



Regional Overview

Ensuring Equitable State Revolving Fund Implementation in Southern States

Preface

The State of Water Infrastructure

Water infrastructure in the United States is aging and in need of replacement, and many systems are already failing. Estimates suggest \$1.25 trillion ([\\$625 billion](#) for Drinking Water infrastructure and [\\$630 billion](#) for Clean Water infrastructure) is needed over the next 20 years to invest in wastewater, stormwater, and drinking water systems. Inadequate investments in water infrastructure has a significant negative impact on the health and well-being of communities, and disproportionately impacts low-income communities and communities of color.

The Bipartisan Infrastructure Law (**BIL**), passed in November of 2021, was the single largest federal investment in water infrastructure to date. Of the \$55 billion to be administered by the Environmental Protection Agency (**EPA**), \$43 billion is being distributed through the Clean Water State Revolving Fund (**CWSRF**) and the Drinking Water State Revolving Fund (**DWSRF**) over Federal Fiscal Year (**FFY**) 2022-2026. Although 49% of these funds must be distributed to “disadvantaged communities” as grants or forgivable loans (rather than loans that need to be repaid), communities with the greatest need [still face several barriers](#) in accessing these funds. Interventions to address these barriers include reforms to State Revolving Fund (**SRF**) policies that determine how SRF funds are allocated to communities within each state.

Why and How This Project Came to Be

In early 2023, PolicyLink started its three-year “Southern State Revolving Fund (SRF) Analysis and Advocacy Project” to help ensure equitable implementation of BIL SRF funds and base SRF programs in the South. In focusing on the South, we recognized that the racial and economic disparity in clean and affordable water is particularly pronounced there and that there was a need for strong community-based advocacy.

This project consists of two main phases:

Phase I: Analyses of DWSRF and CWSRF Across Seven Southern States

In early 2023, PolicyLink partnered with the Environmental Policy Innovation Center (EPIC) to train and support policy analysts across seven southern states (Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas) to conduct equity analyses of each state’s Clean Water and Drinking Water State Revolving Fund. These analyses are being used to inform advocacy in Years 2 (2024) and 3 (2025) of the project.

Phase II: Community-Based-Organization (CBO) Led Advocacy Across Four States

Of the seven states, PolicyLink selected four states—Alabama, Louisiana, Tennessee, and Texas—for Phase II (supporting CBO-led SRF Advocacy). These represent two states from EPA Region 4 (Tennessee and Alabama) and two states from EPA Region 6 (Louisiana and Texas). PolicyLink selected a cohort of 16 CBOs (4 CBOs per state) to undergo SRF Advocacy training (administered by River Network) and supports them in their state and regional SRF advocacy efforts.

This document is part of the larger series of SRF program analyses (Phase I deliverables) developed by individual consultants, with guidance from PolicyLink and the Environmental Policy Innovation Center (EPIC).

To learn more about the project and/or to access other material related to the state analyses, please see the project [site](#).

Acknowledgments

For the first phase of this project, we want to thank our partner, Janet Pritchard, from the Environmental Policy Innovation Center (EPIC), for providing a template for conducting the equity analyses, training our consultants, and reviewing each of the state outputs. We also want to thank our individual consultants who conducted analyses of SRF programs within their states:

- Alabama: Victoria Miller and Cindy Lowry, Alabama Rivers Alliance
- Arkansas: EPIC
- Louisiana: Rebecca Malpass, The Water Collaborative of Greater New Orleans
- Mississippi: Dr. Christine Curtis, Grow Where You’re Planted
- Oklahoma: EPIC
- Tennessee: Grace Stranch and Anne Passino, Harpeth Conservancy
- Texas: Danielle Goshen, (*while at National Wildlife Federation*)
- Regional Overview: Danielle Goshen, EPIC

PolicyLink is grateful to the Robert Wood Johnson Foundation for supporting this project.

© 2025 PolicyLink. All rights reserved. PolicyLink is a national research and action institute that is working to build a future where all people in the United States of America can participate in a flourishing multiracial democracy, prosper in an equitable economy, and live in thriving communities.

www.policylink.org

Abbreviations Sheet

ARP - American Rescue Plan
ATPI - Ability to Pay Index
BIL - Bipartisan Infrastructure Law
CW - Clean Water
CWA - Clean Water Act
CWSRF - Clean Water State Revolving Fund
DAC - Disadvantaged Community
DW - Drinking Water
DWSRF - Drinking Water State Revolving Fund
EC - Emerging Contaminants
EPA - Environmental Protection Agency
GPR - Green Project Reserve
IIJA - Infrastructure Investment and Jobs Act
IUP - Intended Use Plan
LSL - Lead Service Line
NIMS - National Information Management System
PFAS - Per- and Polyfluorinated Substances
PPL - Project Priority Lists
PRL - Priority Ranking List
SDC - Small and Disadvantaged Community
SDWA - Safe Drinking Water Act
SRF - State Revolving Fund
SWIG - State Water Infrastructure Grants
TA - Technical Assistance
TAUD - Tennessee Association of Utility Districts
TDEC - Tennessee Department of Environment and Conservation
TLDA - Tennessee Local Development Authority
TPUC - Tennessee Public Utilities Commission
UDL - Utility Development Law
WRRDA - Water Resources Reform and Development Act
WWTP - Wastewater Treatment Plant

The Southern U.S. faces distinctive challenges and opportunities in equitably implementing Bipartisan Infrastructure Law (**BIL**) and Base State Revolving Fund (**SRF**) programs. The following document provides a regional overview of the main challenges in ensuring that SRFs help to address existing disparities in water infrastructure. Additional challenges exist across the states that are not discussed here, and can be found in individual state Policy Recommendations memoranda. To discuss these challenges, this report draws on the following resources, that are linked on the [project site](#):

- EPIC Southern State Quantitative Analyses [reports](#)
- PolicyLink Southern States SRF Policy Recommendations memoranda
- EPIC SRF [Policy Briefs](#)
- Additional presentations and analyses

The states considered in this overview include: **Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas.**

This report outlines challenges encountered in these states, references existing “good practices,” and offers recommendations for improvement. Examples of Southern states where challenges exist are provided below. This is not an exhaustive list but is provided for illustrative purposes.

1. **Lack of Program Transparency:** Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee

- **Challenge:** It is difficult to find and understand SRF policy information (e.g., Intended Use Plans) across multiple southern states, whether information is not online or not easily accessible.
- **Recommendation:** Publish clear information about funding allocations, eligibility, prioritization criteria, and other policy decisions in an easy-to-find location online in the Intended Use Plans (**IUP**). This includes detailing principal forgiveness estimates and Disadvantaged Community (**DAC**) eligibility on project lists to improve stakeholder awareness. In general, Texas sets a strong example of program transparency, with its policies clearly articulated through its IUPs.

2. **Lack of Program Accessibility:** Louisiana, Texas

- **Challenge:** Some states have very short public comment periods (e.g., Texas), fail to provide webinars explaining draft IUPs (e.g., Louisiana), or require in-person public hearings (e.g., Louisiana), making it hard for advocates and stakeholders to provide meaningful feedback to the state SRF administering agency.
- **Recommendation:** Ensure a 30-day minimum public comment period, with opportunities to learn about policy changes provided in draft IUPs during at least one public webinar, and ensure virtual options are offered for public hearings to accommodate more stakeholder feedback.

3. **Uniform and Restrictive Caps on Principal Forgiveness:** Uniform - Texas, Restrictive - Mississippi, Alabama, Arkansas, Oklahoma, Tennessee

- **Challenge:** Low caps on principal forgiveness make it hard for less-resourced communities to access SRF funding when they are not capable of principal and interest repayments. For example, Mississippi caps principal forgiveness from Base Drinking Water State Revolving Fund funds at \$500,000. Additionally, some states, like Alabama and Arkansas do not provide information on principal forgiveness caps. Further, many states, like Texas, provide the same amount of principal forgiveness to all eligible borrowers, as long as funding lasts. This approach does not take into consideration relative levels of need across disadvantaged communities, or the scale and expense of different projects where flat caps are imposed.
- **Recommendations:**
 - Clearly articulate principal forgiveness cap policies in the IUPs.
 - Where overly restrictive, increase dollar amounts or percentage caps on principal forgiveness. Further, provide up to 100% principal forgiveness for communities most in need. Texas generally provides generous principal forgiveness caps with 70% principal forgiveness available up to \$10,000,000 for general DACs, while Louisiana does not have a cap on principal forgiveness, but does have a minimum of 30%.

- Scale available principal forgiveness amounts for communities, based on relative level of need. This ensures that communities with less ability to pay back principal and interest on loans are able to receive more principal forgiveness, while those better able to take on loans use less of the limited principal forgiveness funds.

4. **Insufficient DAC Definitions or Criteria:**

Louisiana, Mississippi, Oklahoma, Tennessee, Texas

- **Challenge:** Analysts across the South have shown concern about the inability for DAC definitions to properly target vulnerable communities for favorable financial assistance due to a lack of comprehensive factors and appropriate thresholds. For example, each of the southern states except for Alabama and Arkansas rely on Median Household Income (MHI), with MHI being the only factor for determining DAC eligibility in Mississippi and Oklahoma. Over-reliance on MHI does not adequately capture community affordability and vulnerability concerns, as it does not account for income distribution within a community. For example, a community with high MHI may still have significant pockets of low-income households that struggle to afford water services. In addition to expanding the factors used to define DACs, Arkansas, Louisiana, Oklahoma, and Texas utilize in/out DAC definitions which makes these states unable to differentiate DAC communities with greater and lesser needs.

- **Recommendations:**

- [Redefine or revise DAC criteria](#) to incorporate broader metrics such as poverty prevalence, water rate affordability or burden, and environmental justice indicators. States should not over-rely on traditionally used factors like MHI to ensure DAC definitions adequately capture community affordability and vulnerability concerns.
- Utilize scaled DAC definitions, as is done in Alabama, Mississippi, and Tennessee, which can promote a more equitable distribution of resources by reflecting varying levels of disadvantage and enabling communities to be ranked according to their relative need.

5. **Uncommitted Funds:** Louisiana, Mississippi, Tennessee, and Arkansas

- **Challenge:** There are problems with uncommitted funds where states underutilize available funds during a given IUP year. For example, in Louisiana for the SFY23 DWSRF IUP, while there was over \$156 million available for loans, and

\$172 million in requested project funding, the Fundable List of Applicants — those ready to break ground — documents only \$10.155 million in approved loans. The reason for these discrepancies likely varies across states, and is likely due to a mixture of reasons, such as readiness-to-proceed issues and failure to provide favorable enough financing to potential applicants.

- **Recommendations:** Ensure that funds are not left on the table, by evaluating readiness-to-proceed criteria, providing planning loans and grants, and increasing technical assistance to help communities resolve application issues so they can move from the Comprehensive List of Applicants to the Fundable List.

6. **Projects Remain on Project Priority Lists Year-After-Year:** Mississippi

- **Challenge:** Prioritization policies that favor projects that are ready to proceed often support higher-capacity applicants at the expense of those with significant administrative, financial, and managerial capacity challenges. Related to the issue of uncommitted funds, the fact that few states provide planning grants to help overcome capacity gaps results in high-ranking projects staying on Project Priority Lists (**PPLs**) year after year instead of moving to funding lists, or staying on funding lists but being bypassed later in the process for failure to meet readiness-to-proceed requirements necessary to reach a finalized funding agreement. For example, an EPIC analysis estimated that in Mississippi, 38 projects on the FFY22 IUP persisted onto FFY23, and 25 of these 38 projects persisted onto FF24, highlighting the need for additional support for these communities to get funded.

- **Recommendations:**

- Provide planning grants and loans to high-ranking projects to ensure the project is ready to move forward during subsequent IUP periods.
- Modify project prioritization criteria by eliminating or reducing points tied to steps that under-resourced communities cannot complete without a planning grant, such as the preparation of engineering reports or financial audits, to ensure equitable access to planning grants and support essential projects in these communities.

7. Slow Spending of Bipartisan Infrastructure Law Lead and Emerging Contaminant (EC)

Funds: Tennessee, Mississippi

- **Challenge:** There is a slower uptake of lead and emerging contaminants funds. For example, in Tennessee, as of December 2023, there were [“no applications for emerging contaminants specific funds.”](#) Meanwhile, Mississippi did not utilize its SFY23 CWSRF EC funds altogether.
- **Recommendations:**
 - States should increase outreach and support to communities to educate about the new BIL Lead and EC funds through maximizing utilization of technical assistance set-aside funds.
 - Where funds are not utilized under one of the EC programs (e.g., Drinking Water State Revolving Fund or Clean Water State Revolving Fund), states should understand that transfers can happen between the programs and should be encouraged to utilize funds under the other program.
 - Consider expanding eligibility and accessibility to nontraditional partners and innovative projects.

8. Disproportionate Benefits to Larger, Higher-Capacity Systems: Alabama, Louisiana, Tennessee

- **Challenge:** Larger, higher-capacity systems are disproportionately favored for funding, as seen in the funding trends across all states. Meanwhile, Small and Very Small Systems, often serving the most disadvantaged populations, are underrepresented in funding allocations. Further, certain project applicants are left out of funding opportunities, like in Alabama where distributed septic projects are not funded under the SRF program.
- **Recommendations:**
 - Encourage use of all small system set-aside funds, and additional technical assistance to Small and Very Small systems to help these communities apply for and receive funding.
 - Provide effective project prioritization for small, rural, and disadvantaged communities.
 - Allow nongovernmental applicants to apply for and receive funding for distributed septic projects.

9. Underutilization of Set-aside Funds: Alabama, Mississippi, Texas

- **Challenge:** Among other things, set-aside funds can be utilized to help specific communities receive technical assistance to help apply for and receive project funding and financing; and while many communities struggle across the south, set-aside funds remain underutilized. For example, in Texas, none of the BIL General Supplemental Drinking Water State Revolving Fund (**DWSRF**) set-asides were utilized for SFY23, and only the 4% Administration and Technical Assistance funds were utilized for the DWSRF LSLR and EC program.
- **Recommendation:** Fully utilize set-aside funds to help understand and respond to communities' nonconstruction project needs. Unlike many of the southern states, Oklahoma fully utilizes set-aside allowances, which should be considered across the rest of the region.

10. Oversubscription of SRF Funds: Alabama, Mississippi

- **Challenge:** SRF programs are oversubscribed, leading to many more applicants than there are funds available each IUP year. This means that essential water infrastructure projects continue to go unfunded year after year, due to lack of available funding and financing.
- **Recommendation:** Leveraging involves using SRF equity to issue bonds or secure additional funding, thereby increasing the total pool of funds available. This can be used to expand available funds and address larger infrastructure needs within state programs. Texas is an example of a Southern state that effectively leverages its program.

The findings highlight both the progress and persistent gaps in how SRF funds are administered. While certain states have implemented best practices that can serve as models, such as tiered principal forgiveness systems and prioritization of disadvantaged communities, many states continue to struggle with transparency, equitable fund distribution, and support for small and rural systems. These challenges disproportionately affect communities most in need, leaving them without access to the critical infrastructure needed to secure safe, affordable water.

PolicyLink

Lifting Up What Works®

Headquarters

1438 Webster Street
Suite 303
Oakland, CA 94612
t (510) 663-2333

policylink.org

LinkedIn: /PolicyLink

Instagram: @policylink