Replacement

A municipally owned public community water system is experiencing a significant amount of water loss and has tracked it to service lines on private property. Fortunately, the affected service lines are along a waterline the water system is actively planning to replace. The water system would like to include the replacement of those service lines as part of the waterline replacement project.

Is this project DWSRF loan eligible? Explain



Eligibility Scenario

PFAS

PFAS was found in onsite private drilled wells. To address the problem in the short term, the department of public health wants to install point of use treatment.

Is this project DWSRF loan eligible? Explain

Eligibility Scenario

PFAS

PFAS was found in the public community water system. To address the problem in the short term, the water system wants to install point of use treatment.

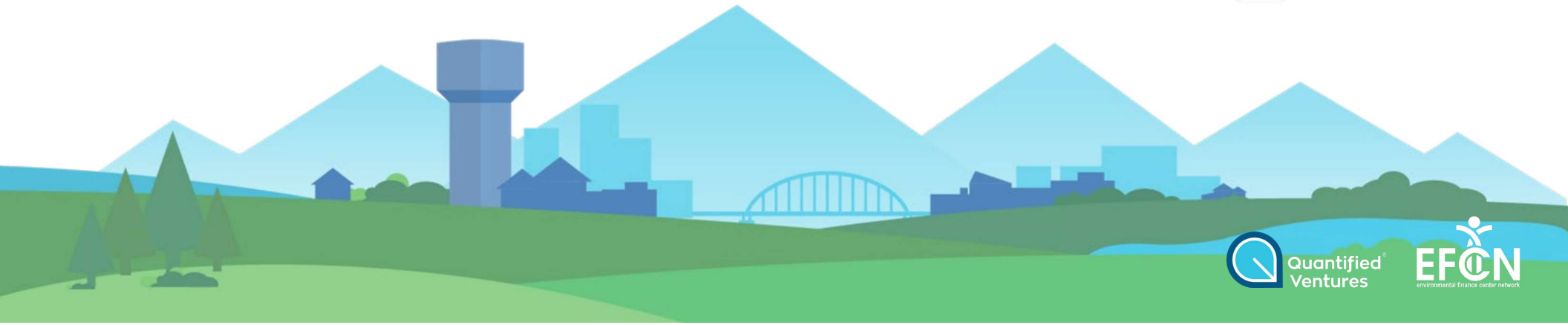
Is this project DWSRF loan eligible? Explain

Eligibility Scenario

Storage Tank Painting

A municipality's public community water system needs to recoat the interior and paint the exterior of its elevated storage tank. The tank is halfway through its design life (and loan repayment) of 40 years, and it is expected refurbishment will add five years to the remaining useful life. As part of the project, the tank needs to be taken offline and pumping and transmission lines need to be installed at the treatment plant, which will only be used for the duration of the painting project.

Is this project DWSRF loan eligible? Explain



What is the correct answer to any SRF question?

Every state is different.
It depends.

Quantified Ventures

EFCN environmental finance center network

Upcoming Trainings

Capacity Development
February 9, 2026 / 2:00-4:00 pm ET

Off Cycle

CWSRF Eligibilities
March 4, 2026 / 11:00-1:00 pm ET

What is an IUP, Arkansas?
March 12, 2026 / 12:00-2:30 pm ET

What are the Important SRF Documents?
March 16, 2026 / 2:00-4:00 pm ET

This is **NOT** an Ask Me Anything session. To register, go to: https://efcnetwork.org/event/ak-online-training-what-is-an-iup-how-intended-use-plans-can-serve-as-secret-decoder-rings-for-the-state-revolving-loan-funds-srfs/

Updated link!!!

For more information and to register visit:
https://efcnetwork.org/event/virtual-office-hours-ask-me-anything-srf-technical-assistance-open-discussion-2/

Quantified Ventures

EFCN environmental finance center network

Quantified Ventures
https://www.quantifiedventures.com/our-team

Ashley Lucht

- *Community Finance Team*
- Former Director of Capital Planning at the Vermont Municipal Bond Bank
- Former DWSRF Project Manager for the State of Vermont
- Lucht@quantifiedventures.com

Quantified Ventures

EFCN environmental finance center network