



(ADEM) The Alabama Drinking Water State Revolving Fund Fact Sheet

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The Drinking Water State Revolving Loan Fund (DWSRF) was established by the 1996 amendments to the Safe Drinking Water Act (SDWA). The DWSRF is a financial assistance program to help water systems and states to achieve the health protection objectives of the SDWA. (See 42 U.S.C. §300j-12.) The program is a powerful partnership between EPA and the states.

Congress appropriates funding for the DWSRF. EPA then awards capitalization grants to each state for their DWSRF based upon the results of the most recent Drinking Water Infrastructure Needs Survey and Assessment. The state provides a 20 percent match.

States have the option of taking a variety of set-asides. These set-asides help fund state programs and activities to ensure safe drinking water. In total, states may take approximately 31% of their capitalization grant in set-asides.

After taking their set-asides, states place the balance of their capitalization grant, together with the state match, into a dedicated revolving loan fund. This revolving fund provides loans and other authorized assistance to water systems for eligible infrastructure projects.

As water systems repay their loans, the repayments, and interest flow back into the dedicated revolving fund. These funds may be used to make additional loans.

Building on a federal investment of over \$21.0 billion, the state DWSRFs have provided more than \$41.1 billion to water systems through 2019. This assistance was provided through over 15,425 assistance agreements for:

improving drinking water treatment

fixing leaky or old pipes (water distribution)

improving source of water supply

replacing or constructing finished water storage tanks

other infrastructure projects needed to protect public health

How the DWSRF Works

Under the DWSRF, EPA provides grants to all 50 states plus Puerto Rico to capitalize state DWSRF loan programs. The states contribute an additional 20 percent to match the federal grants. The program also provides direct grant funding for the District of Columbia, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of Northern Marianas.

The 51 DWSRF programs function like infrastructure banks by providing low interest loans to eligible recipients for drinking water infrastructure projects. As money is paid back into the state's revolving loan fund, the state makes new loans to other recipients. These recycled repayments of loan principal and interest earnings allow the state's DWSRF to "revolve" over time.

States are responsible for the operation of their DWSRF programs. Under the DWSRF, states may provide various types of assistance, including:

Loans

Refinancing

Purchasing

Guaranteeing local debt

Purchasing bond insurance

States may also set specific loan terms, including:



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Interest rates from zero percent to market rate

Repayment periods of up to 30 years

States rank the project applications they receive from water systems and produce a Project Priority List.

States have the flexibility to tailor their ranking process while meeting the SDWA requirement to give priority to projects that:

Address the most serious risks to human health

Are necessary to ensure compliance with the SDWA

Assist systems most in need according to state affordability criteria

States may customize loan terms to meet the needs of small and disadvantaged communities or to provide incentives for certain types of projects. DWSRFs have the authority to provide additional subsidization (subsidy beyond a zero percent loan).

Additional subsidization may be provided as:

Grants

Principal forgiveness

Negative interest rate loans

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