

Coronavirus State and Local Fiscal Recovery Funds

Frequently Asked Questions

AS OF NOVEMBER 15, 2021

This document contains answers to frequently asked questions regarding the Coronavirus State and Local Fiscal Recovery Funds (CSFRF / CLFRF, or Fiscal Recovery Funds). Treasury will be updating this document periodically in response to questions received from stakeholders. Recipients and stakeholders should consult the [Interim Final Rule](#) for additional information.

- For overall information about the program, including information on requesting funding, please see <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments>
- For general questions about CSFRF / CLFRF, please email SLFRP@treasury.gov

Questions added 5/27/21: 1.5, 1.6, 2.13, 2.14, 2.15, 3.9, 4.5, 4.6, 10.3, 10.4 (noted with “[5/27]”)

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Question added 11/15/21: 12.1; Questions updated 11/15/21: 9.2

Answers to frequently asked questions on distribution of funds to non-entitlement units of local government (NEUs) can be found in this [FAQ supplement](#), which is regularly updated.

1. Eligibility and Allocations

1.1. Which governments are eligible for funds?

The following governments are eligible:

- States and the District of Columbia
- Territories
- Tribal governments
- Counties
- Metropolitan cities
- Non-entitlement units, or smaller local governments

1.2. Which governments receive funds directly from Treasury?

Treasury will distribute funds directly to each eligible state, territory, metropolitan city, county, or Tribal government. Smaller local governments that are classified as non-entitlement units will receive funds through their applicable state government.

1.3. Are special-purpose units of government eligible to receive funds?

Special-purpose units of local government will not receive funding allocations; however, a state, territory, local, or Tribal government may transfer funds to a special-purpose unit of government. Special-purpose districts perform specific functions in the community, such as fire, water, sewer or mosquito abatement districts.

1.4. How are funds being allocated to Tribal governments, and how will Tribal governments find out their allocation amounts?¹

\$20 billion of Fiscal Recovery Funds was reserved for Tribal governments. The American Rescue Plan Act specifies that \$1 billion will be allocated evenly to all eligible Tribal governments. The remaining \$19 billion will be distributed using an allocation methodology based on enrollment and employment.

There will be two payments to Tribal governments. Each Tribal government's first payment will include (i) an amount in respect of the \$1 billion allocation that is to be divided equally among eligible Tribal governments and (ii) each Tribal government's pro rata share of the Enrollment Allocation. Tribal governments will be notified of their allocation amount and delivery of payment 4-5 days after completing request for funds in the Treasury Submission Portal. The deadline to make the initial request for funds was June 21, 2021.

The second payment will include a Tribal government's pro rata share of the Employment Allocation. There is a \$1,000,000 minimum employment allocation for Tribal governments. In late-June, Tribal governments will receive an email notification to re-enter the Treasury Submission Portal to confirm or amend their 2019 employment numbers that were submitted to the Department of the Treasury for the CARES Act's Coronavirus Relief Fund. To receive an Employment Allocation, including the minimum employment allocation, Tribal governments must confirm employment numbers by July 23, 2021. Treasury will calculate employment allocations for those Tribal governments that confirmed or submitted amended employment numbers by the deadline. In August, Treasury will communicate to Tribal governments the amount of their portion of the Employment Allocation and the anticipated date for the second payment.

¹ The answer to this question was updated on July 19, 2021.

1.5. My county is a unit of general local government with population under 50,000. Will my county receive funds directly from Treasury? [5/27]

Yes. All counties that are units of general local government will receive funds directly from Treasury and should apply via the [online portal](#). The list of county allocations is available [here](#).

1.6. My local government expected to be classified as a non-entitlement unit. Instead, it was classified as a metropolitan city. Why? [5/27]

The American Rescue Plan Act defines, for purposes of the Coronavirus Local Fiscal Recovery Fund (CLFRF), metropolitan cities to include those that are currently metropolitan cities under the Community Development Block Grant (CDBG) program but also those cities that relinquish or defer their status as a metropolitan city for purposes of the CDBG program. This would include, by way of example, cities that are principal cities of their metropolitan statistical area, even if their population is less than 50,000. In other words, a city that is eligible to be a metropolitan city under the CDBG program is eligible as a metropolitan city under the CLFRF, regardless of how that city has elected to participate in the CDBG program.

Unofficial allocation estimates produced by other organizations may have classified certain local governments as non-entitlement units of local government. However, based on the statutory definitions, some of these local governments should have been classified as metropolitan cities.

1.7. In order to receive and use Fiscal Recovery Funds, must a recipient government maintain a declaration of emergency relating to COVID-19? [6/23]

No. Neither the statute establishing the CSFRF/CLFRF nor the Interim Final Rule requires recipients to maintain a local declaration of emergency relating to COVID-19.

1.8. Can non-profit or private organizations receive funds? If so, how? [7/14]

Yes. Under section 602(c)(3) of the Social Security Act, a State, territory, or Tribal government may transfer funds to a “private nonprofit organization . . . , a Tribal organization . . . , a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of State or local government.” Similarly, section 603(c)(3) authorizes a local government to transfer funds to the same entities (other than Tribal organizations). The Interim Final Rule clarifies that the lists of transferees in sections 602(c)(3) and 603(c)(3) are not exclusive, and recipients may transfer funds to constituent units of government or private entities beyond those specified in the statute. A transferee receiving a transfer from a recipient under sections 602(c)(3) and 603(c)(3) will be considered to be a subrecipient and will be expected to comply with all subrecipient reporting requirements.

The ARPA does not authorize Treasury to provide CSFRF/CLFRF funds directly to non-profit or private organizations. Thus, non-profit or private organizations should seek funds from CSFRF/CLFRF recipient(s) in their jurisdiction (e.g., a State, local, territorial, or Tribal government).

2. Eligible Uses – Responding to the Public Health Emergency / Negative Economic Impacts

2.1. What types of COVID-19 response, mitigation, and prevention activities are eligible?

A broad range of services are needed to contain COVID-19 and are eligible uses, including vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools; ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses. Capital investments in public facilities to meet pandemic operational needs are also eligible, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics.

2.2. If a use of funds was allowable under the Coronavirus Relief Fund (CRF) to respond to the public health emergency, may recipients presume it is also allowable under CSFRF/CLFRF?

Generally, funding uses eligible under CRF as a response to the direct public health impacts of COVID-19 will continue to be eligible under CSFRF/CLFRF, with the following two exceptions: (1) the standard for eligibility of public health and safety payrolls has been updated; and (2) expenses related to the issuance of tax-anticipation notes are not an eligible funding use.

2.3. If a use of funds is not explicitly permitted in the Interim Final Rule as a response to the public health emergency and its negative economic impacts, does that mean it is prohibited?

The Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. The Interim Final Rule also provides flexibility for recipients to use Fiscal Recovery Funds for programs or services that are not identified on these non-exclusive lists but which meet the objectives of section

602(c)(1)(A) or 603(c)(1)(A) by responding to the COVID-19 public health emergency with respect to COVID-19 or its negative economic impacts.

2.4. May recipients use funds to respond to the public health emergency and its negative economic impacts by replenishing state unemployment funds?

Consistent with the approach taken in the CRF, recipients may make deposits into the state account of the Unemployment Trust Fund up to the level needed to restore the pre-pandemic balances of such account as of January 27, 2020, or to pay back advances received for the payment of benefits between January 27, 2020 and the date when the Interim Final Rule is published in the Federal Register.

2.5. What types of services are eligible as responses to the negative economic impacts of the pandemic?

Eligible uses in this category include assistance to households; small businesses and non-profits; and aid to impacted industries.

Assistance to households includes, but is not limited to: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training.

Assistance to small business and non-profits includes, but is not limited to:

- loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
- Technical assistance, counseling, or other services to assist with business planning needs

2.6. May recipients use funds to respond to the public health emergency and its negative economic impacts by providing direct cash transfers to households?

Yes, provided the recipient considers whether, and the extent to which, the household has experienced a negative economic impact from the pandemic. Additionally, cash transfers must be reasonably proportional to the negative economic impact they are intended to address. Cash transfers grossly in excess of the amount needed to address the negative economic impact identified by the recipient would not be considered to be a response to the COVID-19 public health emergency or its negative impacts. In particular, when

considering appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency, state, local, territorial, and Tribal governments may consider and take guidance from the per person amounts previously provided by the federal government in response to the COVID crisis.

2.7. May funds be used to reimburse recipients for costs incurred by state and local governments in responding to the public health emergency and its negative economic impacts prior to passage of the American Rescue Plan?

Use of Fiscal Recovery Funds is generally forward looking. The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021.

2.8. May recipients use funds for general economic development or workforce development?

Generally, not. Recipients must demonstrate that funding uses directly address a negative economic impact of the COVID-19 public health emergency, including funds used for economic or workforce development. For example, job training for unemployed workers may be used to address negative economic impacts of the public health emergency and be eligible.

2.9. How can recipients use funds to assist the travel, tourism, and hospitality industries?

Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic. For example, a recipient may provide aid to support safe reopening of businesses in the tourism, travel and hospitality industries and to districts that were closed during the COVID-19 public health emergency, as well as aid a planned expansion or upgrade of tourism, travel and hospitality facilities delayed due to the pandemic.

Tribal development districts are considered the commercial centers for tribal hospitality, gaming, tourism and entertainment industries.

2.10. May recipients use funds to assist impacted industries other than travel, tourism, and hospitality?

Yes, provided that recipients consider the extent of the impact in such industries as compared to tourism, travel, and hospitality, the industries enumerated in the statute. For example, nationwide the leisure and hospitality industry has experienced an approximately 17 percent decline in employment and 24 percent decline in revenue, on net, due to the COVID-19 public health emergency. Recipients should also consider whether impacts were due to the COVID-19 pandemic, as opposed to longer-term economic or industrial trends unrelated to the pandemic.

Recipients should maintain records to support their assessment of how businesses or business districts receiving assistance were affected by the negative economic impacts of the pandemic and how the aid provided responds to these impacts.

2.11. How does the Interim Final Rule help address the disparate impact of COVID-19 on certain populations and geographies?

In recognition of the disproportionate impacts of the COVID-19 virus on health and economic outcomes in low-income and Native American communities, the Interim Final Rule identifies a broader range of services and programs that are considered to be in response to the public health emergency when provided in these communities. Specifically, Treasury will presume that certain types of services are eligible uses when provided in a Qualified Census Tract (QCT), to families living in QCTs, or when these services are provided by Tribal governments.

Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately-impacted communities, recipients should be able to support their determination for how the pandemic disproportionately impacted the populations, households, or geographic areas to be served.

Eligible services include:

- Addressing health disparities and the social determinants of health, including: community health workers, public benefits navigators, remediation of lead paint or other lead hazards, and community violence intervention programs;
- Building stronger neighborhoods and communities, including: supportive housing and other services for individuals experiencing homelessness, development of affordable housing, and housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity;
- Addressing educational disparities exacerbated by COVID-19, including: early learning services, increasing resources for high-poverty school districts, educational services like tutoring or afterschool programs, and supports for students' social, emotional, and mental health needs; and
- Promoting healthy childhood environments, including: child care, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

2.12. May recipients use funds to pay for vaccine incentive programs (e.g., cash or in-kind transfers, lottery programs, or other incentives for individuals who get vaccinated)?

Yes. Under the Interim Final Rule, recipients may use Coronavirus State and Local Fiscal Recovery Funds to respond to the COVID-19 public health emergency, including

expenses related to COVID-19 vaccination programs. See 31 CFR 35.6(b)(1)(i). Programs that provide incentives reasonably expected to increase the number of people who choose to get vaccinated, or that motivate people to get vaccinated sooner than they otherwise would have, are an allowable use of funds so long as such costs are reasonably proportional to the expected public health benefit.

2.13. May recipients use funds to pay “back to work incentives” (e.g., cash payments for newly employed workers after a certain period of time on the job)? [5/27]

Yes. Under the Interim Final Rule, recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to unemployed workers. See 31 CFR 35.6(b)(4). This assistance can include job training or other efforts to accelerate rehiring and thus reduce unemployment, such as childcare assistance, assistance with transportation to and from a jobsite or interview, and incentives for newly employed workers.

2.14. The Coronavirus Relief Fund (CRF) included as an eligible use: "Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency." What has changed in CSFRF/CLFRF, and what type of documentation is required under CSFRF/CLFRF? [5/27]

Many of the expenses authorized under the Coronavirus Relief Fund are also eligible uses under the CSFRF/CLFRF. However, in the case of payroll expenses for public safety, public health, health care, human services, and similar employees (hereafter, public health and safety staff), the CSFRF/CLFRF does differ from the CRF. This change reflects the differences between the ARPA and CARES Act and recognizes that the response to the COVID-19 public health emergency has changed and will continue to change over time. In particular, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, including first responders, to the extent that the employee's time that is dedicated to responding to the COVID-19 public health emergency.

For administrative convenience, the recipient may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated (e.g., more than half of the employee's time is dedicated) to responding to the COVID-19 public health emergency.

Recipients may use presumptions for assessing whether an employee, division, or operating unit is primarily dedicated to COVID-19 response. The recipient should maintain records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours. Recipients should periodically reassess their determinations.

2.15. What staff are included in “public safety, public health, health care, human services, and similar employees”? Would this include, for example, 911 operators, morgue staff, medical examiner staff, or EMS staff? [5/27]

As discussed in the Interim Final Rule, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, for the portion of the employee’s time that is dedicated to responding to the COVID-19 public health emergency.

Public safety employees would include police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel. Public health employees would include employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians, medical examiner or morgue staff) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel. Human services staff include employees providing or administering social services; public benefits; child welfare services; and child, elder, or family care, as well as others.

2.16. May recipients use funds to establish a public jobs program? [6/8]

Yes. The Interim Final Rule permits a broad range of services to unemployed or underemployed workers and other individuals that suffered negative economic impacts from the pandemic. That can include public jobs programs, subsidized employment, combined education and on-the-job training programs, or job training to accelerate rehiring or address negative economic or public health impacts experienced due to a worker’s occupation or level of training. The broad range of permitted services can also include other employment supports, such as childcare assistance or assistance with transportation to and from a jobsite or interview.

The Interim Final Rule includes as an eligible use re-hiring public sector staff up to the government’s level of pre-pandemic employment. “Public sector staff” would not include individuals participating in a job training or subsidized employment program administered by the recipient.

2.17. The Interim Final Rule states that “assistance or aid to individuals or businesses that did not experience a negative economic impact from the public health emergency would not be an eligible use under this category.” Are recipients required to demonstrate that each individual or business experienced a negative economic impact for that individual or business to receive assistance? [6/23]

Not necessarily. The Interim Final Rule allows recipients to demonstrate a negative economic impact on a population or group and to provide assistance to households or businesses that fall within that population or group. In such cases, the recipient need only

demonstrate that the household or business is within the population or group that experienced a negative economic impact.

For assistance to households, the Interim Final Rule states, “In assessing whether a household or population experienced economic harm as a result of the pandemic, a recipient may presume that a household or population that experienced unemployment or increased food or housing insecurity or is low- or moderate-income experienced negative economic impacts resulting from the pandemic.” This would allow, for example, an internet access assistance program for all low- or moderate-income households, but would not require the recipient to demonstrate or document that each individual low- or moderate income household experienced a negative economic impact from the COVID-19 public health emergency apart from being low- or moderate income.

For assistance to small businesses, the Interim Final Rule states that assistance may be provided to small businesses, including loans, grants, in-kind assistance, technical assistance or other services, to respond to the negative economic impacts of the COVID-19 public health emergency. In providing assistance to small businesses, recipients must design a program that responds to the negative economic impacts of the COVID-19 public health emergency, including by identifying how the program addresses the identified need or impact faced by small businesses. This can include assistance to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency.

As part of program design and to ensure that the program responds to the identified need, recipients may consider additional criteria to target assistance to businesses in need, including to small businesses. Assistance may be targeted to businesses facing financial insecurity, with substantial declines in gross receipts (e.g., comparable to measures used to assess eligibility for the Paycheck Protection Program), or facing other economic harm due to the pandemic, as well as businesses with less capacity to weather financial hardship, such as the smallest businesses, those with less access to credit, or those serving disadvantaged communities. For example, a recipient could find based on local data or research that the smallest businesses faced sharply increased risk of bankruptcy and develop a program to respond; such a program would only need to document a population or group-level negative economic impact, and eligibility criteria to limit access to the program to that population or group (in this case, the smallest businesses).

In addition, recognizing the disproportionate impact of the pandemic on disadvantaged communities, the Interim Final Rule also identifies a set of services that are presumptively eligible when provided in a Qualified Census Tract (QCT); to families and individuals living in QCTs; to other populations, households, or geographic areas identified by the recipient as disproportionately impacted by the pandemic; or when these services are provided by Tribal governments. For more information on the set of presumptively eligible services, see the Interim Final Rule section on *Building Stronger Communities through Investments in Housing and Neighborhoods* and FAQ 2.11.

2.18. Would investments in improving outdoor spaces (e.g. parks) be an eligible use of funds as a response to the public health emergency and/or its negative economic impacts? [6/23]

There are multiple ways that investments in improving outdoor spaces could qualify as eligible uses; several are highlighted below, though there may be other ways that a specific investment in outdoor spaces would meet eligible use criteria.

First, in recognition of the disproportionate negative economic impacts on certain communities and populations, the Interim Final Rule identifies certain types of services that are eligible uses when provided in a Qualified Census Tract (QCT), to families and individuals living in QCTs, or when these services are provided by Tribal governments. Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic.

These programs and services include services designed to build stronger neighborhoods and communities and to address health disparities and the social determinants of health. The Interim Final Rule provides a non-exhaustive list of eligible services to respond to the needs of communities disproportionately impacted by the pandemic, and recipients may identify other uses of funds that do so, consistent with the Rule’s framework. For example, investments in parks, public plazas, and other public outdoor recreation spaces may be responsive to the needs of disproportionately impacted communities by promoting healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19.

Second, recipients may provide assistance to small businesses in all communities. Assistance to small businesses could include support to enhance outdoor spaces for COVID-19 mitigation (e.g., restaurant patios) or to improve the built environment of the neighborhood (e.g., façade improvements).

Third, many governments saw significantly increased use of parks during the pandemic that resulted in damage or increased maintenance needs. The Interim Final Rule recognizes that “decrease[s to] a state or local government’s ability to effectively administer services” can constitute a negative economic impact of the pandemic.

2.19. Would expenses to address a COVID-related backlog in court cases be an eligible use of funds as a response to the public health emergency? [6/23]

The Interim Final Rule recognizes that “decrease[s to] a state or local government’s ability to effectively administer services,” such as cuts to public sector staffing levels, can constitute a negative economic impact of the pandemic. During the COVID-19 public health emergency, many courts were unable to operate safely during the pandemic and, as a result, now face significant backlogs. Court backlogs resulting from inability of courts to safely operate during the COVID-19 pandemic decreased the government’s ability to administer services. Therefore, steps to reduce these backlogs, such as implementing COVID-19 safety measures to facilitate court operations, hiring additional court staff or

attorneys to increase speed of case resolution, and other expenses to expedite case resolution are eligible uses.

2.20. Can funds be used to assist small business startups as a response to the negative economic impact of COVID-19? [6/23]

As discussed in the Interim Final Rule, recipients may provide assistance to small businesses that responds to the negative economic impacts of COVID-19. The Interim Final Rule provides a non-exclusive list of potential assistance mechanisms, as well as considerations for ensuring that such assistance is responsive to the negative economic impacts of COVID-19.

Treasury acknowledges a range of potential circumstances in which assisting small business startups could be responsive to the negative economic impacts of COVID-19, including for small businesses and individuals seeking to start small businesses after the start of the COVID-19 public health emergency. For example:

- A recipient could assist small business startups with additional costs associated with COVID-19 mitigation tactics (e.g., barriers or partitions; enhanced cleaning; or physical plant changes to enable greater use of outdoor space).
- A recipient could identify and respond to a negative economic impact of COVID-19 on new small business startups; for example, if it could be shown that small business startups in a locality were facing greater difficulty accessing credit than prior to the pandemic, faced increased costs to starting the business due to the pandemic, or that the small business had lost expected startup capital due to the pandemic.
- The Interim Final Rule also discusses eligible uses that provide support for individuals who have experienced a negative economic impact from the COVID-19 public health emergency, including uses that provide job training for unemployed individuals. These initiatives also may support small business startups and individuals seeking to start small businesses.

2.21. Can funds be used for eviction prevention efforts or housing stability services? [6/24]

Yes. Responses to the negative economic impacts of the pandemic include “rent, mortgage, or utility assistance [and] counseling and legal aid to prevent eviction or homelessness.” This includes housing stability services that enable eligible households to maintain or obtain housing, such as housing counseling, fair housing counseling, case management related to housing stability, outreach to households at risk of eviction or promotion of housing support programs, housing related services for survivors of domestic abuse or human trafficking, and specialized services for individuals with disabilities or seniors that supports their ability to access or maintain housing.

This also includes legal aid such as legal services or attorney’s fees related to eviction proceedings and maintaining housing stability, court-based eviction prevention or

eviction diversion programs, and other legal services that help households maintain or obtain housing.

Recipients may transfer funds to, or execute grants or contracts with, court systems, non-profits, and a wide range of other organizations to implement these strategies.

3. Eligible Uses – Revenue Loss

3.1. How is revenue defined for the purpose of this provision? [appendix added 6/23]

The Interim Final Rule adopts a definition of “General Revenue” that is based on, but not identical, to the Census Bureau’s concept of “General Revenue from Own Sources” in the Annual Survey of State and Local Government Finances.

General Revenue includes revenue from taxes, current charges, and miscellaneous general revenue. It excludes refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and revenue generated by utilities and insurance trusts. General revenue also includes intergovernmental transfers between state and local governments, but excludes intergovernmental transfers from the Federal government, including Federal transfers made via a state to a locality pursuant to the CRF or the Fiscal Recovery Funds.

Tribal governments may include all revenue from Tribal enterprises and gaming operations in the definition of General Revenue.

Please see the appendix for a diagram of the Interim Final Rule’s definition of General Revenue within the Census Bureau’s revenue classification structure.

3.2. Will revenue be calculated on an entity-wide basis or on a source-by-source basis (e.g. property tax, income tax, sales tax, etc.)?

Recipients should calculate revenue on an entity-wide basis. This approach minimizes the administrative burden for recipients, provides for greater consistency across recipients, and presents a more accurate representation of the net impact of the COVID-19 public health emergency on a recipient’s revenue, rather than relying on financial reporting prepared by each recipient, which vary in methodology used and which generally aggregates revenue by purpose rather than by source.

3.3. Does the definition of revenue include outside concessions that contract with a state or local government?

Recipients should classify revenue sources as they would if responding to the U.S. Census Bureau’s Annual Survey of State and Local Government Finances. According to the Census Bureau’s [Government Finance and Employment Classification manual](#), the following is an example of current charges that would be included in a state or local government’s general revenue from own sources: “Gross revenue of facilities operated by

a government (swimming pools, recreational marinas and piers, golf courses, skating rinks, museums, zoos, etc.); auxiliary facilities in public recreation areas (camping areas, refreshment stands, gift shops, etc.); lease or use fees from stadiums, auditoriums, and community and convention centers; and rentals from concessions at such facilities.”

3.4. What is the time period for estimating revenue loss? Will revenue losses experienced prior to the passage of the Act be considered?

Recipients are permitted to calculate the extent of reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023. This approach recognizes that some recipients may experience lagged effects of the pandemic on revenues.

Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.

3.5. What is the formula for calculating the reduction in revenue?

A reduction in a recipient’s General Revenue equals:

$$\text{Max} \{ [\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{\frac{n_t}{12}}] - \text{Actual General Revenue}_t ; 0 \}$$

Where:

Base Year Revenue is General Revenue collected in the most recent full fiscal year prior to the COVID-19 public health emergency.

Growth Adjustment is equal to the greater of 4.1 percent (or 0.041) and the recipient’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency.

n equals the number of months elapsed from the end of the base year to the calculation date.

Actual General Revenue is a recipient’s actual general revenue collected during 12-month period ending on each calculation date.

Subscript *t* denotes the calculation date.

3.6. Are recipients expected to demonstrate that reduction in revenue is due to the COVID-19 public health emergency?

In the Interim Final Rule, any diminution in actual revenue calculated using the formula above would be presumed to have been “due to” the COVID-19 public health emergency. This presumption is made for administrative ease and in recognition of the broad-based economic damage that the pandemic has wrought.

3.7. May recipients use pre-pandemic projections as a basis to estimate the reduction in revenue?

No. Treasury is disallowing the use of projections to ensure consistency and comparability across recipients and to streamline verification. However, in estimating the revenue shortfall using the formula above, recipients may incorporate their average annual revenue growth rate in the three full fiscal years prior to the public health emergency.

3.8. Once a recipient has identified a reduction in revenue, are there any restrictions on how recipients use funds up to the amount of the reduction?

The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.

However, paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, or paying settlements or judgments would not be considered provision of a government service, since these uses of funds do not entail direct provision of services to citizens. This restriction on paying interest or principal on any outstanding debt instrument, includes, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt. In addition, the overarching restrictions on all program funds (e.g., restriction on pension deposits, restriction on using funds for non-federal match where barred by regulation or statute) would apply.

3.9. How do I know if a certain type of revenue should be counted for the purpose of computing revenue loss? [5/27]

As discussed in FAQ #3.1, the Interim Final Rule adopts a definition of “General Revenue” that is based on, but not identical, to the Census Bureau’s concept of “General Revenue from Own Sources” in the Annual Survey of State and Local Government Finances.

Recipients should refer to the definition of “General Revenue” included in the Interim Final Rule. See 31 CFR 35.3. If a recipient is unsure whether a particular revenue source is included in the Interim Final Rule’s definition of “General Revenue,” the recipient may consider the classification and instructions used to complete the Census Bureau’s Annual Survey.

For example, parking fees would be classified as a Current Charge for the purpose of the Census Bureau’s Annual Survey, and the Interim Final Rule’s concept of “General

Revenue” includes all Current Charges. Therefore, parking fees would be included in the Interim Final Rule’s concept of “General Revenue.”

The Census Bureau’s Government Finance and Employment Classification manual is available [here](#).

3.10. In calculating revenue loss, are recipients required to use audited financials? [6/8]

Where audited data is not available, recipients are not required to obtain audited data. Treasury expects all information submitted to be complete and accurate. See 31 CFR 35.4(c).

3.11. In calculating revenue loss, should recipients use their own data, or Census data? [6/8]

Recipients should use their own data sources to calculate general revenue, and do not need to rely on published revenue data from the Census Bureau. Treasury acknowledges that due to differences in timing, data sources, and definitions, recipients’ self-reported general revenue figures may differ somewhat from those published by the Census Bureau.

3.12. Should recipients calculate revenue loss on a cash basis or an accrual basis? [6/8]

Recipients may provide data on a cash, accrual, or modified accrual basis, provided that recipients are consistent in their choice of methodology throughout the covered period and until reporting is no longer required.

3.13. In identifying intergovernmental revenue for the purpose of calculating General Revenue, should recipients exclude all federal funding, or just federal funding related to the COVID-19 response? How should local governments treat federal funds that are passed through states or other entities, or federal funds that are intermingled with other funds? [6/23]

In calculating General Revenue, recipients should exclude all intergovernmental transfers from the federal government. This includes, but is not limited to, federal transfers made via a state to a locality pursuant to the Coronavirus Relief Fund or Fiscal Recovery Funds. To the extent federal funds are passed through states or other entities or intermingled with other funds, recipients should attempt to identify and exclude the federal portion of those funds from the calculation of General Revenue on a best-efforts basis.

3.14. What entities constitute a government for the purpose of calculating revenue loss? [7/14]

In determining whether a particular entity is part of a recipient’s government for purposes of measuring a recipient’s government revenue, recipients should identify all the entities

included in their government and the general revenue attributable to these entities on a best-efforts basis. Recipients are encouraged to consider how their administrative structure is organized under state and local statutes. In cases in which the autonomy of certain authorities, commissions, boards, districts, or other entities is not readily distinguishable from the recipient's government, recipients may adopt the Census Bureau's criteria for judging whether an entity is independent from, or a constituent of, a given government. For an entity to be independent, it generally meets all four of the following conditions:

- The entity is an organized entity and possesses corporate powers, such as perpetual succession, the right to sue and be sued, having a name, the ability to make contracts, and the ability to acquire and dispose of property.
- The entity has governmental character, meaning that it provides public services, or wields authority through a popularly elected governing body or officers appointed by public officials. A high degree of responsibility to the public, demonstrated by public reporting requirements or by accessibility of records for public inspection, also evidences governmental character.
- The entity has substantial fiscal independence, meaning it can determine its budget without review and modification by other governments. For instance, the entity can determine its own taxes, charges, and debt issuance without another government's supervision.
- The entity has substantial administrative independence, meaning it has a popularly elected governing body, or has a governing body representing two or more governments, or, in the event its governing body is appointed by another government, the entity performs functions that are essentially different from those of, and are not subject to specification by, its creating government.

If an entity does not meet all four of these conditions, a recipient may classify the entity as part of the recipient's government and assign the portion of General Revenue that corresponds to the entity.

To further assist recipients in applying the forgoing criteria, recipients may refer to the Census Bureau's [*Individual State Descriptions: 2017 Census of Governments*](#) publication, which lists specific entities and classes of entities classified as either independent (defined by Census as "special purpose governments") or constituent (defined by Census as "dependent agencies") on a state-by-state basis. Recipients should note that the Census Bureau's lists are not exhaustive and that Census classifications are based on an analysis of state and local statutes as of 2017 and subject to the Census Bureau's judgement. Though not included in the Census Bureau's publication, state colleges and universities are generally classified as dependent agencies of state governments by the Census Bureau.

If an entity is determined to be part of the recipient's government, the recipient must also determine whether the entity's revenue is covered by the Interim Final Rule's definition of "general revenue." For example, some cash flows may be outside the definition of "general revenue." In addition, note that the definition of general revenue includes Tribal

enterprises in the case of Tribal governments. Refer to FAQ 3.1 (and the Appendix) for the components included in General Revenue.

3.15. The Interim Final Rule’s definition of General Revenue excludes revenue generated by utilities. Can you please clarify the definition of utility revenue? [7/14]

As noted in FAQs 3.1 and 3.9, the Interim Final Rule adopts a definition of “general revenue” that is based on, but not identical to, the Census Bureau’s concept of “General Revenue from Own Sources” in the Annual Survey of State and Local Government Finances. Recipients should refer to the definition of “general revenue” included in the Interim Final Rule. See 31 CFR 35.3. If a recipient is unsure whether a particular revenue source is included in the Interim Final Rule’s definition of “general revenue,” the recipient may consider the classification and instructions used to complete the Census Bureau’s Annual Survey.

According to the Census Bureau’s [Government Finance and Employment Classification manual](#), utility revenue is defined as “[g]ross receipts from sale of utility commodities or services to the public or other governments by publicly-owned and controlled utilities.” This includes revenue from operations of publicly-owned and controlled water supply systems, electric power systems, gas supply systems, and public mass transit systems (see pages 4-45 and 4-46 of the manual for more detail).

Except for these four types of utilities, revenues from all commercial-type activities of a recipient’s government (e.g., airports, educational institutions, lotteries, public hospitals, public housing, parking facilities, port facilities, sewer or solid waste systems, and toll roads and bridges) are covered by the Interim Final Rule’s definition of “general revenue.” If a recipient is unsure whether a particular entity performing one of these commercial-type activities can be considered part of the recipient’s government, please see FAQ 3.14.

4. Eligible Uses – General

4.1. May recipients use funds to replenish a budget stabilization fund, rainy day fund, or similar reserve account?

No. Funds made available to respond to the public health emergency and its negative economic impacts are intended to help meet pandemic response needs and provide immediate stabilization for households and businesses. Contributions to rainy day funds and similar reserves funds would not address these needs or respond to the COVID-19 public health emergency, but would rather be savings for future spending needs. Similarly, funds made available for the provision of governmental services (to the extent of reduction in revenue) are intended to support direct provision of services to citizens. Contributions to rainy day funds are not considered provision of government services, since such expenses do not directly relate to the provision of government services.

4.2. May recipients use funds to invest in infrastructure other than water, sewer, and broadband projects (e.g. roads, public facilities)?

Under 602(c)(1)(C) or 603(c)(1)(C), recipients may use funds for maintenance of infrastructure or pay-go spending for building of new infrastructure as part of the general provision of government services, to the extent of the estimated reduction in revenue due to the public health emergency.

Under 602(c)(1)(A) or 603(c)(1)(A), a general infrastructure project typically would not be considered a response to the public health emergency and its negative economic impacts unless the project responds to a specific pandemic-related public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact of the pandemic (e.g., affordable housing in a Qualified Census Tract).

4.3. May recipients use funds to pay interest or principal on outstanding debt?

No. Expenses related to financing, including servicing or redeeming notes, would not address the needs of pandemic response or its negative economic impacts. Such expenses would also not be considered provision of government services, as these financing expenses do not directly provide services or aid to citizens.

This applies to paying interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt.

4.4. May recipients use funds to satisfy nonfederal matching requirements under the Stafford Act? May recipients use funds to satisfy nonfederal matching requirements generally?

Fiscal Recovery Funds are subject to pre-existing limitations in other federal statutes and regulations and may not be used as non-federal match for other Federal programs whose statute or regulations bar the use of Federal funds to meet matching requirements. For example, expenses for the state share of Medicaid are not an eligible use. For information on FEMA programs, please [see here](#).

4.5. Are governments required to submit proposed expenditures to Treasury for approval? [5/27]

No. Recipients are not required to submit planned expenditures for prior approval by Treasury. Recipients are subject to the requirements and guidelines for eligible uses contained in the Interim Final Rule.

4.6. How do I know if a specific use is eligible? [5/27]

Fiscal Recovery Funds must be used in one of the four eligible use categories specified in the American Rescue Plan Act and implemented in the Interim Final Rule:

- a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

Recipients should consult Section II of the Interim Final Rule for additional information on eligible uses. For recipients evaluating potential uses under (a), the Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. See Section II of the Interim Final Rule for additional discussion.

For recipients evaluating potential uses under (c), the Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. See FAQ #3.8 for additional discussion.

For recipients evaluating potential uses under (b) and (d), see Sections 5 and 6.

4.7. Do restrictions on using Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred beginning on March 3, 2021 apply to costs incurred by the recipient (e.g., a State, local, territorial, or Tribal government) or to costs incurred by households, businesses, and individuals benefiting from assistance provided using Coronavirus State and Local Fiscal Recovery Funds? [6/8]

The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021. This limitation applies to costs incurred by the recipient (i.e., the state, local, territorial, or Tribal government receiving funds). However, recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to households, businesses, and individuals within the eligible use categories described in the Interim Final Rule for economic harms experienced by those households, businesses, and individuals prior to March 3, 2021. For example,

- Public Health/Negative Economic Impacts – Recipients may use Coronavirus State and Local Fiscal Recovery Funds to provide assistance to households – such as rent, mortgage, or utility assistance – for economic harms experienced or costs incurred by the household prior to March 3, 2021 (e.g., rental arrears from

preceding months), provided that the cost of providing assistance to the household was not incurred by the recipient prior to March 3, 2021.

- Premium Pay – Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be “in addition to” wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.
- Revenue Loss – The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. The calculation of lost revenue begins with the recipient’s revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020. However, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.
- Investments in Water, Sewer, and Broadband – Recipients may use Coronavirus State and Local Fiscal Recovery Funds to make necessary investments in water, sewer, and broadband. See FAQ Section 6. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the Coronavirus State and Local Fiscal Recovery Funds were incurred after March 3, 2021.

4.8. How can I use CSFRF/CLFRF funds to prevent and respond to crime, and support public safety in my community? [6/23]

Under Treasury’s Interim Final Rule, there are many ways in which the State and Local Fiscal Recovery Funds (“Funds”) under the American Rescue Plan Act can support communities working to reduce and respond to increased violence due to the pandemic. Among the eligible uses of the Funds are restoring of public sector staff to their pre-pandemic levels and responses to the public health crisis and negative economic impacts resulting from the pandemic. The Interim Final Rule provides several ways for recipients to “respond to” this pandemic-related gun violence, ranging from community violence intervention programs to mental health services to hiring of public safety personnel.

Below are some examples of how Fiscal Recovery Funds can be used to address public safety:

- In all communities, recipients may use resources to rehire police officers and other public servants to restore law enforcement and courts to their pre-pandemic levels. Additionally, Funds can be used for expenses to address COVID-related court backlogs, including hiring above pre-pandemic levels, as a response to the public health emergency. See FAQ 2.19.
- In communities where an increase in violence or increased difficulty in accessing or providing services to respond to or mitigate the effects of violence, is a result of the pandemic they may use funds to address that harm. This spending may include:

- Hiring law enforcement officials – even above pre-pandemic levels – or paying overtime where the funds are directly focused on advancing community policing strategies in those communities experiencing an increase in gun violence associated with the pandemic
- Community Violence Intervention (CVI) programs, including capacity building efforts at CVI programs like funding and training additional intervention workers
- Additional enforcement efforts to reduce gun violence exacerbated by the pandemic, including prosecuting gun traffickers, dealers, and other parties contributing to the supply of crime guns, as well as collaborative federal, state, and local efforts to identify and address gun trafficking channels
- Investing in technology and equipment to allow law enforcement to more efficiently and effectively respond to the rise in gun violence resulting from the pandemic

As discussed in the Interim Final Rule, uses of CSFRF/CLFRF funds that respond to an identified harm must be related and reasonably proportional to the extent and type of harm experienced; uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses.

- Recipients may also use funds up to the level of revenue loss for government services, including those outlined above.

Recognizing that the pandemic exacerbated mental health and substance use disorder needs in many communities, eligible public health services include mental health and other behavioral health services, which are a critical component of a holistic public safety approach. This could include:

- Mental health services and substance use disorder services, including for individuals experiencing trauma exacerbated by the pandemic, such as:
 - Community-based mental health and substance use disorder programs that deliver evidence-based psychotherapy, crisis support services, medications for opioid use disorder, and/or recovery support
 - School-based social-emotional support and other mental health services
- Referrals to trauma recovery services for crime victims.

Recipients also may use Funds to respond to the negative economic impacts of the public health emergency, including:

- Assistance programs to households or populations facing negative economic impacts of the public health emergency, including:
 - Assistance to support economic security, including for the victims of crime;
 - Housing assistance, including rent, utilities, and relocation assistance;
 - Assistance with food, including Summer EBT and nutrition programs; and
 - Employment or job training services to address negative economic or public health impacts experienced due to a worker's occupation or level of training.

- Assistance to unemployed workers, including:
 - Subsidized jobs, including for young people. Summer youth employment programs directly address the negative economic impacts of the pandemic on young people and their families and communities;
 - Programs that provide paid training and/or work experience targeted primarily to (1) formerly incarcerated individuals, and/or (2) communities experiencing high levels of violence exacerbated by the pandemic;
 - Programs that provide workforce readiness training, apprenticeship or pre-apprenticeship opportunities, skills development, placement services, and/or coaching and mentoring; and
 - Associated wraparound services, including for housing, health care, and food.

Recognizing the disproportionate impact of the pandemic on certain communities, a broader range of services are eligible in those communities than would otherwise be available in communities not experiencing a pandemic-related increase in crime or gun violence. These eligible uses aim to address the pandemic's exacerbation of public health and economic disparities and include services to address health and educational disparities, support neighborhoods and affordable housing, and promote healthy childhood environments. The Interim Final Rule provides a non-exhaustive list of eligible services in these categories.

These services automatically qualify as eligible uses when provided in Qualified Census Tracts (QCTs), low-income areas designated by HUD; to families in QCTs; or by Tribal governments. Outside of these areas, recipient governments can also identify and serve households, populations, and geographic areas disproportionately impacted by the pandemic.

Services under this category could include:

- Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on education, childhood health and welfare, including:
 - Summer education and enrichment programs in these communities, which include many communities currently struggling with high levels of violence;
 - Programs that address learning loss and keep students productively engaged;
 - Enhanced services for foster youths and home visiting programs; and
 - Summer camps and recreation.
- Programs or services that provide or facilitate access to health and social services and address health disparities exacerbated by the pandemic. This includes Community Violence Intervention (CVI) programs, such as:
 - Evidence-based practices like focused deterrence, street outreach, violence interrupters, and hospital-based violence intervention models, complete with wraparound services such as behavioral therapy, trauma recovery, job training, education, housing and relocation services, and financial assistance; and,
 - Capacity-building efforts at CVI programs like funding more intervention workers; increasing their pay; providing training and professional development for intervention workers; and hiring and training workers to administer the programs.

Please refer to Treasury’s Interim Final Rule for additional information.

4.9. May recipients pool funds for regional projects? [7/14]

Yes, provided that the project is itself an eligible use of funds and that recipients can track the use of funds in line with the reporting and compliance requirements of the CSFRF/CLFRF. In general, when pooling funds for regional projects, recipients may expend funds directly on the project or transfer funds to another government that is undertaking the project on behalf of multiple recipients. To the extent recipients undertake regional projects via transfer to another government, recipients would need to comply with the rules on transfers specified in the Interim Final Rule, Section V. A recipient may transfer funds to a government outside its boundaries (e.g., county transfers to a neighboring county), provided that the recipient can document that its jurisdiction receives a benefit proportionate to the amount contributed.

4.10. May recipients fund a project with both ARP funds and other sources of funding (e.g., blending, braiding, or other pairing funding sources), including in conjunction with financing provided through a debt issuance? [7/14]

Cost sharing or matching funds are not required under CSFRF/CLFRF. Funds may be used in conjunction with other funding sources, provided that the costs are eligible costs under each source program and are compliant with all other related statutory and regulatory requirements and policies. The recipient must comply with applicable reporting requirements for all sources of funds supporting the CSFRF/CLFRF projects, and with any requirements and restrictions on the use of funds from the supplemental funding sources and the CSFRF/CLFRF program. Specifically,

- All funds provided under the CSFRF/CLFRF program must be used for projects, investments, or services that are eligible under the CSFRF/CLFRF statute, Treasury’s Interim Final Rule, and guidance. See 31 CFR 35.6-8; FAQ 4.6. CSFRF/CLFRF funds may not be used to fund an activity that is not, in its entirety, an eligible use under the CSFRF/CLFRF statute, Treasury’s Interim Final Rule, and guidance. For example,
 - CSFRF/CLFRF funds may be used in conjunction with other sources of funds to make an investment in water infrastructure, which is eligible under the CSLFRF statute, and Treasury’s Interim Final Rule.
 - CSFRF/CLFRF funds could not be used to fund the entirety of a water infrastructure project that was partially, although not entirely, an eligible use under Treasury’s Interim Final Rule. However, the recipient could use CSFRF/CLFRF funds only for a smaller component project that does constitute an eligible use, while using other funds for the remaining portions of the larger planned water infrastructure project that do not constitute an eligible use. In this case, the “project” under this program would be only the eligible use component of the larger project.

- In addition, because CSFRF/CLFRF funds must be obligated by December 31, 2024, and expended by December 31, 2026, recipients must be able to, at a minimum, determine and report to Treasury on the amount of CSFRF/CLFRF funds obligated and expended and when such funds were obligated and expended.

**4.11. May Coronavirus State and Local Fiscal Recovery Funds be used to make loans or other extensions of credit (“loans”), including loans to small businesses and loans to finance necessary investments in water, sewer, and broadband infrastructure?
[7/14]**

Yes. Coronavirus State and Local Fiscal Recovery Funds (“Funds”) may be used to make loans, provided that the loan is an eligible use and the cost of the loan is tracked and reported in accordance with the points below. See 31 CFR 35.6. For example, a recipient may use Coronavirus State and Local Fiscal Recovery Funds to make loans to small businesses. See 31 CFR 35.6(b)(6). In addition, a recipient may use Funds to finance a necessary investment in water, sewer or broadband, as described in the Interim Final Rule. See 31 CFR 35.6(e).

Funds must be used to cover “costs incurred” by the recipient between March 3, 2021, and December 31, 2024, and Funds must be expended by December 31, 2026. See Section III.D of the Interim Final Rule; 31 CFR 35.5. Accordingly, recipients must be able to determine the amount of Funds used to make a loan.

- For loans that mature or are forgiven on or before December 31, 2026, the recipient must account for the use of funds on a cash flow basis, consistent with the approach to loans taken in the Coronavirus Relief Fund.
 - Recipients may use Fiscal Recovery Funds to fund the principal of the loan and in that case must track repayment of principal and interest (i.e., “program income,” as defined under 2 CFR 200).
 - When the loan is made, recipients must report the principal of the loan as an expense.
 - Repayment of principal may be re-used only for eligible uses, and subject to restrictions on timing of use of funds. Interest payments received prior to the end of the period of performance will be considered an addition to the total award and may be used for any purpose that is an eligible use of funds under the statute and IFR. Recipients are not subject to restrictions under 2 CFR 200.307(e)(1) with respect to such payments.
- For loans with maturities longer than December 31, 2026, the recipient may use Fiscal Recovery Funds for only the projected cost of the loan. Recipients may estimate the subsidy cost of the loan, which equals the expected cash flows associated with the loan discounted at the recipient’s cost of funding. A recipient’s cost of funding can be determined based on the interest rates of securities with a similar maturity to the cash flow being discounted that were either (i) recently issued by the recipient or (ii) recently issued by a unit of state, local, or Tribal government similar to the recipient. Recipients that have adopted the Current Expected Credit Loss

(CECL) standard may also treat the cost of the loan as equal to the CECL-based expected credit losses over the life of the loan. Recipients may measure projected losses either once, at the time the loan is extended, or annually over the covered period.

Under either approach for measuring the amount of funds used to make loans with maturities longer than December 31, 2026, recipients would not be subject to restrictions under 2 CFR 200.307(e)(1) and need not separately track repayment of principal or interest.

Any contribution of Fiscal Recovery Funds to a revolving loan fund must follow the approach described above for loans with maturities longer than December 31, 2026. In other words, a recipient could contribute Fiscal Recovery Funds to a revolving loan fund, provided that the revolving loan fund makes loans that are eligible uses and the Fiscal Recovery Funds contributed represent the projected cost of loans made over the life of the revolving loan fund.

4.12. May funds be used for outreach to increase uptake of federal assistance like the Child Tax Credit or federal programs like SNAP? [7/14]

Yes. Eligible uses to address negative economic impacts include work “to improve efficacy of programs addressing negative economic impacts, including through use of data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations.” See 31 CFR 35.6(b)(10). Of note, per the CSFRF/CLFRF [Reporting Guidance](#), allowable use of funds for evaluations may also include other types of program evaluations focused on program improvement and evidence building. In addition, recipients may use funds to facilitate access to health and social services in populations and communities disproportionately impacted by the COVID-19 pandemic, including benefits navigators or marketing efforts to increase consumer uptake of federal tax credits, benefits, or assistance programs that respond to negative economic impacts of the pandemic. See 31 CFR 35.6(b)(12).

5. Eligible Uses – Premium Pay

5.1. What criteria should recipients use in identifying essential workers to receive premium pay?

Essential workers are those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others.

Critical infrastructure sectors include healthcare, education and childcare, transportation, sanitation, grocery and food production, and public health and safety, among others, as provided in the Interim Final Rule. Governments receiving Fiscal Recovery Funds have the discretion to add additional sectors to this list, so long as the sectors are considered critical to protect the health and well-being of residents.

The Interim Final Rule emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150% of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers.

5.2. What criteria should recipients use in identifying third-party employers to receive grants for the purpose of providing premium pay to essential workers?

Any third-party employers of essential workers are eligible. Third-party contractors who employ essential workers in eligible sectors are also eligible for grants to provide premium pay. Selection of third-party employers and contractors who receive grants is at the discretion of recipients.

To ensure any grants respond to the needs of essential workers and are made in a fair and transparent manner, the rule imposes some additional reporting requirements for grants to third-party employers, including the public disclosure of grants provided.

5.3. May recipients provide premium pay retroactively for work already performed?

Yes. Treasury encourages recipients to consider providing premium pay retroactively for work performed during the pandemic, recognizing that many essential workers have not yet received additional compensation for their service during the pandemic.

6. Eligible Uses – Water, Sewer, and Broadband Infrastructure

6.1. What types of water and sewer projects are eligible uses of funds?

The Interim Final Rule generally aligns eligible uses of the Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).

Under the DWSRF, categories of [eligible projects](#) include: treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.

Under the CWSRF, categories of [eligible projects](#) include: construction of publicly-owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act.

As mentioned in the Interim Final Rule, eligible projects under the DWSRF and CWSRF support efforts to address climate change, as well as to meet cybersecurity needs to protect water and sewer infrastructure. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury also encourages recipients to consider projects to replace lead service lines.

6.2. May construction on eligible water, sewer, or broadband infrastructure projects continue past December 31, 2024, assuming funds have been obligated prior to that date?

Yes. Treasury is interpreting the requirement that costs be incurred by December 31, 2024 to only require that recipients have obligated the funds by such date. The period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with Fiscal Recovery Funds.

6.3. May recipients use funds as a non-federal match for the Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF)?

Recipients may not use funds as a state match for the CWSRF and DWSRF due to prohibitions in utilizing federal funds as a state match in the authorizing statutes and regulations of the CWSRF and DWSRF.

6.4. Does the National Environmental Policy Act (NEPA) apply to eligible infrastructure projects?

NEPA does not apply to Treasury's administration of the Funds. Projects supported with payments from the Funds may still be subject to NEPA review if they are also funded by other federal financial assistance programs.

6.5. What types of broadband projects are eligible?

The Interim Final Rule requires eligible projects to reliably deliver minimum speeds of 100 Mbps download and 100 Mbps upload. In cases where it is impracticable due to geography, topography, or financial cost to meet those standards, projects must reliably deliver at least 100 Mbps download speed, at least 20 Mbps upload speed, and be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.

Projects must also be designed to serve unserved or underserved households and businesses, defined as those that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed.

6.6. For broadband investments, may recipients use funds for related programs such as cybersecurity or digital literacy training?

Yes. Recipients may use funds to provide assistance to households facing negative economic impacts due to Covid-19, including digital literacy training and other programs

that promote access to the Internet. Recipients may also use funds for modernization of cybersecurity, including hardware, software, and protection of critical infrastructure, as part of provision of government services up to the amount of revenue lost due to the public health emergency.

6.7. How do I know if a water, sewer, or broadband project is an eligible use of funds? Do I need pre-approval? [6/8]

Recipients do not need approval from Treasury to determine whether an investment in a water, sewer, or broadband project is eligible under CSFRF/CLFRF. Each recipient should review the Interim Final Rule (IFR), along with the preamble to the Interim Final Rule, in order to make its own assessment of whether its intended project meets the eligibility criteria in the IFR. A recipient that makes its own determination that a project meets the eligibility criteria as outlined in the IFR may pursue the project as a CSFRF/CLFRF project without pre-approval from Treasury. Local government recipients similarly do not need state approval to determine that a project is eligible under CSFRF/CLFRF. However, recipients should be cognizant of other federal or state laws or regulations that may apply to construction projects independent of CSFRF/CLFRF funding conditions and that may require pre-approval.

For water and sewer projects, the IFR refers to the EPA [Drinking Water](#) and [Clean Water](#) State Revolving Funds (SRFs) for the categories of projects and activities that are eligible for funding. Recipients should look at the relevant federal statutes, regulations, and guidance issued by the EPA to determine whether a water or sewer project is eligible. Of note, the IFR does not incorporate any other requirements contained in the federal statutes governing the SRFs or any conditions or requirements that individual states may place on their use of SRFs.

6.8. For broadband infrastructure investments, what does the requirement that infrastructure “be designed to” provide service to unserved or underserved households and businesses mean? [6/17]

Designing infrastructure investments to provide service to unserved or underserved households or businesses means prioritizing deployment of infrastructure that will bring service to households or businesses that are not currently serviced by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed. To meet this requirement, states and localities should use funds to deploy broadband infrastructure projects whose objective is to provide service to unserved or underserved households or businesses. These unserved or underserved households or businesses do not need to be the only ones in the service area funded by the project.

6.9. For broadband infrastructure to provide service to “unserved or underserved households or businesses,” must every house or business in the service area be unserved or underserved? [6/17]

No. It suffices that an objective of the project is to provide service to unserved or underserved households or businesses. Doing so may involve a holistic approach that provides service to a wider area in order, for example, to make the ongoing service of unserved or underserved households or businesses within the service area economical. Unserved or underserved households or businesses need not be the *only* households or businesses in the service area receiving funds.

6.10. May recipients use payments from the Funds for “middle mile” broadband projects? [6/17]

Yes. Under the Interim Final Rule, recipients may use payments from the Funds for “middle-mile projects,” but Treasury encourages recipients to focus on projects that will achieve last-mile connections—whether by focusing on funding last-mile projects or by ensuring that funded middle-mile projects have potential or partnered last-mile networks that could or would leverage the middle-mile network.

6.11. For broadband infrastructure investments, what does the requirement to “reliably” meet or exceed a broadband speed threshold mean? [6/17]

In the Interim Final Rule, the term “reliably” is used in two places: to identify areas that are eligible to be the subject of broadband infrastructure investments and to identify expectations for acceptable service levels for broadband investments funded by the Coronavirus State and Local Fiscal Recovery Funds. In particular:

- The IFR defines “unserved or underserved households or businesses” to mean one or more households or businesses that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speeds and 3 Mbps of upload speeds.
- The IFR provides that a recipient may use Coronavirus State and Local Fiscal Recovery Funds to make investments in broadband infrastructure that are designed to provide service to unserved or underserved households or businesses and that are designed to, upon completion: (i) reliably meet or exceed symmetrical 100 Mbps download speed and upload speeds; or (ii) in limited cases, reliably meet or exceed 100 Mbps download speed and between 20 Mbps and 100 Mbps upload speed and be scalable to a minimum of 100 Mbps download and upload speeds.

The use of “reliably” in the IFR provides recipients with significant discretion to assess whether the households and businesses in the area to be served by a project have access to wireline broadband service that can actually and consistently meet the specified thresholds of at least 25Mbps/3Mbps—i.e., to consider the actual experience of current wireline broadband customers that subscribe to services at or above the 25 Mbps/3 Mbps threshold. Whether there is a provider serving the area that advertises or otherwise claims to offer speeds that meet the 25 Mbps download and 3 Mbps upload speed thresholds is not dispositive.

When making these assessments, recipients may choose to consider any available data, including but not limited to documentation of existing service performance, federal and/or state-collected broadband data, user speed test results, interviews with residents and business owners, and any other information they deem relevant. In evaluating such data, recipients may take into account a variety of factors, including whether users actually receive service at or above the speed thresholds at all hours of the day, whether factors other than speed such as latency or jitter, or deterioration of the existing connections make the user experience unreliable, and whether the existing service is being delivered by legacy technologies, such as copper telephone lines (typically using Digital Subscriber Line technology) or early versions of cable system technology (DOCSIS 2.0 or earlier).

The IFR also provides recipients with significant discretion as to how they will assess whether the project itself has been designed to provide households and businesses with broadband services that meet, or even exceed, the speed thresholds provided in the rule.

6.12. May recipients use Funds for pre-project development for eligible water, sewer, and broadband projects? [6/23]

Yes. To determine whether Funds can be used on pre-project development for an eligible water or sewer project, recipients should consult whether the pre-project development use or cost is eligible under the Drinking Water and Clean Water State Revolving Funds (CWSRF and DWSRF, respectively). Generally, the CWSRF and DWSRF often allow for pre-project development costs that are tied to an eligible project, as well as those that are reasonably expected to lead to a project. For example, the DWSRF [allows](#) for planning and evaluations uses, as well as numerous pre-project development costs, including costs associated with obtaining project authorization, planning and design, and project start-up like training and warranty for equipment. Likewise, the CWSRF [allows](#) for broad pre-project development, including planning and assessment activities, such as cost and effectiveness analyses, water/energy audits and conservation plans, and capital improvement plans.

Similarly, pre-project development uses and costs for broadband projects should be tied to an eligible broadband project or reasonably expected to lead to such a project. For example, pre-project costs associated with planning and engineering for an eligible broadband infrastructure build-out is considered an eligible use of funds, as well as technical assistance and evaluations that would reasonably be expected to lead to commencement of an eligible project (e.g., broadband mapping for the purposes of finding an eligible area for investment).

All funds must be obligated within the statutory period between March 3, 2021 and December 31, 2024, and expended to cover such obligations by December 31, 2026.

6.13. May State and Local Fiscal Recovery Funds be used to support energy or electrification infrastructure that would be used to power new water treatment plants and wastewater systems? [7/14]

The EPA’s [Overview of Clean Water State Revolving Fund Eligibilities](#) describes eligible energy-related projects. This includes a “[p]ro rata share of capital costs of offsite clean energy facilities that provide power to a treatment works.” Thus, State and Local Fiscal Recovery Funds may be used to finance the generation and delivery of clean power to a wastewater system or a water treatment plant on a pro-rata basis. If the wastewater system or water treatment plant is the sole user of the clean energy, the full cost would be considered an eligible use of funds. If the clean energy provider provides power to other entities, only the proportionate share used by the water treatment plant or wastewater system would be an eligible use of State and Local Fiscal Recovery Funds.

6.14. How should states and local governments assess whether a stormwater management project, such as a culvert replacement, is an eligible project for State and Local Fiscal Recovery Funds? [7/14]

FAQ 6.7 describes the overall approach that recipients may take to evaluate the eligibility of water or sewer projects. For stormwater management projects specifically, as noted in the EPA’s [Overview of Clean Water State Revolving Fund Eligibilities](#), “Stormwater projects must have a water quality benefit.” Thus, to be eligible under CSFRF/CLFRF, stormwater management projects should be designed to incorporate water quality benefits consistent with the goals of the Clean Water Act. [Summary of the Clean Water Act](#).

6.15. May recipients use Funds for road repairs and upgrades that occur in connection with an eligible water or sewer project? [7/14]

Yes, recipients may use State and Local Fiscal Recovery Funds for road repairs and upgrades directly related to an eligible water or sewer project. For example, a recipient could use Funds to repair or re-pave a road following eligible sewer repair work beneath it. However, use of Funds for general infrastructure projects is subject to the limitations described in FAQ 4.2. Water and sewer infrastructure projects are often a single component of a broader transportation infrastructure project, for example, the implementation of stormwater infrastructure to meet Clean Water Act established water quality standards. In this example, the components of the infrastructure project that interact directly with the stormwater infrastructure project may be funded by Fiscal Recovery Funds.

6.16. May Funds be used to build or upgrade broadband connections to schools or libraries? [7/14]

As outlined in the IFR, recipients may use Fiscal Recovery Funds to invest in broadband infrastructure that, wherever it is practicable to do so, is designed to deliver service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps to households or businesses that are not currently serviced by a wireline connection that

reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed. Treasury interprets “businesses” in this context broadly to include non-residential users of broadband, including private businesses and institutions that serve the public, such as schools, libraries, healthcare facilities, and public safety organizations.

6.17. Are eligible infrastructure projects subject to the Davis-Bacon Act? [7/14]

The Davis-Bacon Act requirements (prevailing wage rates) do not apply to projects funded solely with award funds from the CSFRF/CLFRF program, except for CSFRF/CLFRF-funded construction projects undertaken by the District of Columbia. The Davis-Bacon Act specifically applies to the District of Columbia when it uses federal funds (CSFRF/CLFRF funds or otherwise) to enter into contracts over \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Recipients may be otherwise subject to the requirements of the Davis-Bacon Act, when CSFRF/CLFRF award funds are used on a construction project in conjunction with funds from another federal program that requires enforcement of the Davis-Bacon Act. Additionally, corollary state prevailing-wage-in-construction laws (commonly known as “baby Davis-Bacon Acts”) may apply to projects. Please refer to FAQ 4.10 concerning projects funded with both CSFRF/CLFRF funds and other sources of funding.

Treasury has indicated in its Interim Final Rule that it is important that necessary investments in water, sewer, or broadband infrastructure be carried out in ways that produce high-quality infrastructure, avert disruptive and costly delays, and promote efficiency. Treasury encourages recipients to ensure that water, sewer, and broadband projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions, not only to promote effective and efficient delivery of high-quality infrastructure projects, but also to support the economic recovery through strong employment opportunities for workers. Using these practices in construction projects may help to ensure a reliable supply of skilled labor that would minimize disruptions, such as those associated with labor disputes or workplace injuries.

Treasury has also indicated in its reporting guidance that recipients will need to provide documentation of wages and labor standards for infrastructure projects over \$10 million, and that that these requirements can be met with certifications that the project is in compliance with the Davis-Bacon Act (or related state laws, commonly known as “baby Davis-Bacon Acts”) and subject to a project labor agreement. Please refer to the Reporting and Compliance Guidance, page 21, for more detailed information on the reporting requirement.

7. Non-Entitlement Units (NEUs)

Answers to frequently asked questions on distribution of funds to NEUs can be found in this [FAQ supplement](#), which is regularly updated.

8. Ineligible Uses

8.1. What is meant by a pension “deposit”? Can governments use funds for routine pension contributions for employees whose payroll and covered benefits are eligible expenses?

Treasury interprets “deposit” in this context to refer to an extraordinary payment into a pension fund for the purpose of reducing an accrued, unfunded liability. More specifically, the interim final rule does not permit this assistance to be used to make a payment into a pension fund if both: (1) the payment reduces a liability incurred prior to the start of the COVID-19 public health emergency, and (2) the payment occurs outside the recipient’s regular timing for making such payments.

Under this interpretation, a “deposit” is distinct from a “payroll contribution,” which occurs when employers make payments into pension funds on regular intervals, with contribution amounts based on a pre-determined percentage of employees’ wages and salaries. In general, if an employee’s wages and salaries are an eligible use of Fiscal Recovery Funds, recipients may treat the employee’s covered benefits as an eligible use of Fiscal Recovery Funds.

8.2. May recipients use Fiscal Recovery Funds to fund Other Post-Employment Benefits (OPEB)? [6/8]

OPEB refers to benefits other than pensions (see, e.g., [Governmental Accounting Standards Board, “Other Post-Employment Benefits”](#)). Treasury has determined that Sections 602(c)(2)(B) and 603(c)(2), which refer only to pensions, do not prohibit CSFRF/CLFRF recipients from funding OPEB. Recipients of either the CSFRF/CLFRF may use funds for eligible uses, and a recipient seeking to use CSFRF/CLFRF funds for OPEB contributions would need to justify those contributions under one of the four eligible use categories.

9. Reporting

On November 5, 2021, Treasury released updated [Guidance on Recipient Compliance and Reporting Responsibilities for the Coronavirus State and Local Fiscal Recovery Funds](#). Recipients should consult this guidance for additional detail and clarification on recipients’ compliance and reporting responsibilities. A user guide will be provided with additional information associated with the submission of reports. .

9.1. What records must be kept by governments receiving funds?

Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury,

whichever is later. This includes those which demonstrate the award funds were used for eligible purposes in accordance with the ARPA, Treasury's regulations implementing those sections, and Treasury's guidance on eligible uses of funds.

9.2. What reporting will be required, and when will the first report be due?²

Recipients will be required to submit an interim report, project and expenditure reports, and annual Recovery Plan Performance Reports as specified below, regarding their utilization of Coronavirus State and Local Fiscal Recovery Funds.

Interim reports: States (defined to include the District of Columbia), territories, metropolitan cities, counties, and Tribal governments will be required to submit one interim report. The interim report will include a recipient's expenditures by category at the summary level and for states, information related to distributions to non-entitlement units of local government must also be included in the interim report. The interim report covered activity from the date of award to July 31, 2021 and were due to Treasury by August 31, 2021 or 60 days after receiving funding if funding was received by October 15, 2021. Non-entitlement units of local government were not required to submit an interim report.

Project and Expenditure reports: State (defined to include the District of Columbia), territorial, metropolitan city, county, and Tribal governments will be required to submit project and expenditure reports. This report will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds.

Reports will be required quarterly for the following recipients:

- States and territories
- Metropolitan cities and counties with population over 250,000
- Metropolitan cities and counties with population less than 250,000 that received an award of more than \$10 million
- Tribal governments that received an award of more than \$30 million.

The initial project and expenditure report for quarterly recipients will be due January 31, 2022 and will cover the period of March 3, 2021 to December 31, 2021. The subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.

Reports will be required annually for the following recipients:

- Metropolitan cities and counties with population less than 250,000 that received an award less than \$10 million,
- Tribal governments that received an award less than \$30 million
- Non-entitlement units of government

² This question was updated on November 15, 2021

The initial project and expenditure report for annual filers will be due April 30, 2022 and will cover the period of March 3, 2021 to March 31, 2022. The subsequent annual reports must be submitted to Treasury by April 30 each year.

The reports will include the same general data as those submitted by recipients of the Coronavirus Relief Fund, with some modifications to expenditure categories and the addition of data elements related to specific eligible uses.

Recovery Plan Performance Reports: States (defined to include the District of Columbia), territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual Recovery Plan Performance Report to Treasury. This report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping local residents understand how their governments are using the substantial resources provided by Coronavirus State and Local Fiscal Recovery Funds program. The initial Recovery Plan Performance Report will cover activity from date of award to July 31, 2021 was due to Treasury by August 31, 2021 or 60 days after receiving funding. Thereafter, the Recovery Plan Performance Reports will cover a 12-month period and recipients will be required to submit the report to Treasury within 30 days after the end of the 12-month period. The second Recovery Plan Performance Report will cover the period from July 1, 2021 to June 30, 2022 and must be submitted to Treasury by July 31, 2022. Each annual Recovery Plan Performance Report must be posted on the public-facing website of the recipient. Local governments with fewer than 250,000 residents, Tribal governments, and non-entitlement units of local government are not required to develop a Recovery Plan Performance Report.

Please see the [Guidance on Recipient Compliance and Reporting Responsibilities](#) for more information.

9.3. What provisions of the Uniform Guidance for grants apply to these funds? Will the Single Audit requirements apply?

Most of the provisions of the Uniform Guidance (2 CFR Part 200) apply to this program, including the Cost Principles and Single Audit Act requirements. Recipients should refer to the Assistance Listing for detail on the specific provisions of the Uniform Guidance that do not apply to this program. The Assistance Listing will be available on beta.SAM.gov.

9.4. Once a recipient has identified a reduction in revenue, how will Treasury track use of funds for the provision of government services? [6/8]

The ARPA establishes four categories of eligible uses and further restrictions on the use of funds to ensure that Fiscal Recovery Funds are used within the four eligible use categories. The Interim Final Rule implements these restrictions, including the scope of the eligible use categories and further restrictions on tax cuts and deposits into pensions. Reporting requirements will align with this structure.

Consistent with the broad latitude provided to recipients to use funds for government services to the extent of the reduction in revenue, recipients will be required to submit a description of services provided. As discussed in IFR, these services can include a broad range of services but may not be used directly for pension deposits, contributions to reserve funds, or debt service. Recipients may use sources of funding other than Fiscal Recovery Funds to make deposits to pension funds, contribute to reserve funds, and pay debt service, including during the period of performance for the Fiscal Recovery Fund award.

For recipients using Fiscal Recovery Funds to provide government services to the extent of reduction in revenue, the description of government services reported to Treasury may be narrative or in another form, and recipients are encouraged to report based on their existing budget processes and to minimize administrative burden. For example, a recipient with \$100 in revenue replacement funds available could indicate that \$50 were used for personnel costs and \$50 were used for pay-go building of sidewalk infrastructure.

In addition to describing the government services provided to the extent of reduction in revenue, all recipients will also be required to indicate that Fiscal Recovery Funds are not used directly to make a deposit in a pension fund. Further, recipients subject to the tax offset provision will be required to provide information necessary to implement the Interim Final Rule, as described in the Interim Final Rule. Treasury does not anticipate requiring other types of reporting or recordkeeping on spending in pensions, debt service, or contributions to reserve funds.

These requirements are further detailed in the guidance on reporting requirements for the Fiscal Recovery Funds available [here](#).

9.5. What is the Assistance Listing and Catalog of Federal Domestic Assistance (CFDA) number for the program? [6/8]

The [Assistance Listing](#) for the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) was published May 28, 2021 on SAM.gov. This includes the final CFDA Number for the program, 21.027.

The assistance listing includes helpful information including program purpose, statutory authority, eligibility requirements, and compliance requirements for recipients. The CFDA number is the unique 5-digit code for each type of federal assistance, and can be used to search for program information, including funding opportunities, spending on [usaspending.gov](#), or audit results through the Federal Audit Clearinghouse.

To expedite payments and meet statutory timelines, Treasury issued initial payments under an existing CFDA number. If you have already received funds or captured the initial CFDA number in your records, please update your systems and reporting to reflect the final CFDA number 21.027. **Recipients must use the final CFDA number for all**

financial accounting, audits, subawards, and associated program reporting requirements.

To ensure public trust, Treasury expects all recipients to serve as strong stewards of these funds. This includes ensuring funds are used for intended purposes and recipients have in place effective financial management, internal controls, and reporting for transparency and accountability.

Please see [Treasury's Interim Final Rule](#) and the [Guidance on Recipient Compliance and Reporting Responsibilities](#) for more information.

10. Miscellaneous

10.1. May governments retain assets purchased with Fiscal Recovery Funds? If so, what rules apply to the proceeds of disposition or sale of such assets?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds. If such assets are disposed of prior to December 31, 2024, the proceeds would be subject to the restrictions on the eligible use of payments.

10.2. Can recipients use funds for administrative purposes?

Recipients may use funds to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency and its negative economic impacts. This includes, but is not limited to, costs related to disbursing payments of Fiscal Recovery Funds and managing new grant programs established using Fiscal Recovery Funds.

10.3. Are recipients required to remit interest earned on CSFRF/CLFRF payments made by Treasury? [5/27, updated 7/14]

No. CSFRF/CLFRF payments made by Treasury to states, territories, and the District of Columbia are not subject to the requirement of the Cash Management Improvement Act and Treasury's implementing regulations at 31 CFR part 205 to remit interest to Treasury. CSFRF/CLFRF payments made by Treasury to local governments and Tribes are not subject to the requirement of 2 CFR 200.305(b)(8)-(9) to maintain balances in an interest-bearing account and remit payments to Treasury. Moreover, interest earned on CSFRF/CLFRF payments is not subject to program restrictions. Finally, States may retain interest on payments made by Treasury to the State for distribution to NEUs that is earned before funds are distributed to NEUs, provided that the State adheres to the statutory requirements and Treasury's guidance regarding the distribution of funds to NEUs. Such interest is also not subject to program restrictions.

Among other things, States and other recipients may use earned income to defray the administrative expenses of the program, including with respect to NEUs.

10.4. Is there a deadline to apply for funds? [5/27]

The Interim Final Rule requires that costs be incurred by December 31, 2024. Direct recipients are encouraged to apply as soon as possible. For direct recipients other than Tribal governments, there is not a specific application deadline.

Tribal governments do have deadlines to complete the application process and should visit www.treasury.gov/SLFRPTribal for guidance on applicable deadlines.

Non-entitlement units of local government should contact their state government for information on applicable deadlines.

10.5. May recipients use funds to cover the costs of consultants to assist with managing and administering the funds? [6/8]

Yes. Recipients may use funds for administering the CSFRF/CLFRF program, including costs of consultants to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements.

11. Operations

11.1. How do I know if my entity is eligible?

The Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act of 2021 set forth the jurisdictions eligible to receive funds under the program, which are:

- States and the District of Columbia
- Territories
- Tribal governments
- Counties
- Metropolitan cities (typically, but not always, those with populations over 50,000)
- Non-entitlement units of local government, or smaller local governments (typically, but not always, those with populations under 50,000)

11.2. How does an eligible entity request payment?

Eligible entities (other than non-entitlement units) must submit their information to the [Treasury Submission Portal](#). Please visit the [Coronavirus State and Local Fiscal Recovery Fund website](#) for more information on the submission process.

11.3. I cannot log into the Treasury Submission Portal or am having trouble navigating it. Who can help me?

If you have questions about the Treasury Submission Portal or for technical support, please email covidreliefitsupport@treasury.gov.

11.4. What do I need to do to receive my payment?

All eligible payees are required to have a DUNS Number previously issued by Dun & Bradstreet (<https://www.dnb.com/>).

All eligible payees are also required to have an active registration with the System for Award Management (SAM) (<https://www.sam.gov>).

And eligible payees must have a bank account enabled for Automated Clearing House (ACH) direct deposit. Payees with a Wire account are encouraged to provide that information as well.

More information on these and all program pre-submission requirements can be found on the [Coronavirus State and Local Fiscal Recovery Fund website](#).

11.5. Why is Treasury employing id.me for the Treasury Submission Portal?

ID.me is a trusted technology partner to multiple government agencies and healthcare providers. It provides secure digital identity verification to those government agencies and healthcare providers to make sure you're you – and not someone pretending to be you – when you request access to online services. All personally identifiable information provided to ID.me is encrypted and disclosed only with the express consent of the user. Please refer to ID.me Contact Support for assistance with your ID.me account. Their support website is <https://help.id.me>.

11.6. Why is an entity not on the list of eligible entities in Treasury Submission Portal?

The ARPA statute lays out which governments are eligible for payments. The list of entities within the Treasury Submission Portal includes entities eligible to receive a direct payment of funds from Treasury, which include states (defined to include the District of Columbia), territories, Tribal governments, counties, and metropolitan cities.

Eligible non-entitlement units of local government will receive a distribution of funds from their respective state government and should not submit information to the Treasury Submission Portal.

If you believe an entity has been mistakenly left off the eligible entity list, please email SLFRP@treasury.gov.

11.7. What is an Authorized Representative?

An Authorized Representative is an individual with legal authority to bind the government entity (e.g., the Chief Executive Officer of the government entity). An Authorized Representative must sign the Acceptance of Award terms for it to be valid.

11.8. How does a Tribal government determine their allocation?

Tribal governments will receive information about their allocation when the submission to the Treasury Submission Portal is confirmed to be complete and accurate.

11.9. How do I know the status of my request for funds (submission)?

Entities can check the status of their submission at any time by logging into [Treasury Submission Portal](#).

11.10. My Treasury Submission Portal submission requires additional information/correction. What is the process for that?

If your Authorized Representative has not yet signed the award terms, you can edit your submission with in the into [Treasury Submission Portal](#). If your Authorized Representative has signed the award terms, please email SLFRP@treasury.gov to request assistance with updating your information.

11.11. My request for funds was denied. How do I find out why it was denied or appeal the decision?

Please check to ensure that no one else from your entity has applied, causing a duplicate submission. Please also review the list of all eligible entities on the [Coronavirus State and Local Fiscal Recovery Fund website](#).

If you still have questions regarding your submission, please email SLFRP@treasury.gov.

11.12. When will entities get their money?

Before Treasury is able to execute a payment, a representative of an eligible government must submit the government's information for verification through the [Treasury Submission Portal](#). The verification process takes approximately four business days. If any errors are identified, the designated point of contact for the government will be contacted via email to correct the information before the payment can proceed. Once verification is complete, the designated point of contact of the eligible government will receive an email notifying them that their submission has been verified. Payments are generally scheduled for the next business day after this verification email, though funds may not be available immediately due to processing time of their financial institution.

11.13. How does a local government entity provide Treasury with a notice of transfer of funds to its State?

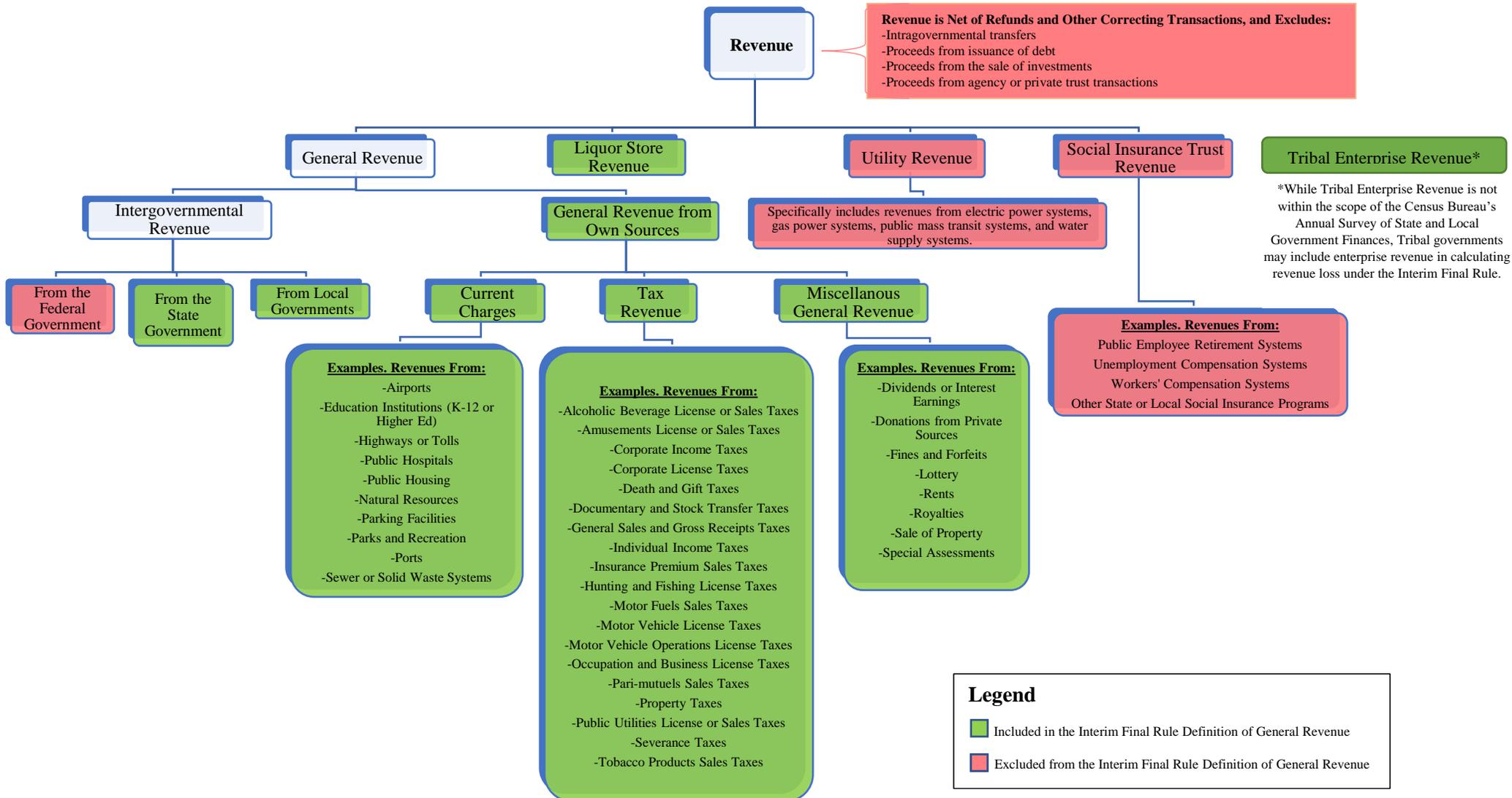
For more information on how to provide Treasury with notice of transfer to a state, please email SLRedirectFunds@treasury.gov.

12. Tribal Governments

12.1. Do Treasury's pandemic recovery program awards terms and conditions impose civil rights laws on Tribes?

The award terms and conditions for Treasury's pandemic recovery programs, including the CSFRF, do not impose antidiscrimination requirements on Tribal governments beyond what would otherwise apply under federal law. Treasury is amending its reporting requirements with respect to the CSFRF, Treasury's Emergency Rental Assistance Program, and Homeowner Assistance Fund to reflect this clarification.

Appendix: Interim Final Rule Definition of General Revenue Within the Census Bureau Classification Structure of Revenue



Source: [U.S. Bureau of the Census Government Finance and Employment Classification Manual, 2006](#); [Annual Survey of State and Local Government Finances](#)



Overview of Clean Water State Revolving Fund Eligibilities

May 2016

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Overview of Clean Water State Revolving Fund Eligibilities

Introduction

The Clean Water State Revolving Fund (CWSRF) program can fund a wide variety of water quality protection efforts. The program’s flexibility and broad range of project eligibilities enable states to target CWSRF funds to their specific water quality priorities. State innovation and statutory changes have resulted in an evolution of project eligibilities since the program was authorized in 1987 (Figure 1). This paper provides a current overview of CWSRF project eligibilities.

The program was established in 1987 with three statutory eligibilities: the construction of publicly owned treatment works (POTWs), the implementation of a state nonpoint source (NPS) management program, and the development and implementation of a National Estuary Program (NEP) Comprehensive Conservation and Management Plan (CCMP). In 1996, EPA published *The Clean Water State Revolving Fund Funding Framework* (Funding Framework), which articulated a process for identifying and prioritizing nontraditional projects in an effort to move toward a watershed approach. Building on the solid foundation laid by the Funding Framework, EPA completed the final draft of *The Clean Water State Revolving Fund Program: Tapping Its Untapped Potential* (White Paper) in October 2007. The White Paper is a compilation of the many nontraditional CWSRF eligibilities under the original statutory authority. In 2009, the American Recovery and Reinvestment Act (ARRA) created the Green Project Reserve, which increased the focus on green infrastructure, water and energy efficiency, and environmentally innovative projects. Most recently, the CWSRF was amended by the Water Resources Reform and Development Act (WRRDA) of 2014, which further expanded the program’s eligibilities.

The 51 state programs have the flexibility to direct funding to their particular environmental needs. In addition, each state program may have its own statutes, rules, and regulations that guide project eligibilities. This paper represents a set of examples of what may be eligible at the national level. Within these parameters, each state program will determine what projects and borrowers are eligible to receive assistance.

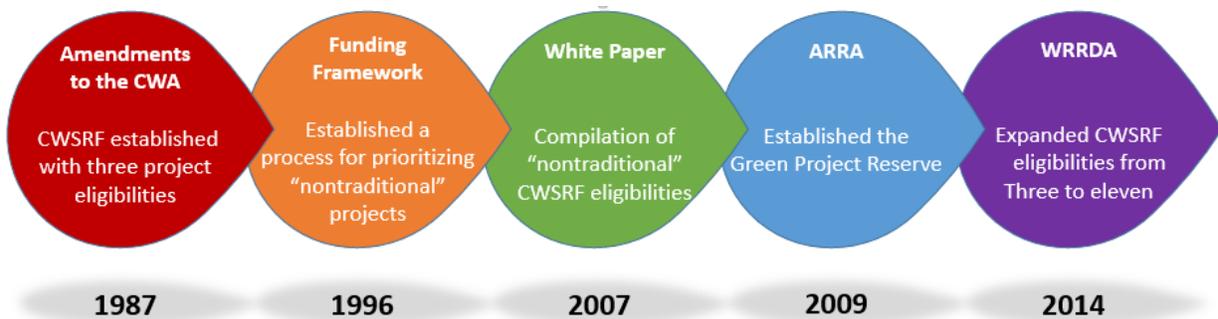


Figure 1: CWSRF eligibilities timeline

How to Use This Paper

- The paper is organized into project categories. Use the table of contents to quickly navigate to the category of interest. Some activities are relevant to more than one project category; however, each activity is only discussed once to avoid repetition. In these situations, there are references to the other relevant sections of the paper.

Water Conservation

Eligible water conservation projects are those that reduce the demand for POTW capacity through reduced water consumption (i.e., water efficiency). Water reuse and precipitation harvesting are also eligible. Water audits and water conservation plans that are reasonably expected to result in a capital project are also eligible (see *Planning/Assessments and Monitoring*).

- Examples of eligible projects for a given project category are organized into call out boxes.

Water Efficiency	Water Reuse and Precipitation Harvesting
<ul style="list-style-type: none">• Water meters• Plumbing fixture retrofits or replacement• Water efficient appliances• Water efficient irrigation equipment (e.g., moisture and rain sensing equipment)• Education programs• Incentive programs (e.g., rebates for installing rain barrels or permeable surfaces)	<ul style="list-style-type: none">• Collection and treatment systems (e.g., wastewater, stormwater, and subsurface drainage water collection and treatment)• Distribution lines to support water reuse and the use of harvested precipitation• Transmission lines, injection wells, and green infrastructure infiltration systems for groundwater recharge• Equipment to reuse reclaimed water• Direct potable reuse

- The nuances of when projects are eligible based on ownership, regulatory status, and type of borrower are provided in the bulleted list. Information within each project category is organized by eligibility. Because there is overlap between many of the eligibilities, projects are only listed as eligible under the most specific authority to avoid repetition.

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for publicly owned water conservation projects. *Section 603(c)(1)*
- to any borrower for water conservation projects that implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for water conservation projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any borrower for water conservation projects that recapture stormwater or subsurface drainage water. *Section 603(c)(5)*
- to any municipality or intermunicipal, interstate, or State agency for water conservation projects that reduce the demand for POTW capacity. *Section 603(c)(6)*
- to any municipality or municipal entity for stormwater BMPs in municipal separate storm sewers (MS4s) for the purpose of demonstrating and determining controls that are cost-effective and use innovative technologies. *Section 603(c)(7)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*
- to any borrower for projects to reuse or recycle wastewater, stormwater, or subsurface drainage water. This includes recycling of nutrient and organic content (e.g., privately owned CHP). *Section 603(c)(9)*
- to any qualified nonprofit entity to assist owners and operators of small and medium POTWs with water conservation projects. This includes construction activities as well as activities necessary to plan, develop, and obtain financing for CWSRF-eligible projects. *Section 603(c)(11)*

CWSRF Program Eligibilities

To be eligible for CWSRF assistance, a project must meet the criteria of one of the eleven CWSRF eligibilities. Section 603(c) of the Clean Water Act (CWA) states that the CWSRF can provide assistance:

- (1) to any municipality, intermunicipal, interstate, or State agency for construction of publicly owned treatment works (as defined in section 212);*
- (2) for the implementation of a management program established under section 319;*
- (3) for the development and implementation of a conservation and management plan under section 320;*
- (4) for the construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage;*
- (5) for measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water¹;*
- (6) to any municipality, intermunicipal, interstate, or State agency for measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse;*
- (7) for the development and implementation of watershed projects meeting the criteria set forth in section 122;*
- (8) to any municipality, intermunicipal, interstate, or State agency for measures to reduce the energy consumption needs for publicly owned treatment works;*
- (9) for reusing or recycling wastewater, stormwater, or subsurface drainage water;*
- (10) for measures to increase the security of publicly owned treatment works*
- (11) to any qualified nonprofit entity, as determined by the Administrator, to provide assistance to owners and operators of small and medium sized publicly owned treatment works*
 - (A) to plan, develop, and obtain financing for eligible projects under this subsection, including planning, design, and associated preconstruction activities; and*
 - (B) to assist such treatment works in achieving compliance with this Act.*

The majority of the eleven eligibilities refer to measures that attain an objective; however four eligibilities reference other sections of the CWA (e.g., Section 212, Section 319, Section 320, and Section 122). Those four eligibilities have additional criteria that must be considered when determining if a project may receive CWSRF assistance. Criteria for those four eligibilities are summarized below.

¹ Subsurface drainage is an underground collection system (e.g., sewer, tile drain, etc.) used to manage overland flow of water (e.g., stormwater, irrigation water, etc.). Depending on the type of collection system, subsurface drainage may be a point source or nonpoint source of pollution.

Section 603(c)(1) Eligibility: Section 212

POTWs, as defined in Section 212 of the CWA, are eligible for CWSRF assistance. The eligibility criteria for Section 603(c)(1) projects are:

- Projects must be consistent with the definition of “treatment works” as set forth in Section 212.
- Projects must be publicly owned, as required by CWA Section 603(c)(1).
- Only capital projects (e.g., construction activities, equipment purchase) are eligible. The CWSRF cannot fund ongoing operation and maintenance activities; however, planning and design for capital projects, as well as broader water quality planning where there is a reasonable expectation that the planning will result in a capital project, are eligible.

Section 603(c)(2) Eligibility: Section 319

Publicly or privately owned projects that implement NPS management programs established under Section 319 of the CWA are eligible. The eligibility criteria for Section 319 projects are:

- Projects must support the implementation of a current EPA approved state NPS management program plan or nine-element watershed based plan.
- Projects can be publicly or privately owned.
- Section 603(c)(2) funding is for the control of NPS pollution; only projects that do not directly implement a final National Pollutant Discharge Elimination System (NPDES) permit are eligible.

EPA encourages CWSRFs to work with their state NPS programs to ensure that projects funded under the Section 319 authority are consistent with the current approved state NPS management program plan.

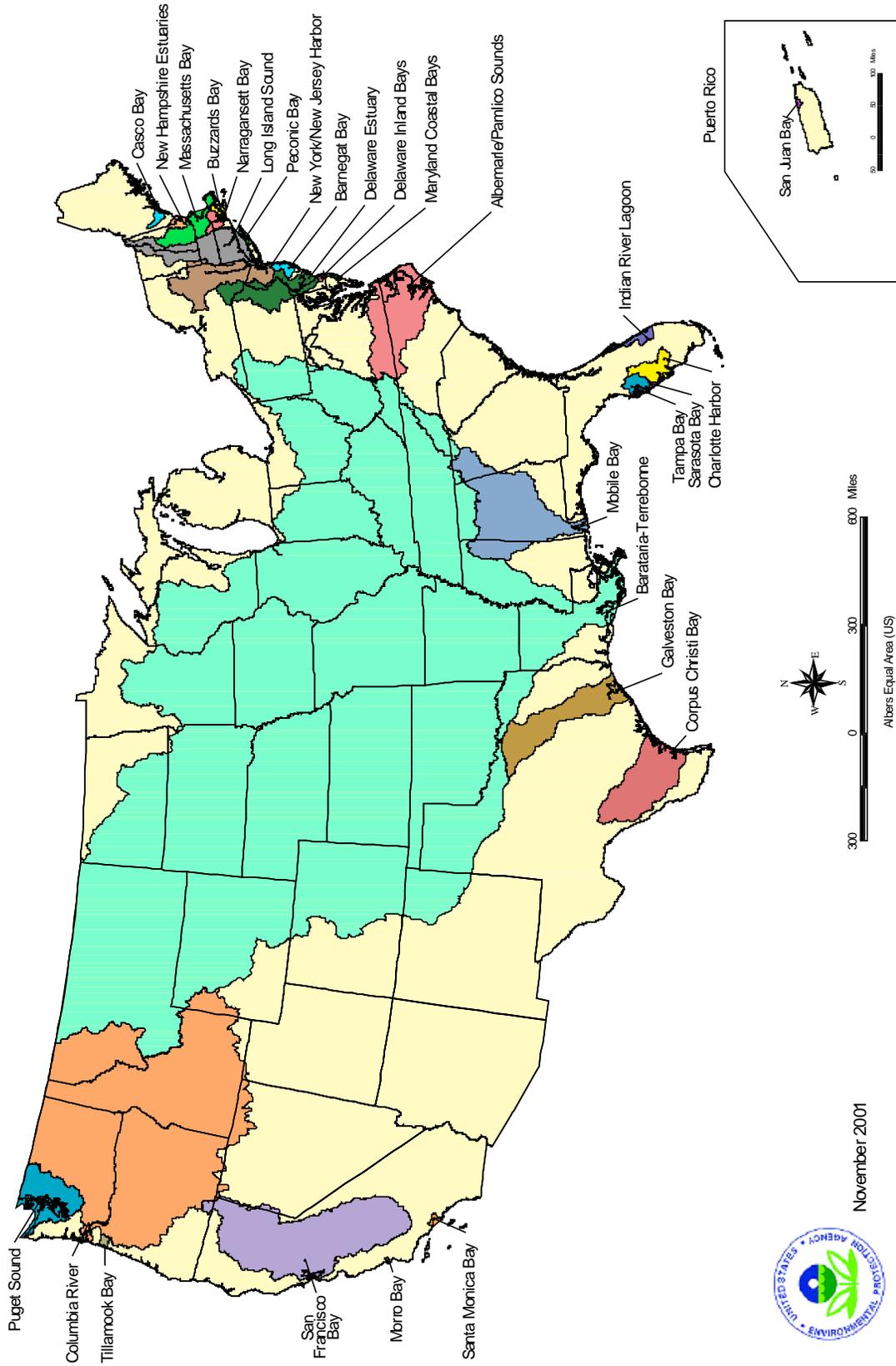
Section 603(c)(3) Eligibility: Section 320

The development and implementation of an estuary CCMP under Section 320 of the CWA is eligible. CCMPs are long-range plans developed by each NEP Management Conference; they contain actions to address water quality, living resources, and habitat challenges in the estuary and the surrounding area called the “study area.” The study area includes the estuary and the land area adjacent to the estuary that is affected by the estuary and/or has a significant effect on the estuary, such as salt marshes, coastal and intertidal areas, bays, harbors, lagoons, inshore waters, and channels. Some NEPs also work in the upland areas of the larger surrounding watershed. Activities located outside the study area, but within the “estuarine zone” or watershed as defined in CWA Section 104(n)(4) and Section 320(k), may have an impact on the water quality of the estuary and may implement the CCMP. The CWSRF can fund projects located within an NEP watershed (Figure 2) so long as the project implements a CCMP. The eligibility criteria for Section 603(c)(3) projects are:

- Projects must develop, amend, or implement a Section 320 CCMP.
- Projects can be publicly or privately owned.

EPA encourages CWSRFs to work with the appropriate NEP to ensure that projects funded under the Section 603(c)(3) eligibility are consistent with the CCMP.

National Estuary Program Watersheds



November 2001



Figure 2: Map of the National Estuary Program watersheds

Section 603(c)(7) Eligibility: Section 122

Projects that develop or implement watershed pilot projects related to at least one of the six areas identified in Section 122 are eligible:

Watershed Management of Wet Weather Discharges

Watershed management of wet weather discharges includes the management of municipal combined sewer overflows (CSOs), sanitary sewer overflows, and stormwater discharges.

Stormwater Best Management Practices (BMPs)

Stormwater BMPs include activities that manage, reduce, treat, recapture, or reuse municipal stormwater.

Watershed Partnerships

Watershed partnerships include efforts to demonstrate cooperative ways to address nonpoint sources of pollution to reduce adverse impacts on water quality.

Integrated Water Resource Planning

An integrated water resource plan facilitates the coordinated management and protection of surface water, ground water, and stormwater resources on a watershed or subwatershed basis to meet the objectives, goals, and policies of the CWA.

Municipality-Wide Stormwater Management Planning

A municipality-wide stormwater management plan identifies the most effective placement of stormwater technologies and management approaches to reduce water quality impairments from stormwater on a municipality-wide basis.

Increased Resilience of Treatment Works

Eligible projects are those that increase the resilience of treatment works to manmade or natural disasters, such as extreme weather events and sea-level rise. This includes efforts to assess future risks and vulnerabilities.

The eligibility criteria for Section 603(c)(7) projects are:

- Projects must meet the criteria set forth in CWA Section 122.
- Assistance may only be provided to a municipality or municipal entity.
- Projects can be publicly or privately owned.

Project Categories

The eleven eligibilities allow CWSRFs to fund a variety of project types. Eligible projects exist under all of the following categories. This list is not meant to be exclusive; it is possible that there are other eligible projects that are not mentioned in this paper.

- Centralized Wastewater Treatment
- Energy Conservation
- Water Conservation
- Stormwater
- Agricultural Best Management Practices
- Decentralized Wastewater Treatment
- Resource Extraction
- Contaminated Sites
- Landfills
- Habitat Protection and Restoration
- Silviculture
- Desalination
- Groundwater Protection and Restoration
- Surface Water Protection and Restoration
- Planning/Assessment

In addition to what is included under each project category, the acquisition of land² is eligible as part of an otherwise eligible project, such as where it is necessary to locate eligible projects or to store equipment and materials during construction. Land integral to a treatment process is also eligible. Any other situation where land acquisition is eligible will be specifically mentioned under the appropriate project category.

² This includes surface and subsurface easements, leasing, and fee simple purchase.

Centralized Wastewater Treatment

Eligible centralized wastewater treatment projects include: primary and secondary treatment, advanced treatment, sewer system, CSO correction, climate resilience³, and security. Eligibilities related to energy and water conservation (e.g., cogeneration systems) are addressed in other sections of the paper (see *Energy Conservation* and *Water Conservation*).

Primary/Secondary	Advanced	Sewer System	CSO Correction
<ul style="list-style-type: none"> • Upgrade, repair, replacement, or installation/construction of new: <ul style="list-style-type: none"> ○ Headworks ○ Screening systems ○ Grit chambers ○ Clarifiers ○ Biological treatment systems ○ Biosolids dewatering and residuals handling equipment • Pro rata share of capital costs of off-site co-digestion facilities that receive residuals from a treatment works 	<ul style="list-style-type: none"> • Upgrade, repair, replacement, or installation/construction of new: <ul style="list-style-type: none"> ○ Nutrient removal processes ○ Filtration systems ○ Disinfection processes 	<ul style="list-style-type: none"> • Upgrade, repair, replacement, or installation/construction of new: <ul style="list-style-type: none"> ○ Pipes ○ Pump stations ○ Force mains 	<ul style="list-style-type: none"> • Installation of separate sanitary and storm sewers • Downspout disconnection
Climate Resilience for Treatment Works			Security
<ul style="list-style-type: none"> • Sea walls • Levies/dykes/berms • Relocation/elevation of certain assets or entire facility above current/projected flood stage • Installation of flood attenuation, diversion, or retention infrastructure within or beyond the footprint of a treatment works that protects the treatment works including floodwater channels/culverts, green infrastructure, and natural systems capable of mitigating a storm surge (e.g., barrier beach and dune systems, tidal wetlands, and living shorelines) • Installation of wind resistant features • Saltwater resistant equipment/components • Backup generators and fuel transport and storage tanks • Portable pumps • Floodwater pumping systems • Physical hardening of electrical systems/equipment • Dry floodproofing of structures • Elevated walls/caps for treatment tanks • Installation of redundant equipment/components • Overflow tanks/tunnels • Regionalization/Interconnections 			<ul style="list-style-type: none"> • Fencing • Security cameras • Security lighting • Motion detectors

³ Projects throughout the paper may be considered climate resilience projects (e.g., green infrastructure, water conservation, etc.). The projects listed in this section are specific to treatment works.

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for publicly owned centralized wastewater treatment projects. *Section 603(c)(1)*
- to any borrower for centralized wastewater treatment projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for management of municipal wet weather discharges on an integrated watershed or subwatershed basis for the purpose of demonstrating the effectiveness of a unified wet weather approach. *Section 603(c)(7)*
- to any municipality or municipal entity for projects that increase resilience of POTWs. *Section 603(c)(7)*
- to any municipality or intermunicipal, interstate, or State agency for projects that reduce the energy consumption needs of a POTW including projects to correct inflow and infiltration (I/I) of collection systems that result in reduced flow to the POTW⁴ (e.g., privately-owned laterals). *Section 603(c)(8)*
- to any borrower for measures to increase the security of POTWs. *Section 603(c)(10)*
- to any qualified nonprofit entity to assist owners and operators of small and medium POTWs with centralized wastewater treatment projects. This includes construction activities as well as activities necessary to plan, develop, and obtain financing for CWSRF-eligible projects. *Section 603(c)(11)*

⁴ There is no minimum reduction in energy consumption that must be achieved for the project to be eligible. Projects must achieve a 20% reduction in energy consumption to be categorically eligible for the Green Project Reserve.

Energy Conservation

Eligible energy conservation projects are those that reduce the amount of thermoelectric energy used, either through reduced energy consumption or use of renewable energy sources. Both of these activities, in turn, lead to reduced atmospheric deposition (see *Surface Water*). Projects that reduce the volume of water being pumped and treated (e.g., I/I correction and water conservation activities) also result in reduced energy usage, but are not addressed here (for I/I correction see *Centralized Wastewater Treatment* and for water conservation activities see *Water Conservation*). Planning activities, such as energy audits and optimization studies that have a reasonable prospect of resulting in a capital project are also eligible (see *Planning/Assessment*).

Energy Efficiency	On-site Renewable Energy	Off-site Renewable Energy
<ul style="list-style-type: none"> • Energy efficient equipment and components, including: <ul style="list-style-type: none"> ○ Lighting ○ HVAC ○ Process equipment ○ Electronic systems 	<ul style="list-style-type: none"> • Wind and solar • Methane capture and energy conversion equipment • Biosolids drying/dewatering and energy conversion equipment • Co-digestion • Combined heat and power (CHP) systems • Hydroelectric systems that harness wastewater flows to, from, or within a treatment works 	<ul style="list-style-type: none"> • Pro rata share of capital costs of offsite clean energy facilities that provide power to a treatment works, including: <ul style="list-style-type: none"> ○ Wind and solar ○ Methane capture and energy conversion equipment ○ Waste to energy systems ○ Micro hydroelectric power generation

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for energy conservation projects for POTWs⁵. *Section 603(c)(1)*
- to any borrower for energy conservation projects for treatment works that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or intermunicipal, interstate, or State agency for the pro rata share of capital costs of energy conservation projects that provide power to a POTW (e.g., landfill gas conversion and waste to energy projects). *Section 603(c)(8)*
- to any borrower for energy conservation projects at water reuse facilities. *Section 603(c)(9)*
- to any borrower for projects to reuse the energy content of wastewater (e.g., privately owned CHP systems) or generate energy from water reuse

Energy Conservation through Water Efficiency

Projects that reduce the volume of water being pumped and treated may result in reduced energy usage. Examples of these types of projects include:

- Inflow and infiltration correction
- Downspout disconnection
- Water conservation activities
- Water meters
- Plumbing fixture retrofits or replacement
- Water efficient appliances

⁵ Renewable energy projects at POTWs are eligible regardless of whether the power is used by the POTW or sold back to the grid.

activities (e.g., micro hydro turbines). *Section 603(c)(9)*

- to any borrower for energy efficient security systems at POTWs. *Section 603(c)(10)*
- to any qualified nonprofit entity to assist owners and operators of small and medium POTWs with energy conservation projects. This includes construction activities as well as activities necessary to plan, develop, and obtain financing for CWSRF-eligible projects. *Section 603(c)(11)*

Water Conservation

Eligible water conservation projects are those that reduce the demand for POTW capacity through reduced water consumption (i.e., water efficiency). Water reuse and precipitation harvesting are also eligible. Water audits and water conservation plans that are reasonably expected to result in a capital project are also eligible (see *Planning/Assessments*).

Water Efficiency	Water Reuse and Precipitation Harvesting
<ul style="list-style-type: none">• Water meters• Plumbing fixture retrofits or replacement• Water efficient appliances• Water efficient irrigation equipment (e.g., moisture and rain sensing equipment)• Education programs• Incentive programs (e.g., rebates for installing rain barrels or permeable surfaces)	<ul style="list-style-type: none">• Collection and treatment systems (e.g., wastewater, stormwater, and subsurface drainage water collection and treatment)• Distribution lines to support water reuse and the use of harvested precipitation• Transmission lines, injection wells, and green infrastructure infiltration systems for groundwater recharge• Equipment to reuse reclaimed water• Direct potable reuse

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for publicly owned water conservation projects. *Section 603(c)(1)*
- to any borrower for water conservation projects that implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for water conservation projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any borrower for water conservation projects that recapture stormwater or subsurface drainage water. *Section 603(c)(5)*
- to any municipality or intermunicipal, interstate, or State agency for water conservation projects that reduce the demand for POTW capacity. *Section 603(c)(6)*
- to any municipality or municipal entity for stormwater BMPs in municipal separate storm sewers (MS4s) for the purpose of demonstrating and determining controls that are cost-effective and use innovative technologies. *Section 603(c)(7)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*
- to any borrower for projects to reuse or recycle wastewater, stormwater, or subsurface drainage water. This includes recycling of nutrient and organic content (e.g., privately owned CHP). *Section 603(c)(9)*
- to any qualified nonprofit entity to assist owners and operators of small and medium POTWs with water conservation projects. This includes construction activities as well as activities necessary to plan, develop, and obtain financing for CWSRF-eligible projects. *Section 603(c)(11)*

Stormwater

Eligible stormwater projects include gray and green infrastructure. Stormwater harvesting and use (see *Water Conservation*) and land conservation/easements (see *Surface Water Protection and Restoration*) are also eligible (see *Water Conservation*). Stormwater projects must have a water quality benefit.

Gray Infrastructure	Green Infrastructure
<ul style="list-style-type: none">• Traditional pipe, storage, and treatment systems• Real-time control systems for CSO management• Sediment controls including:<ul style="list-style-type: none">○ Filter fences○ Storm drain inlet protection○ Street sweepers○ Vacuum trucks	<ul style="list-style-type: none">• Green roofs, green streets, and green walls• Rainwater harvesting collection, storage, management, and distribution systems• Real-time control systems for harvested rainwater• Infiltration basins• Constructed wetlands, including surface flow and subsurface flow (e.g., gravel) wetlands• Bioretention/bioswales (e.g., rain gardens, tree boxes)• Permeable pavement• Wetland/riparian/shoreline creation, protection, and restoration• Establishment/restoration of urban tree canopy• Replacement of gray infrastructure with green infrastructure including purchase and demolition costs

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for publicly owned stormwater projects. *Section 603(c)(1)*
- to any borrower for stormwater projects that implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for stormwater projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any borrower for projects that manage, reduce, treat, or recapture stormwater or subsurface drainage water. *Section 603(c)(5)*
- to any municipality or municipal entity for management of municipal wet weather discharges on an integrated watershed or subwatershed basis for the purpose of demonstrating the effectiveness of a unified wet weather approach. *Section 603(c)(7)*
- to any municipality or municipal entity for stormwater BMPs in municipal separate storm sewers (MS4s) for the purpose of demonstrating and determining controls that are cost-effective and use innovative technologies. *Section 603(c)(7)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*
- to any municipality or municipal entity for the development and implementation of a municipality-wide stormwater management plan. *Section 603(c)(7)*
- to any borrower for projects to reuse stormwater or subsurface drainage water. *Section 603(c)(9)*

Agricultural Best Management Practices

Eligible agricultural BMPs address runoff and erosion from agricultural cropland and animal feeding operations (AFOs). Concentrated animal feeding operations (CAFOs) are a type of AFO. CAFOs are not eligible for assistance under section 603(c)(2) or the watershed partnerships area of 603(c)(7) because they are defined as point sources in section 502(4) of the CWA. Projects at CAFOs are eligible unless otherwise noted.

Cropland Activities	AFO Activities
<ul style="list-style-type: none">• Manure injection equipment• Manure spreaders• Water efficient irrigation equipment• Conservation tillage equipment• Windbreaks• Sediment control basins• Terraces• Diversions• Buffer and filter strips• Rip-rapping• Streambank stabilization• Chemical use reduction (e.g., chemical spray equipment and chemical storage containment structures)	<ul style="list-style-type: none">• Livestock/milk house waste management systems• Manure containment structures• Vessel composters• Manure injection equipment• Well sealing and water diversions to avoid feedlots• Fencing/alternative water supply for animals to keep them out of water bodies

Assistance may be provided:

- to any borrower for BMPs on agricultural land or at AFOs that implement a Section 319 NPS management program. Projects at CAFOs are not eligible⁶. *Section 603(c)(2)*
- to any borrower to refinance debt undertaken by an AFO⁷ for projects to remove the characteristics that made it a CAFO if the project implements a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for agricultural BMPs that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any borrower for projects that manage, reduce, treat, or recapture agricultural stormwater or subsurface drainage water. *Section 603(c)(5)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. Projects at CAFOs are not eligible. *Section 603(c)(7)*
- to any municipality, intermunicipal, interstate, or State agency to cover the pro rata costs of renewable energy projects at AFOs that provide power to a POTW. *Section 603(c)(8)*
- to any borrower for projects to reuse agricultural wastewater, stormwater, or subsurface drainage water. *Section 603(c)(9)*
- to any borrower for projects to receive and distribute reclaimed water for irrigation systems or other agricultural uses. *Section 603(c)(9)*

⁶ BMPs to treat or make beneficial use of manure that is not under the control of a CAFO are eligible.

⁷ As long as the AFO is no longer a CAFO at the time of the CWSRF binding commitment.

Decentralized Wastewater Treatment

Decentralized wastewater treatment is an onsite⁸ or clustered system⁹ used to collect, treat, and disperse or reclaim wastewater from a small community or service area (e.g., septic systems, cluster systems, lagoons). Eligible decentralized wastewater treatment projects include the upgrade (e.g., nutrient removal), repair, or replacement of existing systems; construction/installation of new systems; costs associated with the establishment of a responsible management entity (RME) (e.g., permitting fees, legal fees, etc.); and septage treatment works and pumper trucks to support the proper maintenance of decentralized systems.

Assistance may be provided:

- to any borrower for decentralized wastewater treatment projects if they implement a Section 319 NPS management program, including privately owned decentralized systems treating non-municipal, non-domestic sewage that correct an existing NPS problem¹⁰ (e.g., direct pipe from residence to waterbody, cesspool). *Section 603(c)(2)*
- to any borrower for the portion of a centralized wastewater treatment works that is associated with the collection and treatment of effluent from properties with failing decentralized systems or properties where no active treatment system is in place (e.g., cesspools), including the house lateral to connect such homes to a centralized treatment works, if the project implements a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for decentralized wastewater treatment projects if they implement a Section 320 CCMP. This includes privately owned decentralized systems treating non-municipal, non-domestic sewage. *Section 603(c)(3)*
- to any borrower for decentralized wastewater treatment projects treating municipal or domestic sewage. *Section 603(c)(4)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*

⁸ A system relying on natural processes and/or mechanical components to collect, treat, and disperse or reclaim wastewater from a single dwelling or building.

⁹ A wastewater collection and treatment system under some form of common ownership that collects wastewater from two or more dwellings or buildings and conveys it to a treatment and dispersal system located on a suitable site near the dwellings or buildings.

¹⁰ Decentralized systems for new construction do not correct an existing NPS problem.

Resource Extraction

Resource extraction includes mining, quarrying, hydraulic fracturing, and oil/gas operations. Eligible water quality projects that remediate or prevent contamination from these sites, whether active or abandoned, include projects to treat drainage (e.g., acid mine drainage) and wastewater (e.g., fracking wastewater), prevent aquifer contamination, excavate and remediate contaminated soil at the site, remove contamination from water or soil that is not part of the site (e.g., removal of mine tailings from stream beds), or prevent runoff. Runoff control projects include discharge diversion, runoff dispersion, sediment control and collection, grading and capping of contaminated sources, backfilling site openings, and soil stabilization.

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for publicly owned water quality projects that remediate or prevent contamination from resource extraction sites. *Section 603(c)(1)*
- to any borrower for water quality projects that remediate or prevent contamination from resource extraction sites if they implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for water quality projects that remediate or prevent contamination from resource extraction sites if they implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*
- to any borrower for projects to reuse wastewater generated by resource extraction activities (e.g., hydraulic fracturing wastewater). *Section 603(c)(9)*

Contaminated Sites

Contaminated sites include brownfields, Superfund sites, and sites of current or former aboveground or underground storage tanks.¹¹ Eligible projects include those that remediate or prevent contamination from these sites.

Brownfields/Superfund	Storage Tanks
<ul style="list-style-type: none">• Site assessments• Excavation, removal, and disposal of contaminated sediment/soil• Cleanup of contaminated groundwater or surface water• Capping of wells• Environmental insurance premiums¹²• Collection/remediation of stormwater generated at the site	<ul style="list-style-type: none">• Site assessments• Excavation, removal, and disposal of leaking storage tanks• Replacement storage tanks that meet federal leak prevention standards• Excavation, removal, and disposal of contaminated sediment/soil• Cleanup of contaminated groundwater or surface water• Capping of wells• Environmental insurance premiums¹²

Assistance may be provided:

- to any borrower for water quality projects to clean up contaminated sites if they implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for water quality projects to clean up contaminated sites if they implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*

¹¹ For information about eligible projects at abandoned mines, see *Resource Extraction*.

¹² Eligible as a cost of construction if both the construction and insurance policy are for water quality related projects. Not eligible as a stand-alone CWSRF project, and payments of premiums may only be made during the construction period.

Landfills

Eligible landfill projects include landfill closure and landfill leachate collection and treatment. For information on landfill projects as a source of renewable energy for POTWs, see *Energy Conservation*.

Landfill Closure	Landfill Leachate Collection and Treatment
<ul style="list-style-type: none">• Capping systems (gas venting layer, geosynthetics, barrier layer, top cover, etc.)• Leachate collection, storage, and treatment systems (onsite or off-site)• Side slope seepage prevention and control systems• Gas condensation systems• Monitoring wells and equipment• Stormwater runoff controls	<ul style="list-style-type: none">• Landfill liner systems<ul style="list-style-type: none">○ Drainage blankets and geomembranes○ Landfill liners and sumps○ Perforated pipe networks○ Filter layers• Leachate removal or collection systems• Toe drains and cut-off walls• Onsite leachate treatment facilities• Barge shelters, containment booms, litter fences

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for projects that prevent or reduce leachate pollution from publicly owned landfills. *Section 603(c)(1)*
- to any borrower for water quality projects that reduce NPS pollution from landfills if they implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for water quality projects that prevent or reduce pollution from landfills if they implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*
- to any borrower for projects to reuse landfill leachate. *Section 603(c)(9)*
- to any qualified nonprofit entity to assist owners and operators of small and medium publicly owned landfills with projects that prevent or reduce leachate pollutions. This includes construction activities as well as activities necessary to plan, develop, and obtain financing for CWSRF-eligible projects. *Section 603(c)(11)*

Habitat Protection and Restoration

Eligible habitat protection and restoration projects include shoreline activities, instream activities, and capital costs associated with the control of invasive vegetative and aquatic species. The purchase of water rights to support fish and aquatic life habitat is also eligible (see *Surface Water Protection and Restoration*).

Shoreline Activities	Instream Activities	Invasive Species Control
<ul style="list-style-type: none">• Re-establishing riparian vegetation• Wetlands development or restoration• Living shorelines• Swales• Filter Strips• Barrier beach and dune systems	<ul style="list-style-type: none">• Re-establishing aquatic vegetation• Restoring oyster/mussel beds• Artificial reef establishment• Fisheries and shellfish restocking and restoration• Fish ladders• Removal of contaminated sediments• Water control structures for flow regime and salinity• Dam removal• Culvert removal	<ul style="list-style-type: none">• Equipment to remove or prevent the spread of invasive species

Assistance may be provided:

- to any borrower for habitat protection and restoration projects that implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for habitat protection and restoration projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*

Silviculture

Silviculture includes forestry activities such as removal of streamside vegetation, road construction and use, timber thinning and harvesting, and site preparation for the planting of trees. Eligible water quality projects that remediate or prevent pollution from silviculture activities include capital projects, or portions of projects, that control erosion from access roads, maintain the stability of stream banks, ensure the revegetation of harvested areas, and control the introduction of pesticides and fertilizers into waterways. The purchase of forested land for water quality purposes is also eligible (see *Surface Water Protection and Restoration*).

Assistance may be provided:

- to any borrower for water quality projects that remediate or prevent pollution from silviculture activities if they implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for water quality projects that remediate or prevent pollution from silviculture activities if they implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*

Desalination

Desalination projects are eligible where there is a water quality benefit. Projects include treatment and disposal of brine, desalination of brackish water to augment water supply, aquifer recharge using desalinated sea water, and treatment/reinjection of brackish groundwater.

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for treatment and disposal of brine from the desalination process. *Section 603(c)(1)*
- to any borrower for desalination projects that decrease the burden on aquifers where there is causal relationship between aquifer withdrawals and saltwater intrusion¹³ if the projects implement a Section 319 NPS management program. This could include projects in which desalinated seawater is injected into the aquifer to mitigate or prevent salt water intrusion, as well as projects in which brackish water is removed from an aquifer, desalinated, and returned to the aquifer. *Section 603(c)(2)*
- to any borrower for the treatment and disposal of brine from the desalination process. Eligibility may extend to other parts of the desalination process, if the project implements a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*

¹³ In cases where only a portion of the project will mitigate or prevent salt water intrusion, the CWSRF may finance the eligible projects costs on a pro rata basis.

Groundwater Protection and Restoration

Eligible groundwater projects include those that protect and restore aquifers. This includes pump and treat projects, aquifer recharge projects, and projects that decrease aquifer withdrawals through rainwater harvesting, water conservation, or water reuse. Other projects that protect groundwater include leachate control and septic system replacement; however, these are addressed in other sections of the paper (see *Decentralized Wastewater Systems* and *Surface Water*).

Assistance may be provided:

- to any borrower for groundwater projects that implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for groundwater projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*
- to any borrower for treatment, transmission, and injection of wastewater, stormwater, and subsurface drainage water for aquifer recharge. *Section 603(c)(9)*

Surface Water Protection and Restoration

Many of the activities described in this paper result in the protection or restoration of surface water, such as stormwater management and habitat restoration. In addition to the activities already covered, eligible surface water projects include land¹⁴ and water rights acquisition to protect water quality and activities that reduce atmospheric deposition of pollutants.

Land and Water Rights to Protect Water Quality	Atmospheric Deposition
<ul style="list-style-type: none">• Purchase of land¹⁵<ul style="list-style-type: none">○ Leasing○ Fee-simple purchase○ Easement• Purchase of water rights	<ul style="list-style-type: none">• Air pollution reducing technologies<ul style="list-style-type: none">○ Scrubbers• Activities that reduce the use of thermoelectric power<ul style="list-style-type: none">○ Energy efficient upgrades (e.g., appliances, HVAC, insulation, etc.)○ Renewable energy generation projects

Assistance may be provided:

- to any borrower for surface water projects that implement a Section 319 NPS management program. *Section 603(c)(2)*
- to any borrower for surface water projects that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any municipality or municipal entity for efforts of municipalities and property owners to develop or implement watershed partnerships to address nonpoint sources of pollution. *Section 603(c)(7)*

¹⁴ Land for water quality purposes need not be prorated. States should include deed restrictions to protect water quality with a caveat that they be permanent unless the original purpose for which the land or easement was purchased is unobtainable or the land is no longer needed for water quality protection.

¹⁵ Includes amenities that improve water quality on purchased land (e.g., water quality related signage, pervious trails, etc.).

Planning/Assessment

There are many eligible activities that fall within the scope of planning/assessment. Planning activities that have a reasonable prospect of resulting in a capital project are eligible. The CWSRF can fund the water quality portion of planning/assessment activities on a pro rata basis. Routine water quality monitoring is not eligible.

Planning/Assessment

- Asset management/fiscal sustainability plans
- Cost and effectiveness analyses
- Capital improvement plans
- Integrated planning
- Long term control plans
- Water/energy audits and conservation plans
- Wastewater and stormwater management plans
- Facility plans
- Treatment works security plans/safety plans
- Planning activities that assess a POTW's vulnerability to extreme weather and climate change
 - Risk/vulnerability assessments
 - Emergency preparedness, response, and recovery plans
 - Drought management plans
 - Climate adaptation plans
- Environmental management systems
- Watershed management plans
- TMDL implementation plans
- Assessment of project effectiveness:
 - Equipment (e.g., sensors, meters, gauges, hardware and software used to store and interpret data)
 - Activities (e.g., sampling, lab work, data analysis)^{16, 17}

Assistance may be provided:

- to any municipality or intermunicipal, interstate, or State agency for planning/assessment for POTWs that can reasonably be expected to lead to an eligible capital project. *Section 603(c)(1)*
- to any borrower for planning/assessment activities that implement a Section 319 NPS management program as long as the activity is not required by a permit. *Section 603(c)(2)*
- to any borrower for planning/assessment activities that implement a Section 320 CCMP. *Section 603(c)(3)*
- to any borrower for development or amendment of a Section 320 CCMP. *Section 603(c)(3)*
- to any borrower for planning/assessment for decentralized wastewater treatment systems that can reasonably be expected to lead to a capital project. *Section 603(c)(4)*

¹⁶The length of time these activities may need to be done will depend upon the type of project and should be based upon the best professional judgement of the state CWSRF project engineer/project manager.

¹⁷ Under Sections 603(c)(1) and 603(c)(4), activities to assess project effectiveness are not eligible. Only the purchase of equipment to assess project effectiveness is eligible.

- to any borrower for planning/assessment necessary to manage, reduce, treat, or recapture stormwater or subsurface drainage water. *Section 603(c)(5)*
- to any municipality or intermunicipal, interstate, or State agency for planning/assessment aimed at reducing the demand for POTW capacity through water conservation, efficiency, or reuse. *Section 603(c)(6)*
- to any municipality or municipal entity for the development and implementation of an integrated water resource plan or municipality-wide stormwater management plan. *Section 603(c)(7)*
- to any municipality or intermunicipal, interstate, or State agency for planning/assessment aimed at reducing the energy consumption needs of a POTW. *Section 603(c)(8)*
- to any borrower for planning/assessment necessary to reuse or recycle wastewater or subsurface drainage water. *Section 603(c)(9)*
- to any borrower for planning/assessment to increase the security of POTWs. *Section 603(c)(10)*
- to any qualified nonprofit entity for planning/assessment to assist owners and operators of small and medium POTWs comply with the CWA. This includes construction activities as well as activities necessary to plan, develop, and obtain financing for CWSRF-eligible projects. *Section 603(c)(11)*

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Drinking Water State Revolving Fund Eligibility Handbook



Provisional Document

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Drinking Water State Revolving Fund
Eligibility Handbook

DISCLAIMER: *This document was developed by the United States Environmental Protection Agency as a guide to assist with determining Drinking Water State Revolving Fund loan and set-aside activity eligibility. Nothing in this document is meant to supplant or modify requirements of the Safe Drinking Water Act, the DWSRF Interim Final Rule, Office of Management and Budget general grant guidance or generally accepted accounting principles.*

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1 Purpose of this Document

State Drinking Water State Revolving Fund (DWSRF) programs and the Environmental Protection Agency (EPA) Regional offices have asked for a consolidated, up-to-date reference manual to assist them in making project and set-aside eligibility determinations as part of ongoing DWSRF program implementation. This document is intended to respond to these requests, including addressing emerging eligibility questions related to sustainability, resiliency, emerging contaminants of concern and other contemporary issues.

This document contains a compilation of examples of funded projects that demonstrate the exceptional flexibility inherent in the DWSRF program. States may learn of new projects and set-aside activities that they had not thought to fund previously. The EPA is committed to working with the states to identify innovative approaches to maximize the return on the federal and state investment to protect the health of the American people. This will be a living document. The EPA invites states to continuously enrich the discussion as new projects are brought to the program. The EPA also welcomes additional examples of projects that states have funded, particularly those that address emerging issues that are important to drinking water utilities and that demonstrate the wide range of ways in which the DWSRF supports public health protection. Note that a state may request that the EPA consider a deviation from the DWSRF regulations for an ineligible project (or class of projects) that exclusively addresses public health concerns.

Ensuring that these funds are only spent on eligible projects and eligible costs is essential for the integrity of the program. Investments in water systems not only provide assurances of continued delivery of safe drinking water to American homes, schools, and places of business; they are key to local economies across the United States. Water infrastructure spending has an immediate impact on employment. The Council of Economic Advisers estimates 10,854 full-time jobs are created by each one billion dollars of water infrastructure spending (includes direct, indirect and induced jobs). The U.S. Conference of Mayor's Water Conference cites estimates from the U.S. Department of Commerce's Bureau of Economic Analysis that show for each additional dollar of revenue (or the economic value of the output) of the water and sewer industry, the increase in revenue (economic output) that occurs in all industries is \$2.62 in that year. Further, adding one job in water and sewer creates 3.68 jobs in the national economy to support that job.¹

¹ The U.S. Conference of Mayors. Local Government Investment in Municipal Water and Sewer Infrastructure: Adding Value to the National Economy. Richard A. Krop, Ph.D., Charles Hernick, and Christopher Frantz. The Cadmus Group, Inc. August 14, 2008.

2 The Statutory Basis of the DWSRF

The DWSRF program was created as part of the 1996 Amendments to the Safe Drinking Water Act (SDWA) (Public Law 104-182). Section 1452 of the SDWA, as amended, contains the provisions governing the DWSRF program.

Defining features of the statutory formulation of the DWSRF program are its flexibility and the mechanism it provides for supporting other key provisions of the 1996 Amendments, including water system capacity development, operator certification, source water protection, assistance for small systems and the Public Water System Supervision (PWSS) program.

The DWSRF is structured as a federal-state partnership through which a permanent drinking water infrastructure revolving loan fund has been created in every state. (Puerto Rico is defined as a state for purposes of the DWSRF.) The federal government provides capitalization grants to states. States provide a 20% match for those grants.

The principal objective of the DWSRF is to facilitate compliance with national primary drinking water regulations or otherwise significantly advance the public health protection objectives of the SDWA. States are required to give priority for the use of DWSRF project funds to:

- Address the most serious risks to human health
- Ensure compliance with the requirements of the SDWA
- Assist systems most in need on a per household basis according to state affordability criteria

States have considerable flexibility regarding the use of their capitalization grant funds. The primary use of capitalization grant funding is for assistance to water utilities for capital improvements (water infrastructure projects). This assistance can be provided as²:

- Planning and design loans³
- Construction loans
- Purchasing or refinancing debt obligations
- Insurance or guarantee for local debt
- Security reserve for leveraging
- Additional subsidization

Not all drinking water compliance problems, however, can be solved through capital financing of infrastructure improvements. States also have the option to take up to 31% of their capitalization

² Assistance options are discussed in more details in Appendix F

³ Planning and design assistance is also eligible under the 2% and 15% set-asides; see Section 6: Set-Aside Programs for more information.

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grant for set-asides. Set-asides can fund state programs, technical assistance and training for water utilities, and other activities that support achieving the public health protection objectives of the SDWA. The programs and activities supported by set-asides may include DWSRF administration, water system capacity development, operator certification, source water protection, small systems technical assistance and the PWSS program. Each state determines the appropriate balance between water infrastructure projects and set-asides for their unique circumstances.

3 Borrowers, Projects and Costs Eligible for DWSRF Loan Fund Assistance

3.1 Eligible Borrowers

A public water system is a system for the provision of water for human consumption to the public through pipes or other constructed conveyances, if such system has at least fifteen service connections or regularly serves at least twenty-five individuals. States can provide DWSRF financial assistance only to the following types of public water systems:

- (1) Existing privately-owned⁴ and publicly-owned community water systems and non-profit non-community water systems, including systems utilizing point of entry or residential central treatment.
 - A community water system is a public water system that serves at least 15 service connections used by year-round residents of the area served by the system or regularly serves at least 25 year-round residents. A community water system may be privately or publicly owned.
 - A non-profit non-community water system is a public water system that is not a community water system and is owned and operated as a non-profit entity such as a school. The non-profit entity could be government owned.
- (2) New community water systems that represent cost-effective solutions to existing public health problems with serious risks caused by:⁵
 - Unsafe drinking water provided by individual wells or surface water sources, with the scope of the service area limited to the specific geographic area affected by contamination.
 - Technical, managerial, and financial difficulties that consolidation into a new regional community water system can address, with the scope of the service area limited to that of the systems involved.

To receive assistance from the DWSRF, systems must have the technical, managerial and financial (TMF) capability to ensure compliance with the SDWA. If the state determines that a system lacks technical, managerial and financial capability, that system may be eligible to receive assistance if it agrees to undertake feasible and appropriate changes in operations (including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures). The state must determine that such changes by the system are necessary to ensure that the system has the capacity to comply with the SDWA over the long term.

⁴ Some states may have law(s) that prohibit funding privately owned water systems

⁵ 40 CFR 35.3520(b)(2)(vi)

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Systems in significant noncompliance with any requirement of a national primary drinking water regulation are not eligible to receive DWSRF assistance unless the state determines that the assistance will ensure compliance.

Multiple community water systems can join together in a consortium to apply for a single loan for a mutually beneficial project or set of projects.

3.2 **Ineligible Systems**

The SDWA identifies the following types of water systems as ineligible to receive financial assistance from a state's DWSRF loan fund:

- Federally-owned public water systems
- For-profit non-community water systems
- Systems that lack the technical, managerial and financial capability to ensure compliance with the requirements of the SDWA, unless the assistance will ensure compliance and the owner or operator of the system agrees to undertake feasible and appropriate changes in operation to ensure compliance over the long term
- Systems that have enforcement priority with any national primary drinking water regulation or variance, unless:
 - The purpose of the assistance is to address the cause of significant non-compliance and the assistance will ensure that the system returns to compliance
 - The purpose of the assistance is unrelated to the cause of the significant non-compliance and the system is on an enforcement schedule (for maximum contaminant level and treatment technique violations) to return to compliance

3.3 **Eligible Projects**

The SDWA provides that DWSRF financial assistance may be used by an eligible public water system only for expenditures of a type or category which the EPA Administrator has determined will facilitate compliance with national primary drinking water regulations or otherwise significantly further the health protection objectives of the Act. The DWSRF Interim Final Regulation identifies six broad categories of eligible projects. The following tables identify these categories of projects and offer examples of projects that could be funded under each. These lists are not intended to represent all types of projects.

TABLE 3.1: Category 1 – Treatment
<i>Example Projects</i>
<ul style="list-style-type: none"> • New facilities or portions of facilities, including: <ul style="list-style-type: none"> ○ Mixers/Flocculation/Sedimentation ○ Filtration ○ Chemical addition systems and equipment ○ Disinfection ○ Filter backwash recycling ○ Residuals handling ○ On-site generation of disinfectants ○ Corrosion control infrastructure • Upgrades, rehabilitation or replacement of facilities or portions of facilities • Potable reuse or reuse that mitigates the need for additional potable supply • Desalination plants • Raw water storage that is part of the treatment process and located on the property where the treatment facility is located • Point of access or point of use treatment devices (i.e. filters) are only eligible if the device is the compliance treatment technology and the devices are owned and maintained by the public water system

TABLE 3.2: Category 2 – Transmission and Distribution
<i>Example Projects</i>
<ul style="list-style-type: none"> • Installation, replacement or rehabilitation of infrastructure to improve water pressure to safe levels or to prevent contamination caused by non-potable liquids entering the system through leaks or pipe breaks <ul style="list-style-type: none"> ○ Transmission mains ○ Distribution mains ○ Meters (e.g., flow meters, customer meters, master meters) ○ Appurtenances (e.g., valves, hydrants, pipe restraints) ○ Pump stations • Service line replacements, regardless of pipe material and ownership of the property on which the service line is located⁶ (service line can be replaced up to premise plumbing⁷) • New water main extensions to serve existing residents not served by a safe supply of potable water (this includes installation of the service line up to premise plumbing) • Reclaimed wastewater effluent and water reuse infrastructure and distribution systems (aka “purple pipe”) where such infrastructure mitigates the need for additional potable supply

⁶ There are many mechanisms in which a community could fund replacing the privately owned portion of a service line, such as a rebate program or directly funding construction if a temporary easement is obtained. Some states or communities may have law(s) that prohibit funding projects on private property.

⁷ For more detailed explanation, please refer to U.S. EPA’s May 9, 2016, memorandum from Anita Maria Thompkins, Director, Drinking Water Protection Division: “Clarification of Drinking Water State Revolving Fund Eligibility of Service Line Replacement on Private Property”

TABLE 3.3: Category 3 – Source
<i>Example Projects</i>
<ul style="list-style-type: none"> • Development of new sources to replace a contaminated drinking water source or to increase drought resilience • Raw water intakes, wells or other constructed infrastructure that allows for movement of raw water into the treatment plant or into the distribution system • Alternative supply in case of emergency or drought, such as: <ul style="list-style-type: none"> ○ Interconnections ○ Surface water intakes ○ Ground water wells • Aquifer storage and recovery (ASR) system for water storage (e.g., part of a reclaimed water system), including: <ul style="list-style-type: none"> ○ Wells ○ Pumps ○ Pipes ○ Wellhead structures • Riverbank filtration wells <ul style="list-style-type: none"> ○ Plugging abandoned wells when new replacement wells are drilled

TABLE 3.4: Category 4 – Storage
<i>Example Projects</i>
<ul style="list-style-type: none"> • New storage or replacement/rehabilitation of existing structures to continue to maintain compliance and protect public health by: <ul style="list-style-type: none"> ○ Preventing microbiological contaminants from entering a public water system ○ Equalizing water demands ○ Reducing pressure fluctuations in the distribution system ○ Providing reserves when power outages and other emergencies occur ○ Storing water for reclaimed water (aka “purple pipe”) systems ○ Providing drought resiliency

TABLE 3.5: Category 5 – Consolidation
<i>Example Projects</i>
<ul style="list-style-type: none"> • Purchase of a water system and all of its assets (including land and water rights) • Interconnection of systems: <ul style="list-style-type: none"> ○ to resolve SDWA noncompliance ○ to achieve the technical, managerial and financial capacity needed to prevent noncompliance ○ to reduce the overall per household cost of service ○ for drought resiliency <p>Note – consolidation projects cannot be for growth purposes</p>

TABLE 3.6: Category 6 – Creation of New Systems
<i>Example Projects</i>
<ul style="list-style-type: none"> • Projects which upon completion will create a community water system to address existing public health problems with serious risks caused by unsafe drinking water provided by individual wells or surface water sources <ul style="list-style-type: none"> ○ Projects to address existing public health protection problems associated with individual wells or surface water source must be limited in scope to the specific geographic area affected by contamination • Projects that create a new regional community water system to eliminate individual systems with technical, managerial and financial difficulties

In general, unless a project is expressly prohibited by statute or regulation, it is likely eligible for DWSRF assistance as long as it addresses present or prevents future violations of health-based drinking water standards. When in doubt contact your EPA Regional DWSRF coordinator. Some types of eligible projects may cut across two or more of the categories above. Examples of such eligible projects for a few select types of projects are presented below (Note: projects listed above could also fall into these categories).

TABLE 3.7: Examples of Water Security Projects
<ul style="list-style-type: none"> • Installation of security measures to protect infrastructure and prevent vandalism or purposeful contamination of the drinking water, such as: <ul style="list-style-type: none"> ○ Fencing and gates ○ Lighting ○ Cameras ○ Closed circuit television

TABLE 3.8: Examples of Energy Efficiency Projects
<ul style="list-style-type: none"> • Energy efficient retrofits, upgrades or new pumping systems and treatment processes • Pump refurbishment to optimize pump efficiency • Pipe projects that prevent water loss. • Projects that result from an energy efficiency related assessment • Renewable energy projects, which are a part of a public health project, such as wind, solar, geothermal and micro-hydroelectric that provide power to a utility • Utility energy management planning, including energy assessments, energy audits and optimization studies • Additional eligible energy efficiency projects are listed in Appendix B “Sustainability: Examples of Resilience and Green Projects”

TABLE 3.9: Examples of Other Capital Projects

- Purchase of spare parts in conjunction with an initial capital project, as is customary during normal course of business
- Large capital equipment purchases, such as:
 - Supervisory control and data acquisition (SCADA) systems
 - Leak detection devices and equipment
 - Stand-by power generators and associated accessories
 - Database infrastructure or software (e.g., asset management systems, inventory tracking software)
- Vehicles used solely (or funding appropriately proportioned) for the project under which they were funded
- Administration buildings for the water system (which could include billing offices, laboratories, control centers, engineering departments and other water system offices) that the water system uses solely for its own management (or the DWSRF financial contribution can be prorated for the space used by the water system), including the land on which they are situated
- Decommissioning/deconstructing old facilities to make way for new facilities
- Acquisition of existing infrastructure (e.g., purchase a finished water reservoir from another community)
- Purchase of land or other infrastructure required as part of cross-cutter mitigation implementation

In addition, other activities eligible for an assistance agreement could include planning and design, water utility audits, leak detection studies, identification of service line materials, optimization studies, drought contingency plans, and other evaluations that might result in a capital project or in a reduction in demand to alleviate the need for additional capital investment.

3.4 **Ineligible Projects**⁸

The following projects are ineligible for DWSRF assistance. Deviations are possible for any except those projects explicitly prohibited by statute, as discussed further below.

- Construction or rehabilitation of dams
- Purchase of water rights, unless the water rights are owned by a system to be purchased for consolidation as part of a capacity development strategy

⁸ 40 CFR 35.3520(e)

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- Construction or rehabilitation of reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are on the property where the treatment facility is located
- Projects needed primarily for fire protection
- Projects needed primarily to serve future population growth (prohibited by statute -- see below for further explanation)
- Projects that have received assistance from the national set-aside for Indian Tribes and Alaska Native Villages under the SDWA §1452(i) (*prohibited by statute*)

3.4.1 Growth-Related Projects

The DWSRF is meant to serve the public health needs of the existing population. Congress specifically directed in the SDWA that the DWSRF program avoid the use of funds to finance the expansion of any public water system in anticipation of future population growth.⁹ The EPA specified in the DWSRF Interim Final Rule that a project which is intended primarily to address public health and/or regulatory compliance issues for the existing service population may be sized for a “reasonable” amount of population growth over the useful life of the project.

3.4.2 Deviations to Allow Funding for Certain Ineligible Projects

A state may request that the EPA consider a deviation from the DWSRF regulations for an ineligible project (or class of projects) that addresses public health concerns. A water system may request that the state evaluate whether to fund an ineligible project that is expected to resolve a public health issue associated with drinking water. The state should submit the deviation request to its EPA Regional Office. The Region will forward the deviation request to EPA Headquarters for a determination of whether to approve the request. Deviation requests are approved by the Office of Grants and Debarment based on recommendations from the Office of General Counsel and the Director of the Office of Ground Water and Drinking Water. Approved deviations will be posted on the [EPA's DWSRF website](#).

3.5 Emergency Use of Project Loan Funds¹⁰

A state may fund projects which require immediate attention to protect public health on an emergency basis if the state's Intended Use Plan (IUP) addresses conditions under which the state can fund emergency projects. Each state may define the conditions that constitute an emergency in its IUP. The state must report to the EPA the projects that it funded on an emergency basis in the state's biennial report and during the EPA's annual review. Projects funded on an emergency basis do not have to be on the state's Intended Use Plan nor do they require ranking using a state's

⁹ Environmental Protection Agency. August 7, 2000. Federal Register, Volume 65, Number 152, pages 48286-48312.

¹⁰ 40 CFR 35.3555(c)(2)

priority system or have to go through a public review process prior to receiving assistance. The emergency projects must still meet DWSRF eligibility criteria and other requirements, such as the Davis-Bacon wage requirements. States are not allowed to fund equipment and other capital acquisitions to address emergency conditions through set-aside funds.

TABLE 3.10: Examples of Emergency Projects

- Generator to provide power to a water system that has lost power
- Interconnection to another water system during an extended drought
- Installation of a new well to draw water from a different or deeper zone in an aquifer or from another aquifer during an extended drought
- Rehabilitation of an existing well and/or installation of a new pump to obtain water from a deeper zone in an aquifer during drought
- Repair/replacement of a drinking water system due to a natural or man-made disaster
- Limited infrastructure that may be required for trucked-in water (i.e., storage, piping or tap stands) during a “do not drink” order or other emergency situation [Note: the cost of the trucked-in water is not eligible, nor is providing bottled water]

3.6 **Eligible Project Costs**¹¹

A wide range of costs and expenditures associated with a construction project are eligible as part of a project budget. The federal government pays for eligible costs on a reimbursement basis – i.e., the costs must have already been incurred. The water system must document eligible costs, typically through engineering cost reports, at the time that it requests reimbursement.

Eligible costs include actual pre-construction (planning and design, including costs associated with obtaining project authorization and issuance/execution of the loan) and construction costs that are directly associated with the project and issuance of the loan. If a borrower has already completed planning and design for a project when they seek DWSRF assistance for construction, the DWSRF may reimburse the borrower for the cost of the planning and design of that project as long as it meets program requirements.

Costs for acquiring land are eligible only if the land is needed to locate eligible project components and the land is acquired from a willing seller. (Loans for acquisition of land or conservation easements for protection of source water may be provided out of the Local Assistance and Other State Programs set-aside authorized by the SDWA §1452(k), as discussed later.)

¹¹ 40 CFR 35.3520(c)

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Costs for restructuring systems that are in significant noncompliance or that lack the technical, managerial and financial capability to ensure compliance are eligible if the restructuring addresses the underlying noncompliance or lack of capability.

Examples of eligible project costs are provided in the table below.

TABLE 3.11: Eligible Construction and Non-Construction Project Costs	
<i>Example Eligible Project Costs</i>	<i>General Limitations or Conditions</i>
<i>Non-Construction Activities</i>	
<ul style="list-style-type: none"> • Costs associated with obtaining project authorization and issuance/execution of the loan <ul style="list-style-type: none"> ○ Administrative and legal counsel ○ Preliminary engineering report/feasibility report ○ Obtaining permits • Planning and design costs <ul style="list-style-type: none"> ○ Project design (plans and specifications) ○ Environmental review documentation • Project start-up costs <ul style="list-style-type: none"> ○ If included as part of the construction contract or engineering services provided, such as: <ul style="list-style-type: none"> ▪ Software and software training ▪ Training for equipment operation ▪ Warranty for equipment 	<ul style="list-style-type: none"> • Costs must be directly associated with the project receiving the loan • Non-construction activities only eligible if included as part of the loan's project budget <ul style="list-style-type: none"> ○ May be incurred prior to issuance of the loan • Note: assistance for non-construction costs can also be provided through set-aside activities (See Section 6)
<i>Construction Costs</i>	
<ul style="list-style-type: none"> • Construction costs incurred after the eligible project has received approval, authorization to proceed or any similar action by the state (e.g., binding commitment) • Engineering/construction project management • Budgeted construction contingency expenditures 	<ul style="list-style-type: none"> • Pre-payment for work is not allowed • Reimbursement of incurred costs is subject to all other DWSRF program requirements applicable to a recipient of funds, including an environmental review which must consider the impacts of the project based on the preconstruction site conditions

3.7 **Ineligible Project Costs**

Ineligible project-related costs are expenditures that do not facilitate compliance with the national primary drinking water regulations or do not otherwise significantly further the public health protection objectives of the SDWA. Additionally, the state cannot use the DWSRF to prepay anticipated costs of future activity. The cost of trucked-in water or purchasing bottled water are also not eligible project costs. Other ineligible costs specifically cited in the SDWA include:¹²

- Water system operation and maintenance expenses
- Routine compliance monitoring expenses

Water system operation and maintenance activities are not capital expenditures and are not eligible for loan funds under the DWSRF.¹³ Capital expenditures are defined as “expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alternations to capital assets that materially increase their value or useful life.”¹⁴

Operations enable a facility to perform its intended function, while maintenance is the act of keeping fixed assets in usable condition. These activities are usually part of a utility’s annual operating budget, not the capital improvement plan, and are usually not debt financed. Operations and maintenance costs typically include salaries, benefits, supplies, rent, utilities (e.g., electric, gas), vehicle maintenance, communication, computers, chemicals, pump/valve parts, tools, and other activities or items purchased for the ongoing functioning of a water system.

Operating materials and supplies consist of “tangible personal property to be consumed in normal operations.”¹⁵ Products purchased for O&M activities generally are considered “consumables,” as they are used up or discarded once their function has been completed. An example is a membrane filter cartridge. Membrane cartridges are replaced every few years once the filtration functionality is exhausted. When the useful life of the cartridge is reached, the water system disposes of the cartridge and replaces it with a new one. Membrane filter cartridges would typically be considered an O&M cost. (Initial cartridges are eligible for inclusion as part of a new or substantially renovated membrane system).

Routine compliance monitoring is an O&M cost, not eligible for financing under the DWSRF. A state may finance one-time monitoring associated with newly-installed equipment to ensure that the equipment is operating properly and meets equipment specifications as part of the equipment delivery and installation process. Ongoing compliance monitoring is a revenue expenditure, not a

¹² SDWA §1452(a)(2)

¹³ 40 CFR 35.3520(f)

¹⁴ 2 CFR Part 200.13

¹⁵ Federal Accounting Standards Advisory Board. June 30, 2014. [Handbook of Federal Accounting Standards and Other Pronouncements](#).

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capital expense. In certain limited circumstances, special purpose monitoring may be eligible as a set-aside expense, as explained more completely in Section 6.

The descriptions here of O&M costs are generalized. States should evaluate determinations regarding O&M costs versus capital expenditures on a case by case basis. When reporting costs, water systems and states should use generally accepted accounting principles, the standard framework for financial accounting.

3.8 **Alternative Sources of Financial Assistance**

If a water system, project or project cost is not eligible under the DWSRF, it may be eligible under other programs. These might include the U.S. Department of Agriculture's Rural Development program, the U.S. Department of Housing and Urban Development's Community Development Block Grant program, the Clean Water State Revolving Fund, the newly authorized Water Infrastructure Finance and Innovation Act (WIFIA) funding, or other federal, non-federal or state funding sources.

Public water systems benefit when state DWSRF programs foster cooperation with other funding sources. A coordinated effort among federal financial assistance programs can aid states in addressing the affordability of a project and achieving improved financial outcomes for water systems, despite the different eligibility requirements among federal funding sources (e.g., the U.S. Department of Agriculture's Rural Development program and the U.S. Department of Housing and Urban Development's Community Development Block Grant program). Many states have funding agency coordination teams (FACTs). More information about these groups can be found on the Small Community Water Infrastructure Exchange (SCWIE) [website](#).

4 Sustainability as a Project Development and Ranking Factor

Sustainability and resiliency are important concepts for the DWSRF. Sustainability in a water infrastructure context refers to the design, construction and operation of water infrastructure such that it consistently delivers a desired level of service in a manner optimizing environmental, social and economic well-being. Resilience refers to the ability of water infrastructure systems to withstand and recover from natural and man-made disturbances to their functioning.

The EPA's 2010 "Clean Water and Drinking Water Infrastructure Sustainability Policy" supports planning for infrastructure investments that protect public health and water quality, account for extreme weather events, have clear service objectives, conserve natural resources, incorporate alternatives using or simulating natural systems, consider decentralized and innovative approaches and evaluate life-cycle costs.¹⁶ Recent federal policies¹⁷ direct federal agencies to incorporate sustainability objectives and practices into projects to which the federal government provides financial assistance, including assistance through state revolving funds.

4.1 Resilience Projects

The EPA encourages states to consider incorporating resilience to extreme events into their project priority ranking criteria to address sustainability. As noted above, resilience refers to the ability of water infrastructure systems to withstand and recover from natural and man-made disturbances to their functioning. Design for resilience should be incorporated upfront in project planning and built into a project at the outset. This should become a routine part of water system planning and design.

Resilience criteria or factors relating to project planning and design may address:

- Vulnerability of a water system to disruption of safe water delivery, whether natural or of human origin
- Capability to recover from disruption of safe water delivery
- A range of natural events capable of disruption, including flooding, long-term drought and earthquakes

¹⁶ Environmental Protection Agency. 2010. EPA's Clean Water and Drinking Water Infrastructure Sustainability Policy.

¹⁷ Council on Environmental Quality. 2013. "Principles and Requirements for Federal Investments in Water Resources" (based on the Water Resources Development Act of 2007); Department of Homeland Security. 2013. "Partnering for Critical security and Resilience; Supplemental Tool: Incorporating Resiliency into Critical Infrastructure Projects."

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Examples of ranking criteria or factors are included in Appendix B, Part A. States may also provide technical assistance through set-aside funding to support water systems' project planning and design for resilience.

4.2 **Green Projects**

DWSRF funding of green projects has been discretionary since FY 2012. The annual appropriation legislation since then has included the following "funds made available...to each State for Drinking Water State Revolving Fund capitalization grants may, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities." From a comprehensive life-cycle analysis perspective of water system functioning, green and resilient aspects of projects may be complementary for water system sustainability purposes. For example, reducing water loss from pipe leaks may extend the use of a water source, lessening the water system's vulnerability to drought. For projects that states fund from DWSRF grants after FY 2011, the EPA does not ask for business cases for green projects; states have discretion in whether to fund DWSRF green projects after that fiscal year. Appendix B includes a detailed list of example projects and criteria for green projects and components.

4.3 **Water System Partnerships**

Water system partnerships help systems deal with limited resources, water infrastructure challenges and compliance issues. Partnerships can take a wide variety of forms, including complete merging of two systems, an interconnection in cases of emergency, or sharing an operator or equipment. From 2009 to 2016, 265 DWSRF assistance agreements have addressed projects for voluntary system consolidation or regionalization involving two or more water system. Eighty percent of these agreements included small systems serving 10,000 or fewer people. DWSRF set-aside funds can also be used to support planning and analysis needed for partnerships that do not involve physical interconnection, such as evaluating and developing shared billing or system management.

5 Innovative and Sustainable Projects Funded by States

This section highlights innovative and sustainable projects that state DWSRF programs have funded. To learn more about these projects, please contact the appropriate EPA Regional Office. Contact information can be found on the EPA's DWSRF website:
<https://www.epa.gov/drinkingwatersrf>.

5.1 Treatment

- **Relocation out of Floodplain in Iowa:** Columbus Junction relocated its treatment plant out of the 100-year floodplain and modified wells to ensure source capacity during flooding.
- **Reverse Osmosis in Minnesota:** To replace an aging treatment facility, Redwood Falls Water System constructed a new facility which includes iron and manganese removal and reverse osmosis membrane treatment for sulfate and total dissolved solids removal. This facility is designed to reduce the amount of salt needed for water softening in homes and to reduce the amount of chlorides discharged into the Minnesota River. Other green aspects include backwash water reclamation, high efficiency boiler and pump motors and low energy reverse osmosis membranes. More information about this project can be found [here](#).
- **LEED Plant in Alabama:** Dauphin Island Water and Sewer Authority constructed a new reverse osmosis water treatment facility which will be LEED certified¹⁸. The facility incorporates a low-impact design, reuse of gray water for flushing toilets, use of filtered stormwater runoff as an additional non-potable water source, and low-maintenance vegetation that requires minimal irrigation and no fertilizers or pesticides.

5.2 Distribution

- **Automated Meter Reading System in Oklahoma:** The Sand Springs Public Municipal Authority installed a new automated meter reading system throughout the city. Due to the hilly terrain, the Authority decided to use radio transmitters with a Federal Communications Commission license throughout the system with a backhaul to the utility's billing office for improved customer service. The AMR system will help to improve water system management, account for and thereby reduce water losses, resulting in conservation of water and decreased energy usage qualifying this project for the Green Project Reserve.
- **Lead Service Line Replacement in Wisconsin:** Wisconsin created a funding program within their DWSRF to help disadvantaged municipalities replace lead service lines, including the portion on private property. Municipalities can receive a certain amount of principal forgiveness based on population (\$1 million for population 500,000 and greater; \$500,000 for

¹⁸ LEED certification is the US Green Building Council's recognition of sustainable "best-in-class" building strategies and practices. LEED is the acronym for "Leadership in Energy and Environmental Design." See: www.usgbc.org/LEED.

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population between 50,000 and 500,000; and \$300,000 for population less than 50,000). More information about this project can be found [here](#).

- **Leak Detection in Louisiana:** The City of Ville Platte was losing approximately 67 percent of its water through leaks in the distribution system. Through the loan fund, the community conducted a leak detection study that found 90 leaks in 81 different locations, most of which were flowing directly into storm sewers. Reducing this water loss will enable the community to continue to serve as a back-up source of water for several other neighboring systems.
- **Meters with Leak Detection in Rhode Island:** The City of Cumberland installed new radio-read water meters, which also include leak detection equipment, throughout the municipality, enabling the water department to respond to leaks in a timely and efficient manner.
- **Reclaimed System in Texas:** Fort Worth installed a reclaimed water pump station and pipeline at its Village Creek Wastewater Treatment Plant to deliver reclaimed water to three commercial customers for irrigation and cooling tower use. This reduced the city's potable water demand.
- **Reducing Water Loss in Colorado:** Arabian Acres Metropolitan District replaced shallow service lines and water mains. This upgrade will help to address cold weather freezing and breaking, which had caused significant water loss.
- **Satellite Controlled Booster Pump Station in West Virginia:** The Town of Capon Bridge constructed a new booster pump station to replace an existing station and installed a satellite controlled telemetry system to monitor and operate the new booster station more effectively.

5.3 Storage

- **Aquifer Storage and Recovery in Oregon:** The City of Cornelius designed and constructed an ASR pump station and chlorination structure in lieu of more expensive above ground storage.
- **Floating Reservoir Cover in California:** The Los Angeles Department of Water and Power installed a floating cover over the existing Santa Ynez Reservoir to comply with the Long-Term Enhanced Surface Water Treatment Rule. The cover also prevents algal growth and guards against contamination entering the finished drinking water supply.
- **Solar Mixers in North Carolina:** Several communities in North Carolina installed solar-powered mixers in tanks and reservoirs to control nutrient levels and algal growth in surface water reservoirs and to reduce disinfection byproducts in finished water storage tanks.

5.4 Power

- **Emergency Generator Program in Connecticut:** The Department of Public Health Drinking Water Section used a streamlined process to purchase and install emergency power generator systems.
- **Hydroelectric System in Wyoming:** The Culinary Water System in Afton developed a partnership with the local electric power provider to build a hydroelectric facility at its site that will harness the power of gravity flow using a Pelton turbine and generator.

- **Wind Power in Texas:** Mountain Peak Special Utility District installed a 100-kilowatt wind turbine generator at one of its water plants, generating sufficient energy to power all buildings and equipment on that site.

5.5 **Water System Partnerships**

- **Water System Interconnection in Pennsylvania:** The Hazleton City Authority received an assistance agreement to install a two-mile, 12-inch water distribution main connecting 40 homes in the Village of Stockton in Hazle Township. This water main will allow the Village, Pennsylvania's top violator of federal and state drinking water laws, to abandon its current water system and provide a safe, reliable source of drinking water for its residents. The Village's water system had no operator or responsible ownership since it was discovered as a water system about five years ago, and source ponds were found to be contaminated with giardia, bacteria and iron. The Department of Environmental Protection was instrumental in coordinating the partnership.

5.6 **Planning**

- **Sustainable Infrastructure Planning Projects (SIPP) in Oregon:** The state of Oregon piloted the SIPP in 2015 and, based on its success, has since made the program permanent. The SIPP provides financing for water system planning and related activities that promote sustainable water infrastructure. Currently water systems can receive up to \$20,000 per project and priority is given to water systems that have fewer than 300 connections. There has been significant interest in this program, as many small systems need initial startup funds to get their eligible projects moving. Currently, the program is funded out of the loan fund; however, this assistance could also be an eligible set-aside activity as well. For more information, visit the SIPP [website](#).

6 Set-Aside Funds

Set-aside funds from DWSRF capitalization grants complement states' ability to provide financial assistance for capital projects. States may use set-aside funds to: (1) administer the DWSRF, (2) support PWSS program management, (3) support capacity development, operator certification and wellhead protection programs and (4) finance local source water protection and provide water systems with technical assistance (and financial assistance related to a state capacity development strategy).

The set-aside funds are a powerful tool unique to the DWSRF program, which give states the flexibility through a wide range of activities to help public water systems address compliance challenges that do not require capital investment. States can tailor and balance the use of the grant funds for capital investment and other activities funded with set-asides that support the reliable delivery of safe drinking water to protect public health. Systems that receive assistance from the state must be public water systems, unless the result of the assistance will be a new public water system. This could include assistance in the watershed serving a public water system.

6.1 Overview of Key Features

There are many ways that a state may use the DWSRF set-asides:¹⁹

- *Use of multiple set-asides.* A state may use funding from several different set-asides at the same time to assist an individual water system or to broadly assist public water systems in the state.
- *Augmentation of assistance to address water system needs.* A state may provide technical assistance using DWSRF set-aside funds to complement PWSS compliance assistance.
- *Use of third-party assistance providers.* States can provide technical assistance to water systems directly or through third-party contractors.
- *Support for getting projects ready to proceed to DWSRF financing and construction.* A state can use set-aside funds to provide technical assistance in the form of engineering, environmental and other services to prepare plans and designs to get water systems' projects ready to proceed to construction and to enable systems to qualify for construction financing.
- *Support for developing water system TMF capacity (a pre-requisite for DWSRF project financing).* States may use set-aside funds to develop and implement technical, managerial and financial capacity development strategies. As part of its capacity development strategy, a state may provide technical, managerial and/or financial capacity development assistance to an individual water system or group of water systems.

¹⁹ For more detailed explanation, please refer to U.S. EPA's July 7, 2008, memorandum from Steve Heare, Director, Drinking Water Protection Division: "Clarification of Certain Eligible Uses of DWSRF Set-Asides."

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- *Support for water system sustainability.* State set-aside funds can be used for activities to improve sustainability at water systems, including:
 - Promoting effective utility management practices
 - Conducting water system life-cycle assessments of capital replacement and operation and maintenance costs as inputs to planning
 - Encouraging front-end, comprehensive planning to ensure that projects are sustainable over their full life cycle
 - Assisting with rate evaluations and project development
 - Planning for resilience, including hardening of systems against extreme events such as flooding, wildfires, tornados, hurricanes and earthquakes
 - Developing and distributing tools, information and best practices for sustainability planning
 - Educating local decision makers on the value of sustainable water infrastructure
 - Funding state-wide or regional water supply master plans
 - Promoting collaborative and partnership relationships between water systems

6.1.1 Coordination Is Essential

Some set-aside activities, such as those which support the PWSS program, may be managed in a different office or agency than the state's DWSRF program. Coordination between the EPA, the state DWSRF program and the state PWSS program is vital to achieve the objectives of the SDWA and to prevent overlapping efforts. The state DWSRF and PWSS programs should work together to ensure that the programs have common goals and a shared understanding of the purpose of the DWSRF and the options it offers to support the delivery of safe drinking water.

6.1.2 Ineligible Activities

The SDWA and the DWSRF Interim Final Regulation prohibit set-aside funding for certain activities:

- Operations and maintenance,²⁰ such as:
 - Purchase of chemicals
 - Water meter reading
 - Lubricating pumps and motors
 - Oil changes for vehicles used for set-aside activities
- Routine compliance monitoring and sampling²¹
- Projects or related costs that are eligible for funding under the DWSRF loan program, with two exceptions:
 - Planning and design costs for small systems

²⁰ 40 CFR 35.3520(f)

²¹ 40 CFR 35.3520(f)

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- Costs associated with restructuring a system as part of a capacity development strategy²²

6.1.3 Annual Workplans

States must prepare an annual workplan for each requested set-aside, except the administration set-aside (a workplan is only required for this set-aside if it is used for technical assistance to public water systems). Set-aside workplans must include a thorough description of planned activities.²³ The development of the workplan gives the state an opportunity to propose innovative uses of set-aside funds that can further the goals of the program. The EPA reviews the workplan to ensure that the state's proposed activities are eligible and address the public health objectives of the SDWA.

States may use the PWSS grant and DWSRF set-aside funds to implement similar and complementary activities, such as small system technical assistance. To ensure that funding from these two sources is not duplicative, the state DWSRF set-aside and PWSS programs must coordinate when developing their respective workplans and document the separate but coordinated use of funds in each other's workplans.

Set-aside workplans must follow the procedures identified in 40 CFR 35.3540 and summarized below, with the modification of the workplan term of funds use addressed below.

- *Term of Funds Use.* A state must submit a detailed annual or multi-year workplan to the EPA for approval describing how set-aside funds will be expended. In order to ensure that funds are expended expeditiously, the set-aside amounts taken each year for a multi-year workplan should be negotiated with the EPA. Workplan terms for funds use should be two years or less to achieve timely use of DWSRF funds.
- *Submitting workplans.* A state must submit workplans in accordance with a schedule negotiated with the EPA. If a schedule has not been negotiated, the state must submit workplans no later than 90 days after the capitalization grant award. If a state does not meet the deadline for submitting its workplans, the set-aside funds for the activities that were required to be described in the workplans must be transferred to the Fund for the state to use for project loans or other financial assistance. The EPA considers the best practice to be submitting workplans with the capitalization grant application, or, at the least, prior to grant award.
- *Content.* Workplans must at a minimum include:
 - The annual funding amount in dollars and as a percentage of the state allotment or capitalization grant
 - The projected number of work years needed for implementing each set-aside activity
 - The goals and objectives, outputs and deliverables for each set-aside activity
 - A schedule for completing activities under each set-aside activity

²² 40 CFR 35.3535(a)(2)

²³ Outlined in 40 CFR 35.3540(c)(3)

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- Identification of and responsibilities of the agencies involved in implementing each set-aside activity, including activities proposed for conduct by a third party
- A description of the evaluation process to assess the success of work funded under each set-aside activity
- *Amending workplans.* If a state changes the scope or amount of work because activities have changed in scope or timing from that originally described in its workplans, the state must amend the workplans and submit them to the EPA for approval. The state can make simple workplan amendment proposals through “pen-and-ink” changes by email for EPA Regional Office approval. More extensive workplan changes may necessitate a typed text document for submission.

6.1.4 Reserving Set-Aside Funds

A state may reserve set-aside funds from a capitalization grant and take them in a future year in addition to that year’s set-asides, provided that the state identifies in its IUP the amount of funds reserved and describes the use of the funds in workplans for EPA approval. With the exception of the local assistance and other state programs set-aside, a state may reserve the authority to take from future capitalization grants those set-aside funds that the state has not included in prior or current years’ workplans. The amount of reserved funds that a state may take in a future year is limited by the unused set-aside funds in the capitalization grant of the past year in which the state reserved the funds. For example, if a state chooses to take \$300,000 from an available \$400,000 in administrative (4 percent set-aside) funds in a particular year and reserves authority for the other \$100,000 (or 1 percent), the state may take that unused reserved amount of \$100,000 in a future year from that future year’s capitalization grant (i.e., the limit is the reserved dollar amount, rather than being calculated as 1 percent of the amount of the future year’s capitalization grant).

6.1.5 Fund and Set-Aside Account Transfers

A state may transfer funds among set-aside categories (Administration, Small Systems Technical Assistance, State Program Management and Local Assistance set-asides) and among activities within these categories, provided that set-aside ceilings are not exceeded. Set-aside ceilings, expressed as percentages of DWSRF capitalization grant amounts, are:

- 4 percent for Administration and Technical Assistance
- 2 percent for Small Systems Technical Assistance
- 10 percent for State Program Management
- 15 percent for Local Assistance and Other State Programs

6.2 **Administration and Technical Assistance Set-Aside**

A state may reserve up to 4 percent²⁴ of a capitalization grant for the administration and oversight of its DWSRF project loan fund and set-aside programs and to provide technical assistance to public water systems. Uses of this set-aside include:

- Administration
 - Actions and expenditures associated with administration and implementation of the DWSRF program (including set-aside programs) such as salaries for state program employees, travel and office expenditures
- Technical Assistance
 - Actions and expenditures associated with providing technical and financial assistance to public water systems,
 - Includes contracting with third parties for technical services

Attribute

- Technical assistance is not restricted to PWSs serving 10,000 or fewer persons

Types of technical assistance activities that may be funded include, but are not limited to:

- Direct technical assistance to systems (of any size) with contamination and treatment problems (which could lead to a loan application)
- Development of multimedia products such as printed materials, public service announcements, videos or other media
- Direct technical assistance to borrowers through face-to-face meetings
- Assistance to applicants to ensure the detailed loan application is complete and accurate
- Assistance to small and rural communities that are unfamiliar with the funding and application process

States are not required to submit a workplan for this set-aside, unless technical assistance is provided. If technical assistance is provided under this set-aside, a workplan is required for the technical assistance activities.

²⁴ On December 16, 2016, the Water Infrastructure Improvements for the Nation (WIIN) Act was signed into law, which amended the SDWA to provide additional options for calculating the amount of Administrative Set-Asides that can be taken (the greatest of: \$400,000, 1/5 percent of the current valuation of the fund, or an amount equal to 4 percent of all grant awards to the fund for the fiscal year).

TABLE 6.1: Examples of Eligible Administration and Technical Assistance Activities and Expenditures (4%)	
General DWSRF Program Implementation	
<ul style="list-style-type: none"> • Employee salaries and travel and office expenses • Preparing program documents, such as a capitalization grant application, Intended Use Plan and annual/biennial report • Preparation of materials and conducting public outreach and education • Financial audits • Staff training • Loan portfolio management including contracting with financial advisor, bond or legal counsel • On site meetings with potential loan applicants • Using third-party contractors 	
Loan Program Implementation	
<ul style="list-style-type: none"> • Technical review of preliminary engineering reports and/or plans and specifications • Assistance to loan applicants to ensure applications are complete and accurate • Holding meetings with potential borrowers • Monitoring construction progress 	

6.3 **Small System Technical Assistance Set-Aside**

A state may reserve up to 2 percent of a capitalization grant to provide technical assistance to public water systems serving 10,000 or fewer persons. This set-aside is geared toward small systems that are not able or eligible to apply for a loan due to lack of technical, managerial and financial capacity or that have limited resources to obtain technical assistance on their own. States may provide technical assistance through state program employees or a third-party contractor. Assistance may take the form of:

- Outreach and training
- Technical consultation to a water system to improve their technical, managerial and/or financial capacity and achieve a compliance level required for a loan
- Water/energy audits
- Financial assistance for planning and design of water system facilities

Attribute

- Funding is not capped for a single type of activity

TABLE 6.2: Examples of Eligible Small System Technical Assistance Activities and Expenditures (2%)	
Outreach and Training	
<ul style="list-style-type: none"> • Training for system staff and board members on the importance of TMF capacity and how to achieve compliance • On-site visits to systems experiencing compliance challenges • Outreach programs explaining the DWSRF program and types of assistance available 	
Technical Assistance	
<ul style="list-style-type: none"> • Completion of an engineering feasibility study to highlight operational areas of improvement • Operator certification training to qualifying systems • Completion of environmental reviews • Preparation of Consumer Confidence Reports • Developing cost estimates for project planning • Rate evaluations and project development • Completion of an application for DWSRF funding • Drafting of source water protection ordinances 	
Financial Assistance through In-kind Services	
<ul style="list-style-type: none"> • Services provided for planning and design of infrastructure improvements 	

6.4 **State Program Management Set-Aside**

A state may reserve up to 10 percent of a capitalization grant to develop and implement its drinking water protection, capacity development, operator certification and source water protection programs. The additional 1:1 state funds match is no longer required.²⁵

Attribute

- Broad range of eligible activities for assistance to water systems and implementing the State PWSS Program

6.4.1 Capacity Development under the State Program Management Set-Aside

A state may use funds under the State Program Management set-aside to develop and implement its Capacity Development Strategy. Such costs may include salaries of staff working on development or implementation of the strategy, equipment and supplies needed specifically for the implementation of the strategy, and travel costs to meet with systems and stakeholders as part of strategy development and implementation.

²⁵ On December 16, 2016, the WIIN Act was signed into law, which amended the SDWA to remove the 1:1 state match required for the State Program Management Set-Aside.

States can also use funds under the Local Assistance and Other State Programs (15%) set-aside to provide direct assistance to PWS's as part of a state capacity development strategy. This is discussed later in more detail.

TABLE 6.3: Examples of Eligible State Program Management Activities and Expenditures – Capacity Development	
Staff/Program Activities	
<ul style="list-style-type: none"> • Preparing guidance documents, work plans, standard operating procedures and long-term strategies • Targeting efforts by identifying water systems that would most benefit from collaboration or regionalization • Preparing contracts and using consultants to assist states in capacity development efforts • Implementing Area-Wide Optimization programs 	<ul style="list-style-type: none"> • Revising approval processes, sanitary surveys and other regulatory mechanisms to better address concerns • Obtaining stakeholder input through public participation mechanisms on developing a capacity development program • Developing evaluation processes to assess the success of capacity development efforts • Conducting State-wide or regional water supply planning
Technical, Managerial and Financial Assistance	
<ul style="list-style-type: none"> • Pilot studies on improving PWS operation • Rate increase analysis/assistance • Site visits • Security inspections and exercises (including physical infrastructure and cybersecurity assessments) • Promotion of energy efficiency, through <ul style="list-style-type: none"> ○ Energy management planning ○ Energy assessments or audits ○ Optimization studies ○ Sub-metering 	<ul style="list-style-type: none"> • Promotion of water efficiency, through <ul style="list-style-type: none"> ○ Developing water conservation plans ○ Developing and implementing water conservation ordinances or regulations ○ Drought monitoring ○ Developing and implementing incentive programs or public education programs on conservation ○ Water audits/leak detection

6.4.2 Operator Certification under the State Program Management Set-Aside

The State Program Management set-aside can assist the state in ensuring that water systems have properly trained operators to operate and maintain drinking water infrastructure to supply safe water to consumers. This set-aside can, for example, fund state operator certification staff and the development of operator certification databases and data management programs to track operators' certification status.

6.4.3 Source Water Protection under the State Program Management Set-Aside

A state can conduct source water protection activities under the State Program Management set-aside to help water systems prevent contamination of drinking water sources. In addition, these funds can support state personnel who manage source water protection programs. States cannot use the State Program Management set-aside to cover costs associated with UIC enforcement actions.

6.4.4 PWSS Program Administration under the State Program Management Set-Aside

Eligible expenditures under this set-aside include funding for personnel within the state drinking water/PWSS program to implement activities that promote the SDWA goals. Appendix D provides a more extensive list of eligible activities that states may fund under the State Program Management set-aside.

6.5 Local Assistance and Other State Programs Set-Aside

A state may reserve up to 15 percent of a capitalization grant for capacity development and source water and wellhead protection activities using the Local Assistance and Other State Programs set-aside. Of the 15 percent available, no more than 10 percent of the grant may apply toward any single type of activity. As previously noted, funding for implementation activities related to capacity development strategies and source water protection is also available under the State Program Management set-aside.

Attribute

- Source Water/Wellhead Protection activities are more broadly defined

6.5.1 Capacity Development under the Local Assistance Set-Aside

A state can provide technical or financial assistance to cover costs and services that are consistent with and are reflected in the state's Capacity Development Strategy and that develop or enhance a system's ability to respond to current conditions or future changes with increasing self-sufficiency.

TABLE 6.4: Examples of Eligible Local Assistance and Other State Programs Activities and Expenditures (15%)

Direct Assistance to Water Systems

- Outreach and training to keep water system personnel informed of new issues and to promote public awareness of source water and wellhead protection

Capacity Development

- | | |
|--|--|
| <ul style="list-style-type: none"> • Pair public water systems in need of help with water systems that can provide technical advice and assistance • Contract with 3rd party providers for training courses to keep water system personnel abreast of new issues • Develop source water and wellhead protection plans • Contract with third-party providers for TMF assistance (can include on the job training) • Conduct security assessments and exercises (including physical infrastructure and cybersecurity assessments) • Develop and implement asset management plans for communities • Carry out state-wide or regional water supply planning • Provide grants to systems that are considering public water system regionalization and consolidation • Obtain test kits/laboratory equipment for systems to test for newly recognized contaminants of concern and training to use that equipment • Conduct initial, special (non-routine) monitoring to establish a baseline understanding of a contaminant of concern or operation of newly-used technology (e.g. lead testing in schools that are a public water system or are served by a public water system) | <ul style="list-style-type: none"> • Promote the use of new and innovative technologies, particularly easily operated treatment technologies for small systems • Foster comprehensive, integrated water system planning and management related to delivery of safe and affordable water, such as: <ul style="list-style-type: none"> ○ Examine source water protection options ○ Train workforce in contingency or emergency response planning ○ Evaluate asset management results ○ Conduct financial planning and management (including water rate analysis) ○ Provide customer education and involvement • Provide grants for planning and design to support TMF capacity • Develop water supply/demand management plans • Perform scoping studies to determine type of treatment needed • Demonstrate monitoring technology and techniques for training purposes over a limited well-defined timeframe (such as for assessment and capacity development in response to harmful algal blooms and other contaminants in source water) • Develop cybersecurity effective practices or measures |
|--|--|

6.5.2 Source Water Protection under the Local Assistance Set-Aside

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In addition to providing technical assistance, a state may choose to provide loans from the Local Assistance and Other State Programs set-aside to support various source water protection activities related to local land use controls and management tools. Loans for land acquisition and conservation easements and loans for incentive-based source water protection measures and partnership petition programs are available to community water systems and non-profit non-community water systems for the purposes of protecting source water from contamination.

If a state issues loans for source water protection the state must create a priority setting process for EPA approval similar to that created for the loan program.

Types of incentive-based source water protection measures that help prevent contamination in surface and ground water may include:

- Building fences that keep agricultural animals away from the water's edge.
- Sealing off abandoned ground water wells and underground injection wells
- Creating or protecting riparian buffers (e.g., strips of vegetation) along streams and around reservoirs
- Public outreach and education on issues
- Management of chemical storage and use

States must offer loans at or below market interest rates that water systems can repay over a loan term of up to 20 years. Each loan must be secured by a dedicated source of repayment. A state can offer principal forgiveness or negative interest rates for these loans if given authority in an annual federal appropriations law; however, this would count towards any additional subsidization requirements and capped amounts. Additional subsidy authority under the disadvantaged community program cannot be used.

6.5.3 Wellhead Protection under the Local Assistance Set-Aside²⁶

The state may use funds under the Local Assistance and Other State Programs set-aside to establish and implement a Wellhead Protection Program; thus, funds cannot be used to support surface water activities, except to the extent that certain surface waters have been defined as part of a Wellhead Protection Area within a state program under the SDWA §1428(e). Assistance may not be used to support activities authorized by the Federal Water Pollution Control Act, Solid Waste Disposal Act or Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (such as constructing treatment facilities or discharge permits) or bring individual sources of contamination into compliance.

A state can use Wellhead/Source Water Protection set-aside funds for any activity described in a state's Wellhead Protection Program adopted under the SDWA §1428. Examples of those types of activities are:

- Building fences to prevent unauthorized access to a well pump house

²⁶ SDWA §1452(k)(1)(D)

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- Purchasing land or land easements from a willing seller to protect against the contamination of source waters
- Decommissioning abandoned wells
- Implementing educational efforts
- Implementing other best management practices that are part of a water system’s state-approved Source Water Assessment or Source Water Protection Plan

TABLE 6.5: Additional Examples of Eligible Local Assistance and Other State Programs Activities and Expenditures (15%)

Source Water Protection Loans	
<ul style="list-style-type: none"> • Implement voluntary incentive-based source water protection measures, such as fencing, capping or abandoning wells and riparian buffers that prevent contamination reaching sources of drinking water (only available to community water systems) 	<ul style="list-style-type: none"> • Implement source water quality protection partnership petition programs (only available to community water systems) • Acquire land and conservation easements (at or below fair market value) necessary for protecting drinking water sources • Removal of septic systems for source water protection, voluntary incentive-based [Note: also CWSRF eligible]
Wellhead Protection Program	
<ul style="list-style-type: none"> • Develop wellhead protection plans for ground water systems • Develop contingency plans in the event of well or well field contamination • Develop local source water protection ordinances and land purchasing plans and implementation of public outreach programs 	<ul style="list-style-type: none"> • Delineate ground water/source water areas for updated wellhead protection • Conduct assessments and modeling of ground water sources • Provide technical or financial assistance and implement control measures

6.6 Emergency Use of Set-Aside Funds

States should indicate in their IUPs their intention to use set-aside funds for emergency purposes, if necessary. If the emergency purposes are for non-structural activities and are within the scope and approved funding limits of the set-aside account that the state wishes to designate for emergency use, the state can request the Regional office to approve “pen and ink” changes to the workplan by email. To move the funds to the loan fund for emergency purposes to address structural capital needs, the state can also request the EPA Regional Office to amend the applicable capitalization grant agreement by simple “pen and ink” changes, rather than redoing the entire agreement. In both of these cases, the EPA Regional Office will notify the EPA Finance Office of the changes so that

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accounts can be quickly adjusted and funding limits not exceeded by the newly approved amount(s).

7 Innovative and Sustainable Set-Aside Activities Funded by States

This section highlights innovative and sustainable activities that states have funded through DWSRF set-aside assistance. To learn more about these projects, please contact the appropriate EPA Regional Office. Contact information can be found on the EPA's DWSRF website: <https://www.epa.gov/drinkingwatersrf>.

7.1 Capacity Development

- **Partnering with County Health Departments in Wisconsin:** Under the Local Assistance (15 percent) set-aside, Wisconsin contracts with county and local health departments to assist with transient non-community water system inspection services. These services included 1) conducting annual site visits, 2) collecting drinking water quality samples, and 3) conducting inspections (sanitary surveys) at least once every five years. By having county and local health employees conduct these site visits in conjunction with their own inspections, monitoring and reporting violations are greatly reduced and water systems are more likely to meet SDWA requirements.
- **Public Water System Switchboard in Idaho:** Utilizing the Local Assistance (15 percent) set-aside, Idaho created a web-based “one-stop shop” that provides resources and training materials to system owners and operators, as well as information to the public. The website provides quick links to rules, monitoring schedules, plans and specifications, public notification templates, sanitary survey forms, drinking water system classification requirements, operator licensing, and sample results. Visit the website [here](#).
- **TMF Capacity Assessments in Pennsylvania:** Through the Small System Technical Assistance (2 percent) set-aside, Pennsylvania conducts technical, managerial and financial assessments for small water systems, including documenting identified weaknesses and identifying available assistance to make improvements.

7.2 Managerial and/or Financial Capacity

- **Auto-dialer Reminder System in Idaho:** In 2010, using the Local Assistance (15 percent) set-aside, Idaho implemented an automated telephone and email reminder system to public water system owners and operators that informs them of upcoming sampling deadlines. This low cost, high impact activity resulted in its first year in a 47 percent reduction in violations for failure to monitor.
- **Financial and Managerial Capacity Building in Washington:** Under the Small System Technical Assistance (2 percent) set-aside, Washington's Department of Health contracts with the State's Department of Commerce Small Communities Initiative and with the Rural Community Assistance Corporation to assist small systems with developing improved financial and managerial capacity. In addition, SCI and RCAC staff assess water systems to determine if they are candidates for restructuring.

- **Legal Entity Formation Assistance in California:** Under the Local Assistance (15 percent) set-aside, California has a pre-planning and legal entity formation [assistance program](#) that assists communities in forming a legal entity eligible for DWSRF financial assistance to solve an existing drinking water-related health problem. The maximum grant amount per community is \$250,000 annually. The program does not bind the community to a subsequent construction project through the DWSRF.
- **Rate Setting in South Dakota:** Using the Small System Technical Assistance (2 percent) set-aside, South Dakota provides grants to small systems for implementing rate analysis using the Rate Maker software, as well as funding for a technical assistance provider to conduct on-site assistance for rate analysis.
- **Restructuring in North Carolina:** North Carolina implemented a Disadvantaged Community Program under the State Program Management (10 percent) set-aside to assist systems lacking capacity by consolidating with another water system or through some other form of partnership.

7.3 **Resilience**

- **Extreme Weather Impacts and Vulnerability Model in Rhode Island:** Rhode Island utilized the Local Assistance (15 percent) set-aside to implement a state-wide extreme weather impact and vulnerability model. This activity resulted in the identification of water system facilities at risk of flooding, sea level rise, drought, storm surge and hurricanes.
- **Emergency Response Plans in Oregon:** Oregon uses the Local Assistance (15 percent) set-aside to assist public water systems with preparing a written document establishing procedures and actions to minimize the impact or potential impact of a natural disaster, accident or intentional act and return the system to normal operating condition.
- **Mobile Water Treatment Training in Alaska:** Using an already purchased large-scale mobile drinking water treatment unit²⁷, drinking water program staff and operations assistance program staff attended a training session on its use. Both the Small Systems Technical Assistance (2 percent) and the Local Assistance (15 percent) were used to administer the state's operator certification program, which included training.

7.4 **Source Water Protection**

- **Leaching Model in Hawaii:** Using the Local Assistance (15 percent) set-aside, Hawaii utilized the Comprehensive Leaching Risk Assessment System (CLERS) Model, a leaching model for contamination, to assist in determining the potential risk of contaminants in ground water associated with land applied chemicals. The model examines chemical leachability to ground water based on soil and chemical properties, recharge and distance traveled.
- **River Alert Information Network (RAIN) in West Virginia:** Through the Local Assistance (15 percent) set-aside, West Virginia continues to participate in RAIN and has ten source water

²⁷ While this equipment was purchased with other funding, it would have been an eligible set-aside expense.

monitoring panels installed in the Monongahela River Basin that serve as early detection and warning of degradation of source water.

- **Wellhead and Source Water Protection Education in Oklahoma:** The Oklahoma Environmental Complaints and Local Services Office developed and disseminated a variety of educational materials including a quarterly newsletter, the “Wellhead Word,” which the State directed to communities to help them focus on wellhead and ground water source protection.

7.5 **Technical Assistance**

- **Asset Management in Delaware:** Each year, using the Local Assistance (15 percent) set-aside, Delaware assists some small systems with developing an asset management plan using the Check Up Program for Small Systems (CUPSS). A technical assistance provider helps the water system set up CUPSS with its data and then trains the staff on use of the software.
- **Engineering Services in New Jersey:** Through the Small System Technical Assistance (2 percent) set-aside, New Jersey provides small systems with a pool of consulting engineering firms that the systems can use free of charge for project planning and design.
- **Planning and Design Grants in Virginia:** Through the Local Assistance (15 percent) set-aside, in 2014 Virginia provided grants of up to \$50,000 per project for small, rural, financially-stressed communities serving 10,000 or fewer people. Eligible costs included preliminary engineering reports, design, plans and specifications, performance of source water quality and quantity studies, drilling test wells to determine source feasibility, or other similar technical assistance projects.
- **Purchasing Cyanotoxin Monitoring Equipment in Ohio:** Since 2015, Ohio has used the Local Assistance (15 percent) set-aside to provide reimbursement to communities with surface water treatment plants for the purchase of cyanotoxin investigative monitoring equipment. Having the capacity to analyze samples at the water supply instead of sending samples to an outside laboratory will allow flexibility in monitoring and timely response to any potential finished water detection of cyanotoxins caused by harmful algal blooms. Approximately 70 of 120 surface water systems in Ohio have received grants, with most fully utilizing the \$30,000 maximum allotted per water system.
- **SCADA Training in Delaware:** Delaware’s Environmental Training Center created a supervisory control and data acquisition (SCADA) demonstration panel and installed it at the State’s training lab. The panel simulates the basics of water system control and is modeled after a water treatment plant in operation in Delaware. The State has offered training courses that address SCADA and include use of this demonstration panel.
- **Security Inspections in New York:** Using the State Program Management (10 percent) set-aside, New York conducts security inspections at drinking water systems to ensure that facilities and operations are not vulnerable to threats that could disrupt the delivery of safe drinking water to their customers.
- **Statewide Water Loss Control Program in Georgia:** In 2010, Georgia embarked on comprehensive water loss control training and annual reporting using American Water Works Association (AWWA) Free Audit Software. The State validated audits, developed an audit

certification program and provided technical assistance to communities. A combination of the Small System Technical Assistance (2 percent) set-aside and the Local Assistance (15 percent) set-aside, along with DWSRF loan fees, was used for this activity.

8 Summary

The DWSRF program is a powerful tool to assist states and community drinking water systems of all sizes with meeting the critical public health protection goals of the Safe Drinking Water Act. The SDWA and the implementing regulations provide an extraordinary level of flexibility for the states to work with the EPA to tailor assistance through both the loan and set-aside portions of the fund to ensure the implementation of sustainable system improvements to protect the public health of communities. The EPA is committed to working with the states to identify innovative approaches to maximize the return on the federal and state investment to protect the health of the American people. This document will be a living document and updated periodically. The EPA welcomes suggestions for example projects to add to the handbook, particularly those that address emerging issues or innovative ways to protect public health.

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Appendix A – Incorporating Resilience into Projects Receiving Financial Assistance from DWSRF

(Source: Department of Homeland Security. 2013. “Partnering for Critical Security and Resilience.” This information is also consistent with the infrastructure resilience guidelines contained in: Hurricane Sandy Task Force. 2013. “Hurricane Sandy Rebuilding Strategy.”)

Steps for Promoting Resilient Infrastructure Investments

As defined in Presidential Policy Directive 21: *Critical Infrastructure Security and Resilience* (PPD-21), resilience is “the ability to prepare for and adapt to changing conditions and withstand and recover rapidly from disruptions. Resilience includes the ability to withstand and recover from deliberate attacks, accidents or naturally occurring threats or incidents.” Resilient infrastructure systems are flexible and agile and should be able to bounce back after disruptions.

Incorporating resilience is not a new concept for investors. For example, when planning new investments, it is standard practice for investors to perform analyses to support well-informed decisions that lead to smart, profitable investments. Critical infrastructure investors also have an incentive to be forward-looking, since the lifespan of many types of infrastructure can be 50 to 100 years. Prior to funding a project, investors and project managers will generally try to identify the impacts of demographic and population trends so they can determine whether the critical infrastructure they develop will retain its usefulness.

Incorporating Resilience into Critical Infrastructure Projects

Building on the positive actions investors have taken toward developing and maintaining resilient critical infrastructure, the following steps can be used as a guide to promote resilience in infrastructure development and investment. The list is not exhaustive, but equips decision makers with some of the best practices and implementable ideas for how to incorporate resilience into infrastructure design. When making investment decisions and selecting infrastructure projects, decision makers are encouraged to use these recommended steps to the fullest extent applicable and possible:

- Incorporating **projected extreme weather impacts** into the decision-making process
- Measuring both the **direct and indirect costs and benefits** of developing the project to gain a holistic picture of the impact of the project (e.g., the financial and opportunity cost of losing infrastructure functions and services, the societal impacts of developing the project, environmental costs and benefits)
- Examining **demographic trends** and using the anticipated demographics to predict the future demand for infrastructure

- Consulting with the Federal Emergency Management Agency (FEMA) on the **best available data pertaining to flood risk** (e.g., the FEMA Map Service Center to access current flood maps)
- Referring to available **science and predictive tools** on future trends and risks when selecting a location (e.g., the National Oceanic and Atmospheric Administration Sea Level Rise and Coastal Flooding Impacts Viewer tool)
- Considering applicable **standards and best practices** for incorporating resilience into asset and system design
- Conducting **vulnerability assessments** that can identify where the infrastructure is vulnerable to known and future risks
- Utilizing available **risk assessment and scenario planning tools** to make risk-informed decisions (e.g., the Department of Homeland Security-sponsored Owners Performance Requirements tool, which enables owners to develop several scenarios for a project to help select the optimal combination of performance levels for energy, environmental, safety, security (including blast; ballistic; and chemical, biological and radiological protection, sustainability, durability, operational and cost-effectiveness attributes to meet their needs))
- Identifying key **dependencies and interdependencies** and ways in which this critical infrastructure asset, system or network could impact other components of critical infrastructure systems, whether within the same sector or across sectors
- Mapping potential **cascading effects** from potential infrastructure disruptions
- Working with partners to develop a picture of how this infrastructure investment will fit into the **regional landscape** of critical infrastructure
- Developing a comprehensive **incident response plan** that includes such components as **scenario planning** for the most likely risks and clearly articulated **roles and responsibilities** for all partners
- Building **redundancy** into an infrastructure system so it can handle a localized failure
- Budgeting for infrastructure **mitigation** during the development of a project to ensure the resilience of the infrastructure to threats and hazards
- Developing a **business continuity plan** to ensure rapid recovery from disasters or other disruptions
- Planning to conduct **periodic updates** for the infrastructure asset that can **incorporate new technologies** and/or **upgrades** that could enhance mitigation
- Determining whether **environmental buffers** (e.g., dunes or wetlands) can be incorporated into the infrastructure design to mitigate the effects of natural disasters
- Ensuring there are **manual overrides and physical backups** built into automated systems

Appendix B – Sustainability: Examples of Resilience & Green Projects

The EPA supports sustainable water infrastructure in water systems and communities, as described in the Clean Water and Drinking Water Infrastructure Sustainability Policy (2010). Federal policies related to infrastructure investment encourage sustainable practices and the incorporation of “green” and “resilient” aspects into projects that federal programs fund. Congress has promoted sustainability in recent years with green project requirements added to appropriations acts, specifically stating that “funds made available...to each State for Drinking Water State Revolving Fund capitalization grants may, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.” The additional appropriation for Hurricane Sandy that promoted resilient projects created an expanded focus for sustainability in drinking water infrastructure.

A sustainable drinking water system may be both “green” and “resilient.” Resilience means addressing vulnerabilities from risk of damage to infrastructure, whether natural or man-made. Resilience looks to the future rather than the immediate delivery of assistance to a system following an extreme event. “Green” projects as defined by Congress translate to active conservation of resources. States should consider incorporating additional project priority ranking criteria and/or providing financial incentives to encourage borrowers to incorporate sustainable practices into their projects.

This Appendix is in two parts that provide background and examples of eligible projects for both resilience and green projects. Part A provides a list of example resilience projects. Part B provides a list of example green projects.

PART A – RESILIENCE PROJECTS

After Hurricane Sandy, Congress appropriated targeted funding to the DWSRF for resilience projects, specifically to reduce or mitigate the impact of rapid hydrologic change or other natural disasters. The DWSRF can fund most projects that will assist a water system to be more resilient. A resilience project is one that enables a water system to better withstand an extreme event (e.g., natural disasters, accidents and deliberate attacks) and/or recover rapidly from disruptions to service. Design for resilience should be incorporated upfront in project planning and built into a project at the outset – or at least at an opportune time for making changes to the facility. This should become a routine part of water system planning and design, not an add-on to be addressed separately. Some resilience activities may also be funded through DWSRF set-asides.

States can consider incorporating resilience to extreme events into their project priority ranking criteria or factors relative to maintaining compliance. If a water system is out of service because it is not sufficiently resilient to extreme events, it may not be able to maintain compliance which then affects public health. Priority lists should provide adequate consideration of resilience as an

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element to maintain compliance in their ranking criteria or factors. Examples of ranking criteria or factors might include:

- Supports a water system's ability to withstand natural disasters, accidents and deliberate attacks (or extreme events of natural or human origin) that would otherwise disrupt service causing the system to fail to comply with the SDWA and state drinking water standards and requirements
- Provides for prompt recovery from a service disruption from a natural disaster, accident or deliberate attack (or extreme events of natural or human origin) and would facilitate the system returning quickly to compliance with the SDWA and state drinking water standards and requirements
- Supports redundancy in obtaining power and other functions critical for water system operation or delivery of water to consumers to protect public health

The following sections provide examples of potential DWSRF projects or project components that make a water system more resilient to an extreme event. These projects allow a water system to adapt to a changing climate or respond more rapidly to a disaster. The two biggest concerns for drinking water systems are flooding and drought.

Part A.1 – Flooding

Flooding is one of the most common hazards in the United States, accounting for 85 percent of all federal disaster declarations,²⁸ and will continue to be an ongoing challenge for drinking water systems. It can occur from tropical storms, hurricanes, swollen rivers, heavy rains, tidal surges, spring snowmelt, levee or dam failure, local drainage issues, water distribution main breaks, and sea level rise. Impacts to drinking water systems can include physical damage to assets, loss of power and communication, loss of access to facility, salt water intrusion, and dangerous conditions for personnel.

Examples of Flooding Mitigation Projects:

- Physical hardening (e.g., waterproofing electrical components, dry floodproofing/sealing of structures to prevent floodwater penetration, installing wind resistant features)
- Relocation/elevation of treatment plants
- Physical flood barriers
- Flood attenuation at publicly owned facilities for green or gray water
- Backup generators (new or replacement)
- Redundant equipment/infrastructure

²⁸ Federal Emergency Management Agency. April 30, 2015. Federal Flood Risk Management Standard. URL: www.fema.gov/federal-flood-risk-management-standard-ffrms.

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- Regionalization/interconnections/partnerships
- Communications/telemetry
- Energy efficient equipment upgrades
- Salt water resistant equipment/tanks
- Larger capacity water storage tanks
- Backflow prevention (including backsiphonage or backpressure)
- Relocation or deepening of wells/new water source
- Planning and assessment activities

For additional information about becoming more resilient to flooding, refer to the EPA's "Flood Resilience: A Basic Guide for Water and Wastewater Utilities" released in 2014 (https://www.epa.gov/sites/production/files/2015-08/documents/flood_resilience_guide.pdf).

Note on new Federal Flood Risk Management Standard. In 2014, a federal interagency task force developed new Federal Flood Risk Management Standards for federally-funded projects, published as Presidential Executive Order 13690, revising standards in Executive Order 11988, Floodplain Management. These federal flood risk management standard has two main improvements: 1) encourage, but not mandate, the use of natural features and nature-based approaches in development of alternatives and 2) provide a higher vertical elevation and corresponding floodplain, where appropriate, to address current and future flood risks. For the second improvement, any construction or substantial improvements in or affecting a floodplain must use one of three approaches for determining the elevation and corresponding flood hazard area: a) "Climate-Informed Science Approach" – using models and data that incorporate forecasting based on climate science, b) freeboard (base flood elevation + X) – where X is 2 feet or 3 feet if deemed a critical action (a critical action being any activity for which even a slight chance of flooding would result in significant impact) or c) 500-year floodplain.

Part A.2 – Drought/Loss of Water Supply

During any given year, drought conditions are occurring in at least one region of the country. The start, severity and duration of drought for a particular area is not disposed to forecasting. Impacts to drinking water systems can include a reduced or lack of raw water source, lack of system pressure, pipe breaks from soil shrinkage and land subsidence, and loss of recharge capability or capacity for recovery. In general, water management practices, techniques and equipment that use less water will help reduce demand on existing supplies before drought conditions even occur, making drought conditions to some degree more manageable.

Examples of drought mitigation projects:

- Drought related assessment and planning efforts

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- Drought contingency plans
- Wells – additional, replacement, deepening and rehabilitation; new pumps for deeper wells
- Intakes – reposition, relocation, elevation, alternative, backup
- Interconnection to other water systems
- Integrate water and wastewater utilities (restructure utility for viability)
- Water recycling and water reuse (including storm water reuse) – includes projects that replace potable sources with non-potable sources, reclaimed wastewater effluent systems (treatment, distribution and storage), filter backwash recycling
- Source water protection – purchase recharge area, implementation of protective measures, including permeable surfaces
- Water audits, Leak detection studies
- Pipe replacement/repair
- Booster pumping – to move water to where it is needed (e.g., from new source, from another system or from another pressure zone)
- Finished water storage
- Failing equipment replacement (such as pumps)
- Treatment for alternative sources with differing water quality

Part A.3 – Other Extreme Events

In addition to flooding and drought, there are other extreme events that resilience projects would protect or mitigate the effects of, including tornados, earthquakes, forest fires, sea level rise, accidents and deliberate attacks. Many of the examples of resilience projects listed above would be applicable in other such situations.

Examples of Other Mitigation Projects (not previously listed):

- Integrated water resources management planning – life cycle costs are minimized which enables communities to adopt more efficient and cost-effective infrastructure solutions
- Renewable energy supply
- Vulnerability assessments, adaptation plans, extreme weather mitigation plans
- Strengthening facility and operational security – fencing, cameras
- Harden control facilities, transmission mains, pump stations and storage facilities
- Install/replace earthquake shutoff valves and other pertinent valves

PART B – GREEN PROJECTS

States were required under the ARRA and FY 2010 and FY 2011 Appropriations Acts to apply a percentage of that year's DWSRF appropriation to "green" projects or "green" components of projects, called the Green Project Reserve (GPR). GPR projects are defined as green infrastructure,

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water efficiency, energy efficiency and environmentally innovative. While a green program has been discretionary under the DWSRF since FY 2012, states can develop their own green programs and include the criteria for “green” projects in the state’s Intended Use Plan. States can also choose to utilize the EPA’s previous GPR guidance, created for FY 2010 and FY 2011 funds. Please note that the EPA has refined its green project framework so that:

- (1) Business cases are no longer required for projects beyond meeting FY 2010 and FY 2011 grant requirements.
- (2) Any water loss reduction or energy savings in DWSRF projects that a state or water system determines is significant to be addressed will serve to characterize those projects or project components as “green.”

DWSRF funds may be used for various green projects, including assessments and equipment that promote conservation of water or energy resources. These may be stand-alone projects or may be aspects incorporated into a larger infrastructure project. Common DWSRF core projects often already include green elements and states can identify these elements to count them toward their green program. Green elements should be incorporated into projects from their inception and evaluated during the planning and design phases.

A detailed list of example projects and criteria for green projects and project components is provided below.

Part B.1 – Green Infrastructure

Definition: Water management techniques that protect, restore or simulate the natural hydrology. Green infrastructure can range in scale from site design approaches such as green roofs and pervious pavement to regional planning approaches such as conservation of large tracts of open land.

Criteria:

- Improvement in source water quality and/or quantity
- Maximization of reliance on natural hydrologic functions

Examples of Wet Weather Management Projects:

The following types of projects, done at a utility-owned facility or as part of a water infrastructure project, are considered “green” if they are a part of an eligible DWSRF project:

- Pervious or porous pavement
- Bioretention
- Green roofs

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- Rainwater harvesting/cisterns
- Gray water use
- Xeriscape or drought resistant landscaping
- Landscape conversion programs
- Retrofitting or replacing existing irrigation systems with moisture and rain sensing equipment

Part B.2 – Water Efficiency

Definition: The EPA defines water efficiency as the use of improved technologies and practices to deliver equal or better services with less water. Water efficiency encompasses conservation and reuse efforts, as well as water loss reduction and prevention, to protect water resources for the future.

Criteria:

- Water efficiency can be accomplished through water saving elements or reducing water consumption. This will reduce the amount of water taken out of rivers, lakes, streams, ground water or from other sources.
- Water efficiency projects should deliver equal or better services with less net water use as compared to traditional or standard technologies and practices.
- Efficient water use often has the added benefit of reducing the amount of energy required by a drinking water system, since less water would need to be treated and transported; therefore, there are also energy and financial savings.
- Proper water infrastructure management should address where water losses could be occurring in the system and fix or avert them. This could be achieved, for example, by making operational changes or replacing aging infrastructure.
- Note: Many of these project types can also be funded by the Clean Water SRF, such as water meters, water efficient fixtures and reclaimed water systems.

Examples of Water Efficiency Projects:

- Any distribution pipe replacement or rehabilitation that will reduce water loss and prevent water main breaks (see AWWA M28 *Rehabilitation of Water Mains*)
- Water meter replacement with traditional water meters (see AWWA M6 *Water Meters – Selection, Installation, Testing and Maintenance*)
- Storage tank replacement/rehabilitation to reduce water loss
- New water efficient landscape irrigation system (where there currently is not one)
- Installing or retrofitting water efficient devices such as plumbing fixtures and appliances
 - (a) For example – showerheads, toilets, urinals and other plumbing devices
 - (b) Implementation of incentive programs to conserve water such as rebates
 - (c) [WaterSense](#) labeled products

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- Installing any type of water meter in previously unmetered areas:
 - (a) If rate structures are based on metered use
 - (b) Can include backflow prevention devices if installed in conjunction with water meter
- Replacing existing broken/malfunctioning water meters with:
 - (a) Automatic meter reading systems (AMR), for example:
 - (i) Advanced metering infrastructure (AMI)
 - (ii) Smart meters
 - (b) Meters with built in leak detection capability
 - (c) Water meters in conjunction with backflow prevention devices
- Retrofitting/adding AMR capabilities or leak equipment to existing meters (not replacing the meter itself)
- Conducting water utility audits, leak detection studies and water use efficiency baseline studies, which might result in a capital project or in a reduction in demand to alleviate the need for additional capital investment
 - (a) Funded through set-asides: Small Systems Technical Assistance, State Program Management – Capacity Development or Local Assistance & Other State Programs – Capacity Development; where consistent with the state capacity development strategy
 - (b) For standard practices, see AWWA M36 *Water Audits and Loss Control Programs*
 - (c) Free Water Audit Software, Version 4.1 (2010)
- Developing conservation plans/programs which might result in a water conserving capital project or in a reduction in demand to alleviate the need for additional capital investment
 - (a) Funded through set-asides: Small Systems Technical Assistance, State Program Management – Capacity Development or Local Assistance & Other State Programs – Capacity Development; where consistent with the state capacity development strategy
 - (b) For standard practices, see AWWA M52 *Water Conservation Programs – A Planning Manual*
- Reclaimed wastewater effluent, recycled water and water reuse projects that replace potable sources with non-potable sources
 - (a) Gray water, condensate and rainwater reuse systems (where local codes allow the practice)
 - (b) Reclaimed wastewater effluent systems
 - (c) Distribution systems and storage associated with water reuse and recycling
- Retrofit or replacement of existing landscape irrigation systems that use potable water to more efficient landscape irrigation systems, including moisture and rain sensing controllers
- Projects that result from a water efficiency related assessments (such as water audits, leak detection studies, conservation plans, etc.) as long as the assessments adhered to the standard industry practices referenced above
- Distribution system leak detection equipment (portable or permanent)

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- Automatic flushing systems (portable or permanent)
- Pressure management
 - (a) Pressure reducing valves (PRVs) in areas with excessive pressures
 - (b) Pressure management studies/projects to reduce leaking pipes, pipe failures and impacts of pressure surges
- Internal plant water reuse (such as backwash water recycling)
- Educational activities and demonstration projects for water or energy efficiency (such as rain gardens)

Part B.3 – Energy Efficiency

Definition: Energy efficiency is the use of improved technologies and practices to reduce the energy consumption of water projects, use energy in a more efficient way and/or produce/utilize renewable energy to reduce water system expenditures.

Criteria:

- Projects should include products and practices which will decrease environmental impacts, such as reducing greenhouse gas emissions and provide financial savings.
- Projects should include approaches to integrate energy efficient practices into daily management and long-term planning (<https://www.epa.gov/sustainable-water-infrastructure/energy-efficiency-water-utilities>).
- Operator training in conjunction with any energy savings project is strongly encouraged in order to maximize the energy savings potential.

Examples of Energy Efficiency Projects:

- Energy efficient retrofits, upgrades or new pumping systems and treatment processes (including variable frequency drives (VFDs))
- Pump refurbishment to optimize pump efficiency (such as replacing or trimming impellers if pumps have too much capacity, replacing damaged or worn wearing rings/seals/bearings, etc.)
- Projects that result from an energy efficiency related assessments (such as energy audits, energy assessment studies, etc.), that are not otherwise designated as categorical
- Projects that cost effectively eliminate pumps or pumping stations
- Projects that achieve the remaining increments of energy efficiency in a system that is already very efficient
- Upgrade of lighting to energy efficient sources (such as metal halide pulse start technologies, compact fluorescent, light emitting diode, etc.)

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- Automated and remote control systems (SCADA) that achieve substantial energy savings (see *AWWA M2 Instrumentation and Control*)
- Renewable energy projects, which are part of a public health project, such as wind, solar, geothermal and micro-hydroelectric that provide power to a utility (micro-hydroelectric projects involve capturing the energy from pipe flow)
 - (a) Locate utility-owned renewable energy projects can be located on-site or off-site
 - (b) Includes the portion of a publicly owned renewable energy project that serves the utility's energy needs
 - (c) Must feed into the grid that the utility draws from and/or a direct connection exists
 - (d) For more information, visit EPA's clean energy [website](#).
- Utility energy management planning, including energy assessments, energy audits, optimization studies and sub-metering of individual processes to determine high energy use areas, which might result in energy efficiency capital projects or in a reduction in demand to alleviate the need for additional capital investment
 - (a) Funded through set-asides: Small Systems Technical Assistance, State Program Management – Capacity Development or Local Assistance & Other State Programs – Capacity Development; where consistent with the state capacity development strategy
 - (b) For standard energy management practices, see *Ensuring a Sustainable Future: An Energy Management Guidebook for Wastewater and Water Utilities*, located at <http://efcnetwork.org/wp-content/uploads/2013/08/Ensuring-a-Sustainable-Future.pdf>
 - (c) [Energy Efficiency Step-By-Step Guide](#)
 - [National Electric Manufacturers Association](#) (NEMA) Premium energy efficiency motors
- Educational activities and demonstration projects for water or energy efficiency (such as rain gardens)
- Using existing tools such as [Energy Star's Portfolio Manager](#) or Check Up Program for Small Systems ([CUPSS](#)) to document current energy usage and track anticipated savings

Appendix C – Summary of Principles and Requirements for Federal Investments in Water Resources (March 2013)

(Note: For more information on these principles and requirements, the full document can be found [here](#)).

1.0 Guiding Principles

- A. **Healthy and Resilient Ecosystems** - Protect and restore the functions of ecosystems, recognize important services and mitigate any unavoidable damage
- B. **Sustainable Economic Development** - Create and maintain conditions under which humans and nature can coexist in the present and into future, contributing to the Nation's resilience
- C. **Floodplains** - Avoid the unwise use of floodplains and flood-prone areas and minimize adverse impacts and vulnerabilities in any case in which a floodplain or flood-prone area must be used
- D. **Public Safety** - The impact and reliability of alternatives on threats to people from disasters must be evaluated and shared with the public and decision makers
- E. **Environmental Justice** - Ensure that federal actions identify any disproportionately high and adverse public safety, human health or environmental burdens of projects on minority, Tribal and low-income populations
- F. **Watershed Approach** - Consider the cumulative effects and benefits of water resources for a wide range of stakeholders within and around the source water

2.0 General Requirements

For federal investments in water resources, the NEPA process should be integrated with the processes developed to implement these Principles and Requirements to facilitate the production of a single decision document that fulfills the requirements of both processes.

- A. **Evaluation Framework** - Apply an ecosystem services approach in order to appropriately capture all effects (economic, environmental and social) associated with a potential federal water resources investment
- B. **Best Available Science and Commensurate Level of Detail** - Utilize the best available science, data, analytical techniques, procedures, models and tools in hydrology, engineering, economics, biology, ecology, risk and uncertainty and other fields to the extent that sufficient funding is available
- C. **Collaboration** - Collaborate fully on water resources related activities with other affected federal agencies and with Tribal, regional, state, local and non-governmental entities, as well as community groups, academia and private land owners (stakeholders) to realize more comprehensive problem resolution and better informed decision making

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- D. **Risk and Uncertainty** - Identify, describe and consider areas of risk and uncertainty, including:
 - a. **Climate Change.** Account for and address significant challenges for water resources planning and prospective conditions resulting from a changing climate
 - b. **Future Land Use.** Assess and analyze future land use patterns as part of the evaluation process using best available data and forecasts
 - c. **Adaptive Management.** Reduce uncertainty and maximize one or more goals over time through a deliberate, iterative and scientific-based process of designing, implementing, monitoring and adjusting an action, measure or project
- E. **Water Use** – Account for the efficient use of water, analysis of water quality needed and the consideration of multiple uses and competing demands on water resources when designing solutions to water resources problems
- F. **Nonstructural Approaches** – Consider nonstructural approaches to water resources problems to alter the use of existing infrastructure or human activities to generally avoid or minimize adverse changes to existing hydrologic, geomorphic and ecological processes
- G. **International Concerns** - Consider treaty and other international obligations and develop alternatives that are consistent with meeting such obligations
- H. **Design of Alternatives** – Formulate alternative plans, strategies or actions in a systematic manner to ensure that a range of reasonable alternatives are evaluated, considering: completeness, effectiveness, efficiency and acceptability with the final array of alternatives to include:
 - a. changes in existing statutes, implementation authority, administrative regulations and/or policies
 - b. effective response to a problem through the use of nonstructural approaches
 - c. action that is preferred by a local interest with oversight or implementation responsibilities
 - d. environmentally preferred alternative
 - e. mitigation of unavoidable adverse effects
- I. **Transparency in Decision Making** - Increase the transparency of and consistency in the planning and implementation process for federal investments in water, including monetized and non-monetized effects, when comparing and evaluating alternatives
- J. **Plan Selection** – Justify needs by comparing the public benefits to costs, fully reported and documented, including the criteria and considerations used in the selection and the extent of both monetized and non-monetized effects

Appendix D – Eligible Set-Aside Activities Related to Implementation of the State PWSS Program

As mentioned earlier in the discussion of the State Program Management Set-Aside, the SDWA public health protection framework consists of interdependent programs. For example, as a statutory condition of receiving the full Drinking Water State Revolving Fund grant, the state PWSS program must implement the Capacity Development and Operator Certification programs. Failure to implement these two programs requires a 20 percent withholding of the full DWSRF capitalization grant. In addition, State PWSS agencies must implement and maintain primacy for the PWSS program as a condition of receiving the PWSS grant. (The State Program Management category of the DWSRF set-aside is interrelated with the PWSS grant because the PWSS grant can be used to partially meet the match requirements of this set-aside category.)

When states utilize DWSRF and PWSS grant funding, state workplan activities must be relevant to meeting the EPA's Strategic Plan Goal: "Protect America's Waters" and Objective: "Protect Human Health." Furthermore, when Congress authorized the DWSRF program, these funds were intended to make available loans or other financial assistance to support the financing of infrastructure costs and related projects that are necessary for the eligible water systems to achieve or maintain compliance with the SDWA. These funds are important in meeting the EPA's Strategic Plan goal because water systems have the most direct role in protecting human health through the production and delivery of safe drinking water.

Within the SDWA framework, the DWSRF and PWSS programs each have core activities which support water systems' delivery of safe drinking water. In general, these core program activities are related to:

- Increasing the number of systems with technical, managerial and financial capacity
- Decreasing the number of systems in significant noncompliance
- Increasing water system sustainability
- Providing information about the DWSRF or financial application support to eligible water systems
- Providing state oversight for public water systems to ensure they comply with drinking water regulations and requirements
- Ensuring the state PWSS program meets federal requirements to maintain primacy

Appendix E provides examples of eligible DWSRF set-aside project activities based on their importance to 1) maintaining primacy for the PWSS program, 2) implementing program activities as a condition of receiving the full DWSRF grant and 3) meeting targets and measures listed in the EPA's Strategic Plan. For each of the project activity categories, this handbook identifies the eligible DWSRF set-asides that can be used to fund the project.

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Construction Project Readiness

- Scoping problem
- Developing and evaluating options
- Preparing planning and design

Eligible Drinking Water State Revolving Fund Set-Aside Types for Construction Project Readiness: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%)

Sanitary Surveys

- Conducting sanitary surveys at water systems
- Providing technical assistance to water systems in correcting identified problems (including any deficiencies found at the water systems' sources or wellheads)
- Training state staff or water system personnel to improve competency about the sanitary survey elements and how to identify and prevent deficiencies related to the sanitary survey

Eligible Drinking Water State Revolving Fund Set-Aside Types for Sanitary Surveys: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%)

Certified and/or Qualified Operator

- Implementing State Operator Certification program, including tracking of public water systems in violation of these requirements
- Providing technical assistance to employ a certified/qualified operator for those water systems that do not have any operator or that do not have an operator with the appropriate certification level
- Training water operators on new and existing drinking water regulations
- Providing technical assistance to water operators in response to man-made or natural disasters, including climate change risks

Eligible Drinking Water State Revolving Fund Set-Aside Types for Certified and/or Qualified Operator: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%)

Emergency Planning, Preparedness, Response

- Implementing state activities related to the adoption, implementation and improvement of the PWSS primacy agency capabilities for responding to man-made incidents and natural disasters/climate change impacts
- Providing technical assistance to water systems related to massive flooding, severe drought or intentional breach of water systems' facilities or computer systems and other man-made incidents or natural disasters/climate change impacts

Eligible Drinking Water State Revolving Fund Set-Aside Types for Emergency Planning, Preparedness and Response: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%)

Permitting and Review of Water System Design/Modification/Construction

- Reviewing permits or other required information supporting a project submitted by a water system regarding proposed changes to: treatment processes, plant facility, water distribution system improvements and/or consolidation of water systems as water treatment facilities are upgraded and/or treatment processes evaluated
- Evaluating permits related to obtaining alternative drinking water sources
- Reviewing construction and design permits for water systems according to state standards to help them remain in compliance or achieve compliance with health-based standards
- Approving water system consolidation of systems to help customers receive improved and safer drinking water quality and/or to help water systems with drought contingency
- Evaluating and reviewing other water system data (that can include inspection reports, days of remaining supply, water sample results or notifications from water systems) to make recommendations on adequate or optimal design, construction and modifications for water treatment facilities
- Reviewing and assessing water systems' water source capacity, quality and sustainability in meeting adequate water demand as part of new or alternative drinking water source permits to help them remain in compliance or achieve compliance with health-based standards
- Providing financial assistance to water systems as a part of restructuring/consolidation of water systems that is part of a capacity development strategy

Eligible Drinking Water State Revolving Fund Set-Aside Types for Permitting and Review of Water System Design/Modification/Construction: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%)

Drinking Water Laboratory Certification and Capacity

- Reviewing and approving the certification of in-state and/or reciprocal laboratories
- Reviewing and approving laboratory protocols at laboratories to ensure these laboratories meet new/existing drinking water analytical method requirements
- Evaluating and ensuring sufficient laboratory capability to manage drinking water analytical workload for existing and future drinking water rules for the water systems in the State
- Developing projections of analytical workload to ensure a sufficient number of laboratories certified to address workload issues
- Improving timeliness and accuracy of analytical results for drinking water contaminants/parameters at certified laboratories
- Providing technical assistance to laboratories related to data management and timely delivery of drinking water quality results
- Conducting on-site audits of certified drinking water laboratories
- Acquiring laboratory equipment for conducting drinking water sample tests

Eligible Drinking Water State Revolving Fund Set-Aside Types for Drinking Water Laboratory Certification and Capacity: State Program Management (10%)

Development, Revision and Implementation of Drinking Water Regulations

- Developing state regulations that are at least as stringent as the federal regulations. This includes changing state regulations that are not as stringent and changing state regulations to implement federal regulations that have not yet been adopted
- Proposing the drinking water regulations and requirements for state adoption
- Developing and submitting a primacy application package for the federal regulations that have not yet been adopted or that are not as stringent
- Updating the primacy application package for the federal regulations that have not yet been adopted or that are not as stringent
- Developing state regulations and/or policies to address water supply/demand management (for states in drought regions, state regulations and policies related to water supply and demand management can address the lack of a sufficient quantity of water to meet demand (i.e., State-wide water restriction and/or water conservation policies))
- Developing state regulations and policies to increase water source redundancy among water systems so that water systems have an alternative water supply source in case a man-made or natural disaster occurs that would compromise the source of one or more water systems
- Creating regulations limiting the amount of specific pollutants that enter into drinking water sources
- Integrating the national pollution discharge elimination system and drinking water program

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- Developing and proposing regulations to ensure adequate funding to support the state's PWSS program
- Implementing the requirements of the SDWA, National Primary Drinking Water Regulations and/or National Secondary Drinking Water regulations
- Managing the PWSS program for primacy agencies to handle and interpret a large volume of data, including inventory elements, sample results, violations, sanitary survey results and other information
- Determining whether: 1) water systems that are currently in compliance have remained in compliance, 2) water systems that previously had violations are currently meeting drinking water standards and 3) any new, existing or modified water systems must update their compliance with new drinking water regulations

Eligible Drinking Water State Revolving Fund Set-Aside Types for Development and Revision of Drinking Water Regulations: State Program Management (10%)

Enforcement

- Developing enforcement case development and track for noncompliant water systems
- Issuing formal enforcement actions for high Enforcement priority noncompliant water systems that have not returned to compliance within six months of a public water system reaching priority status in accordance with the EPA Enforcement Response Plan
- Conducting follow-up inspections at noncompliant water systems that have current enforcement orders to ensure return-to-compliance in accordance with the compliance plan and schedule contained in formal enforcement actions

Eligible Drinking Water State Revolving Fund Set-Aside Types for State PWSS Enforcement: State Program Management (10%) and Small Systems Technical Assistance (2%)

Source Water/Wellhead Protection and Assessments

- Providing loans to community water systems to acquire land or conservation easements from willing sellers for protection of source waters²⁹
- Providing loans to community water systems to assist in implementing voluntary, incentive-based source water protection measures in areas delineated under a source water assessment program under section 1453 of the SDWA and for source water petitions under section 1454 of the SDWA
 - A state must develop a list of systems that may receive loans, giving priority to activities that facilitate compliance with national primary drinking water regulations applicable

²⁹ For loans under the SDWA §1452(k)(1)(A)(i) and (ii), at state discretion and within allowable statutory subsidy limits, these loans may be forgiven under appropriations acts from 2010 to the current time, unless the appropriations acts indicate otherwise.

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- to the systems or otherwise significantly further the health protection objectives of the SDWA
- A state must seek public review and comment on its priority setting process and its list of systems that may receive loans
- Expending funds to establish and implement wellhead protection programs under section 1428 of the SDWA
- Providing assistance under the SDWA §1452(k)(1)(D) for activities as prescribed in a duly adopted state wellhead protection program (WHPP)
- Developing comprehensive source water protection activities to minimize waterborne contaminants
- Conducting source water assessments to incorporate climate change/extreme weather risks (e.g., flooding, harmful algal blooms or high runoff)
- Assessing source water protection versus treatment at the plant and associated costs

Eligible Drinking Water State Revolving Fund Set-Aside Types for Source Water/Wellhead Protection and Assessments: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%) (but with no more than 10 percent in any one activity); EXCEPTION: Loans under 1) and 2) above can only be funded through the Local Assistance and Other Programs Set-Aside (15%)

Appendix E – Previously Approved Use of DWSRF Set-Asides by Type of Activity³⁰

Administrative Activities

1. DWSRF program administration and loan tracking

- Development and maintenance of DWSRF database for project tracking

Eligible Drinking Water State Revolving Fund Set-Aside Types for Program Administration and Loan Tracking: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%, only for activities related to source water protection and capacity development of public water systems)

Project Development

2. Assistance with developing Preliminary Engineering and Design Reports

- Assistance with project design review meetings
- Development of the Preliminary Engineering Report (PER), including environmental report, plans and specifications and special testing
- Contract with the state Rural Water Affiliate to help small systems prepare projects for funding request
- Evaluation of the water system to recommend improving the system's capacity to provide safe drinking water and comply with regulations

Eligible Drinking Water State Revolving Fund Set-Aside Types for Developing Preliminary Engineering Reports: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

3. Assistance to borrowers to get projects ready for loans

- Assistance for small systems to submit proper financial assistance application information
- Support for water system in preparing projects for preliminary design or construction financing application
- Development of a web-based Letter of Interest (LOI) for "OPEN" IUP process in which water systems apply and can receive funding year-round in coordination with by-pass process for planning and design and construction financing if ready to proceed

³⁰ Based in part on an Association of State Drinking Water Administrators Survey of States, 2014.

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Eligible Drinking Water State Revolving Fund Set-Aside Types to Get Projects Ready for Loans: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

Capacity Development

4. Technical capacity building: training and technical assistance

- Facilitation of workshops on drinking water engineering (technical capacity) for PWS owners and operators, consulting engineers and technical assistance providers
- Contract with technical assistance provider for circuit riders to provide on-site technical assistance and training, including assistance to new operators with understanding how the water system operates, dosing and other treatment problems, completing required operational reports and sampling requirements and asset management
- Facilitation of video teleconference training for water system staff, technical assistance providers and consulting engineers
- Development of online training calendar
- Development and provision of asset management and energy efficiency training
- Support of the Area-Wide Optimization Program--voluntary program designed to improve compliance and operations through non-capital means
- Support for staff time and travel expenses for Sanitary Surveys as technical assistance to water systems
- Development of an auto-dialer program to apprise PWSs of their sampling schedules to avoid monitoring and reporting violations
- Contract with a GIS company to locate and map the infrastructure of small water systems to support response to leak repairs and flushing
- Contract with university to undertake evaluation and provide guidance small water systems for providing adequate contact time from existing or new tanks

Eligible Drinking Water State Revolving Fund Set-Aside Types for Technical Capacity Building: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

5. Managerial capacity building: training and technical assistance

- Facilitation of workshops on development of managerial capacity for PWS owners, operators and technical assistance providers
- Contract with technical assistance providers to support to and train water system board or governing organization
- Development and upkeep of a training calendar

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- Initiation of a Capacity Development Assistance program to provide funds to PWSs in order to address managerial and financial recommendations noted in a sanitary survey
- Assessment of water system deficiencies of technical, managerial and financial capacity to meet existing and future SDWA regulations
- Support for technical assistance through third-party providers to give on-site and small group training on management issues to public water system personnel and financial and managerial training to municipal officials
- Support for projects conducted by the state Environmental Finance Center
- Development of facility management plans
- Assistance with training and access through a Web portal

Eligible Drinking Water State Revolving Fund Set-Aside Types for Managerial Capacity Building: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

6. Financial capacity building: training and technical assistance

- Contract with a technical assistance provider to assist with budgets and rate studies, long range plans, asset management plans and financial management issues
- Rate review and capital improvement plan training
- Address managerial and financial recommendations noted in a sanitary survey as part of a Capacity Development Assistance program
- Projects through the state's Environmental Finance Center
- Provision of free financial and managerial training to municipal officials

Eligible Drinking Water State Revolving Fund Set-Aside Types for Financial Capacity Building: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

7. Operator certification activities

- Support for training on basic and intermediate treatment and distribution, basic and intermediate math, state compliance and training materials
- Enhancement of sanitary survey participation by operators
- Support to technical assistance provider to provide operator certification training
- Assistance with voucher program for operators of small water systems for operator training classes and certification fees
- Support to technical assistance provider to assist in Area-Wide Optimization Program (AWOP) and develop operator capacity to undertake this program

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Eligible Drinking Water State Revolving Fund Set-Aside Types for Operator Certification Activities: Administration and Technical Assistance (4%), Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

8. Non-community water system initiatives

- Contract with technical assistance providers to support to and train nonprofit non-community water system staff and governing organizations

Eligible Drinking Water State Revolving Fund Set-Aside Types for Non-Community Water System Initiatives: Small Systems Technical Assistance (2%), and Local Assistance and Other State Programs (15%)

9. Private well training, education and outreach

- Support for workshops, databases and fact sheets relative to private well training, education and outreach to ensure the management of private wells so that are not operated in a manner as to present a source of contamination to an underground source of drinking water for a public water system

Eligible Drinking Water State Revolving Fund Set-Aside Types for Private Well Training, Education and Outreach: State Program Management (10%) and Local Assistance and Other State Programs (15%)

10. Promoting water system partnerships (both managerial and physical consolidation)

- Study of consolidation (managerial and physical) potential
- Contract with technical assistance providers to assist water systems in physical and/or managerial restructuring, including rate studies
- Development of preliminary engineering report for regionalization assessments between two or more systems
- Development of targeted outreach to small systems for capacity, source protection, asset management and emergency planning
- Assessment of regional water supply to evaluate options for meeting the long-term water supply needs of under-served areas of a state
- Development of state guidance on purchase contracts

Eligible Drinking Water State Revolving Fund Set-Aside Types for Promoting Water System Partnerships: Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%)

Data Management

11. Development of special or enhanced state data management systems

- Development of data collector for customizable web surveys of water systems
- Development of a rational benchmarking database for collection and analysis of data from 150 PUC regulated community and nonprofit non-community water systems
- Development of SDWIS add-on tools for CCRs, sanitary surveys, enforcement tracking, permit tracking and other data management needs
- Development of electronic lab reporting, emergency event tracking system and e-MORs
- Development of databases on private well quality supporting their management to ensure protection of underground sources of drinking water of public water systems
- Support for public access to SDWIS information

Eligible Drinking Water State Revolving Fund Set-Aside Types for Development of Special or Enhanced State Data Management Systems: Administration and Technical Assistance (4%) (only for activities that support screening water systems that might utilize financial assistance from the DWSRF), State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

12. Facilitation of state reporting to EPA

- Support for state staff's annual attendance at the annual Data Managers Users Conference

Eligible Drinking Water State Revolving Fund Set-Aside Types for Facilitation of State Report to EPA: Administration and Technical Assistance (4%) (only for activities that support screening water systems that might utilize financial assistance from the DWSRF), State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

13. Facilitation of reporting by PWSs and labs (using e-reporting)

- Support for electronic lab reporting module and e-MORs

Eligible Drinking Water State Revolving Fund Set-Aside Types for Facilitation of Reporting by PWSs and Labs: Administration and Technical Assistance (4%) (only for activities that support screening water systems that might utilize financial assistance from the DWSRF), State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

Drinking Water Rule Implementation

14. Training for particular rules

- Purchase of vehicles dedicated to use for performing technical assistance site visits, training, sanitary surveys, and capacity development services and activities
- Contract with technical assistance provider for training on particular rules

Eligible Drinking Water State Revolving Fund Set-Aside Types for Training for Particular Rules: Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

Source Water Assessment & Protection

15. Assistance in regional or statewide water resource plans

- Support for drinking water regulatory workshops for drinking water program staff, PWS owners and operators and technical assistance providers
- Development of regional water supply assessment to evaluate options for meeting the long-term water supply needs of an under-served area of state
- Support for the state's Source Water Collaborative

Eligible Drinking Water State Revolving Fund Set-Aside Types for Assistance to Regional or Statewide Water Resource Plans: State Program Management (10%) and Local Assistance and Other State Programs (15%)

16. Extreme weather adaptation and planning

- Support for disinfection byproducts-related activities, such as study of the impact of forest fire on a source water; assistance to public water systems with techniques for compliance with disinfection byproduct regulations, including byproduct precursor and formation control training, assessment, and technical support services; partnering with another organization to conduct such activities
- Development of a statewide extreme weather model and recommendations based on the results
- Development of extreme event adaptation plans for water systems

Eligible Drinking Water State Revolving Fund Set-Aside Types for Extreme Weather Adaptation and Planning: State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

17. Activities related to source water assessment and protection (both ground water and surface water)

- Development and implementation of source water protection activities
- Revision/enhancement of state's source water assessment model
- Creation of currently unavailable mapping of karst features, such as sinkholes, springs, fractures and lineaments
- Development of a three dimensional models of the state's geological formations
- Collection of PSOC locational data to be used in source water and wellhead protection analyses and plans
- Planning and implementation of surface and ground water drinking water source assessment and protection activities, including source water management plans, buffer establishment and upkeep, road and storm water management and reconstruction activities, plugging abandoned wells, developing public outreach and educational programs and materials
- Development of interactive source water assessment website
- Development of online database/guide of source water protection activities
- Development and implementation of source water protection ordinance template for city and county governments
- Facilitation of source water protection workshops (including CEUs for water system operators)
- Support to small systems to protect source waters such as well closure and public education
- Contract with a technical assistance provider to maintain a source water website that shows source water assessment delineations, possible contaminant sites near public water system sources and related information
- Update for state's source water protection reports on an ongoing basis
- Support for staff time and travel to identify and geo-locate potential contaminant sources for new wells
- Facilitation of source water protection education and workshops
- Assistance with source water area delineations
- Development of source water protection plans and supporting GIS information

Eligible Drinking Water State Revolving Fund Set-Aside Types for Source Water Assessment and Protection: Administration and Technical Assistance (4%), State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

Drinking Water Security

18. Security training for water systems

- Support for on-site technical assistance for vulnerability assessments

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Eligible Drinking Water State Revolving Fund Set-Aside Types for Security Training for Water Systems: Administration and Technical Assistance (4%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water system)

19. Support for state-wide Water/Wastewater Agency Response Networks (WARNs)

- Participation in meetings for and establishment of the state's WARN program
- Development of WARN websites
- Support for drinking water staff participation on the state's all response advisory committee

Eligible Drinking Water State Revolving Fund Set-Aside Types for State-Wide WARNs: State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

20. Preparation for and participation in exercises (tabletop or field)

- Development of an emergency response guidance manual and table top exercise guidance manual

Eligible Drinking Water State Revolving Fund Set-Aside Types for Tabletop or Field Exercises: State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

21. Enhancing system resilience

- Development and implementation of electronic sanitary surveys
- Establishment of a mass notification system in case of extreme event

Eligible Drinking Water State Revolving Fund Set-Aside Types for Enhancing System Resilience: State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

22. Cybersecurity initiatives and protocols

- Support for contractor-led cybersecurity initiative

Eligible Drinking Water State Revolving Fund Set-Aside Types for Cybersecurity: State Program Management (10%) and Local Assistance and Other State Programs (15%) (only for activities related to source water protection and capacity development of public water systems)

23. Assistance to systems during emergencies and disasters, including collaboration/coordination with emergency management agencies

- Facilitation of emergency preparedness training for state's drinking water program emergency response team
- Support for online posting of an event tracking system
- Contract with the state water association for assistance to systems during emergencies and disasters

Eligible Drinking Water State Revolving Fund Set-Aside Types for Assistance during Emergencies: Small Systems Technical Assistance (2%), State Program Management (10%) and Local Assistance and Other State Programs Set-Aside (15%)

Appendix F – Project Loan Funds: Types of Assistance Available

A state's DWSRF project loan fund offers various financial tools to assist public water systems with financing for eligible capital projects, including:

- Planning and design loans
- Construction loans
- Purchasing or refinancing debt obligations
- Insurance or guarantee for local debt
- Security reserve for leveraging
- Additional subsidization

Planning and Design Loans

These loans cover the cost for planning and design of a DWSRF-eligible construction project and are commonly short-term (e.g., one to three years). At the end of the loan term, planning and design costs may be rolled into a subsequent DWSRF construction loan. Water systems that borrow from the DWSRF for planning and design loans are encouraged, but not required, to obtain a construction loan from the DWSRF. Funding for planning and design can be provided as a loan or as a grant or in-kind services through the use of set-aside funds for technical assistance.

Construction Loans

The most common use of the DWSRF capital program is to finance construction of a water infrastructure project. These projects can be for the repair, replacement or rehabilitation of existing infrastructure or the construction of new infrastructure. A loan can be issued to fund the entire project or phases of a project, including planning and design. Funding projects, particularly large projects, in phases often provides for a more efficient use of a state's financial resources and limits the need to obligate funding for the full project cost at the outset of the project, thus allowing the state to fund additional projects.

Purchasing or Refinancing Debt Obligations

A state DWSRF program may purchase or refinance a capital project debt obligation of a publicly-owned system, which may reduce a community's borrowing costs. The purchase of a system's debt must be through the direct state DWSRF acquisition of municipal bonds issued for project construction. Any project for which the state DWSRF purchases or refinances the system's debt

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obligations must be included in the state's project priority list and meet all eligibility criteria. The term of a DWSRF municipal debt obligation purchase or refinancing may be up to 30 years.³¹

Insurance or Guarantee for Local Debt

A state DWSRF program may purchase local debt insurance or a debt guarantee for a DWSRF-eligible project in an effort to improve a water system's credit market access or reduce the interest rate applicable to the obligation. To safeguard against the possibility of default by the assistance recipient, the state must have procedures that require, before the state provides the guarantee, an assistance recipient to demonstrate its ability to repay the local debt obligation.

Security Reserve for Leveraging

A state may use project loan fund assets as a source of revenue or security reserve for the payment of principal and interest on revenue or general obligation bonds issued by the state in order to increase the total amount of funds available for providing assistance. The net proceeds of the sale of the bonds must be deposited into the loan fund and must be used for providing loans and other assistance to finance eligible projects.

Additional Subsidization

Since the American Recovery and Reinvestment Act, annual federal appropriations laws have required states to provide a minimum amount of additional subsidization for DWSRF projects. Prior to ARRA, a state could, and still can, establish at its discretion disadvantaged community criteria and provide additional subsidization in the form of principal forgiveness or negative interest rate loans to a water system that the state designates as serving a disadvantaged community. A state may use those same criteria in determining priority for additional subsidy to a water system as required by annual federal appropriations laws.

A state may use its additional subsidy authority under the disadvantaged community program in combination (additively) with additional subsidy authority provided through annual federal appropriations law. Additional subsidization can take the form of principal forgiveness (the most commonly used form), negative interest rate loans or grants (except for designated disadvantaged community programs).

³¹ Environmental Protection Agency. April 14, 2014. "Financing Terms Greater Than 20 Years in the Drinking Water State Revolving Funds." Policy Memorandum from Peter Grevatt, Director, Office of Ground Water and Drinking Water.

Appendix G – General Considerations Related to Projects Receiving DWSRF Assistance

Small Systems Loan Assistance

The SDWA requires that, of the total amount available for assistance each year, a state must make at least 15 percent available solely for providing loan assistance to small systems (i.e., water systems with a population of 10,000 or less) to the extent such funds can be obligated for eligible projects. States not able to find a sufficient number of ready-to-proceed small system projects should explain in their Intended Use Plan why the provision was not met and what they are doing to ensure that this provision is met in future years. This is an annual provision and States should meet the provision each year. While the regulations do allow for performance in excess of the 15 percent to be considered in future years when a state may be unable to meet the provision, states should strive to meet the 15 percent.

Social, Economic and Environmental Cross-Cutting Policy Review of Projects

A state must select from its Intended Use Plan a number of projects equivalent in dollar value to the amount of its DWSRF grant for review under equivalent (to federal) state environmental review procedures. This SERP review represents compliance with federal social, economic and environmental cross-cutting laws and regulations and is required before the selected projects can receive financial assistance through the DWSRF. (See 40 CFR 35.3550(o) and annual grant terms and conditions.) The state cannot “bank” any reviews in excess of the equivalent amount to count toward future review requirements.

Davis-Bacon Wage Rates

A state must follow Davis-Bacon wage rate review requirements for personnel working on DWSRF financed projects for all loans and other project financial assistance provided through its Fund. (See annual grant terms and conditions.)

American Iron and Steel Requirement

Since 2014, the U.S. Congress has added the American Iron and Steel requirement to the DWSRF through annual appropriations bills. Currently, this requirement needs to be renewed each year and is not yet a permanent requirement. All public water system projects funded by a DWSRF assistance agreement must use iron and steel products that are produced in the United States or otherwise obtain a waiver. The AIS requirements apply to the entirety of the project, regardless of whether other sources of funding are also used. (See annual grant terms and conditions.)