

Identifying & Understanding Funded Projects: State Intended Use Plans

States ultimately have the most control over how SRF dollars flow to communities, and how much money each community receives. Water advocates can plug into state decision-making processes through several ways—and a central one is advocating for changes through Intended Use Plans (IUPs).

IUPs are a federal requirement of the SRF program. Each state creates an annual IUP describing the state's programmatic goals, the process for ranking projects applications for selection and accompanying Project Priority List (PPL), how set-aside funding will be used, how they have defined and prioritized disadvantaged communities (DACs) (for [DWSRF](#)) and affordability criteria (for [CWSRF](#)), a description of public review and comment, criteria and methods for distributing funds, and a list of all projects seeking funding in the next fiscal year. A *draft* IUP is published and subject to public review and comment and must also be submitted to EPA prior to EPA awarding the state's capitalization grant. There is no federal minimum for a public comment period for a state's IUP, so get in touch with your state's SRF program staff to find out when the draft IUP will be open for public comment, and for how long.

Due to the creation of specific designated uses of some Clean Water and Drinking Water SRF money through BIL, as well as differences between base and supplemental funding, some states may issue more than one DWSRF or CWSRF IUP in the coming years, such as individual IUPs for base funding, supplemental general BIL funding, and funding for LSLR and emerging contaminants. Other states will combine these into one document. Each IUP must have a public review and comment period.

WHAT'S IN AN INTENDED USE PLAN (IUP)

Each state's CWSRF and DWSRF IUP looks a little different than the next. Here are some common components.

- 1 **SRF Introduction** The IUP document provides an introduction to how the SRF program is administered by the state, the funding amount established for the fiscal year, the amount of principal forgiveness allocated, and any other details the state agency finds pertinent to include, like eligible applicants, an acronym key, and any program changes (common since the passage of BIL).
- 2 **Structure of SRF** This section describes how the state manages the SRF. If the state leverages the funds through bonds, that process is described here. Eligible and ineligible use of funds may be listed.
- 3 **Allocation of Funds & Programmatic Requirements** Details the total amount of loans committed for the year, funds available through the capitalization grant and state general fund match, as well as interest earnings, state match bonds, and civil fines. It may describe the advantages of using SRF funds and list interest rates by loan term (i.e., 20 years at 1.875%, 30 years at 2.125%). Includes timelines for the application process. You may find the methodology for affordability criteria/DAC definition, the amount of principal forgiveness a project is eligible for, and green infrastructure principal forgiveness. Davis-Bacon, American Iron and Steel, and Build America, Buy America (BABA) requirements are explained.
- 4 **Program Goals** States are required to include short-term and long-term goals in their SRF IUPs. Goals provide insight into the state's investment priorities and can be a good section to reference in public comments. Common goals focus on maintaining compliance with state and federal water laws, rules, and standards, providing low-cost financing to water systems, and efficiently obligating funding. Unique goals could describe the state's focus on removing lead service lines, addressing climate resiliency, etc.
- 5 **Set-Asides** Explains how funds are distributed, including how set-aside funding will cover state administrative costs, staff training, the amount of set-aside funding for small systems technical assistance, wellhead protection, local assistance for capacity development, and other eligible set-asides.
- 6 **Public Review & Comment** Lists when the public comment period is open and the date(s) of public hearings on the draft IUP and PPL. Generally, includes contact information for agency staff.
- 7 **Attachments/Appendices** Common attachments or appendices include the PPL ranking criteria describing point allocation, affordability criteria, Davis-Bacon wage requirements, etc.
- 8 **Project Priority List** Some states may publish the PPL as a separate document, but it is often included at the end of the IUP. The PPL lists projects with key information such as county, project description, population, total points based on the ranking score, project amount, where the amount is coming from, if the project occurs in a DAC, total principal forgiveness, and other factors.

Find this graphic in the [tools section](#) to download or share!



Allocation of Funds: Ranking Criteria & Methods for Distribution of Funds, Programmatic Requirements

The IUP includes the state's explanation of how they determine priority ranking of projects. For the DWSRF, priority projects tend to address risks to public health, compliance with the Safe Drinking Water Act (SDWA), and projects serving disadvantaged communities. For the CWSRF, projects are commonly prioritized according to water quality impacts, existing enforcement actions (i.e., if a publicly owned treatment works is under a consent decree), and projects that meet affordability criteria.

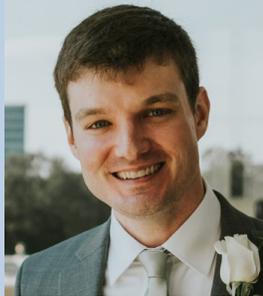
Looking at your state's IUP, you should be able to find information on how projects are evaluated and assigned scores based on ranking criteria. Based on the ranking criteria, which kinds of projects are getting onto the project priority list? Are there some criteria that don't get enough weight (points)? For example, in 2021 [Kentucky's CWSRF priority system](#) gave more weight to projects that correct combined sewer overflow and sanitary sewer overflow problems, and less weight to projects addressing decentralized wastewater treatment systems like septic systems. About 40% of homes in Kentucky rely on septic systems: does the PPL reflect this, or do projects addressing decentralized wastewater treatment systems need to be assigned more points to rank higher?



ADVOCATE ADVICE

“Organize your comments around the structure of the Intended Use Plan and any included priority rubrics. Suggestions should correspond to and reference a line item (e.g., we believe criteria 1.D deserves a greater point value because...) so that government staff can easily understand what is being asked of them. Broad and nebulous comments will be more difficult to translate into actionable outcomes. In North Carolina, the Division of Water Infrastructure’s staff provides a written response to all comments they receive on IUPs. Organizing comments on their terms helps them process comments more easily and shows you are reading and analyzing the materials they have worked hard to prepare. This is not a guarantee that your comments will be incorporated, of course, but it is a way to take your audience into consideration when drafting your suggestions.”

–GRADY O'BRIEN, NORTH CAROLINA CONSERVATION NETWORK



Organizations can make recommendations through public comments on how to ensure equity within the SRF process. These examples from New Jersey and Pennsylvania highlight two such proposals:

Prioritizing Frontline and Disadvantaged Communities in IUP Comments

New Jersey Future recommended through formal comment in the FY 2023 IUP that the state's Department of Environmental Protection “make every effort to get feedback from community-based organizations in marginalized frontline communities in order to understand and apply their knowledge and insights about how the IUPs will affect their opportunities to benefit from the funding.” They further recommended that DEP “**complement its one-year IUPs with a five-year Justice40 water financing policy framework** to clearly articulate measurable goals, strategies, actions, and progress achieved.” You can [read more details](#) that New Jersey Future put forward regarding this proposal.

In [comments](#) regarding the 2022 CWSRF draft IUP, Pennsylvania Environmental Council recommended that PENNVEST change the priority rating for environmental justice communities and for distressed communities, explaining, “These two factors collectively now represent just 7 percent of the maximum total score of 175 points. We also recommend that the rating factors both be of equal value, rather than valuing environmental justice communities less than distressed communities.”

Programmatic Requirements

[Davis-Bacon](#) requirements refer to federal prevailing wage rules that apply to contractors and subcontractors working on construction projects that are federally funded. Recipients of CWSRF and DWSRF financing must comply with Davis-Bacon requirements, which includes standards for wages and fringe benefits, submitting payroll records, and maintaining adequate recordkeeping. To learn more about SRFs and local workforce and contractor development, [head to the Workforce Development section](#).

[American Iron and Steel \(AIS\)](#) requirements apply to construction alteration, maintenance, or repair of public water systems (DWSRF) and treatment works (CWSRF). This provision requires recipients of SRF financing to use iron and steel products produced in the US (i.e., pipes or fittings, tanks, structural steel, construction materials). EPA may waive this requirement in some circumstances. AIS requirements *do not* apply to tribes, territories, or Washington, D.C.

Build America, Buy America (BABA) came into existence through BIL, strengthening “Made in America” laws with the goal of supporting high-paying domestic jobs and the industrial sector of the US. Based on [guidance](#) from the Office of Management and Budget (OMB), [EPA](#) requires domestic preference for iron and steel products used in water infrastructure projects if the project is funded in part by federal dollars.

Programmatic Goals

An IUP must include a state's goals and objectives, including short- and long-term goals for the SRF program. States provide annual reports to their Regional EPA offices that include their progress on reaching the goals outlined in their IUP. While utilizing the public comment period for the IUP is an important action, advocates should be in communication with state agency staff *ahead* of the publication of a draft IUP to better understand and make suggestions for how to reach your state's short- and long-term goals via the SRFs, such as prioritizing equitable investment, targeted use of technical assistance funding (TA), completion of lead service line removal, and other state priorities. These same suggestions for amending short- and long-term goals can and should be formally submitted during the public comment process.

Below are examples of short-term goals from three states, North Carolina, Wisconsin, and Iowa. You can see that Wisconsin's short-term goals are far more detailed than North Carolina's⁴, and explicitly prioritize economically disadvantaged communities, low-income rate payers, lead abatement and removal, addressing emerging contaminants, and climate resiliency. One of Iowa's goals is to require DWSRF applicants to hire a Municipal Advisor to assist with cash flows, rate setting, debt service coverage, and other financial aspects. Up to \$4,000 in costs for hiring a Municipal Advisor will be reimbursed through the SRF program. The majority of Iowa's short-term goals relate to compliance and implementation of BIL guidance from EPA, including revising affordability criteria and the definition of disadvantaged community.



North Carolina Department of Environmental Quality FY 2022–2023 [Draft IUP](#) for DWSRF Short-Term Goal

Continue efforts to inform local government units of the availability of funds, benefits of the DWSRF program, and funding process improvements.



Wisconsin Department of Natural Resources FY 2022– 2023 [Draft IUP](#) for DWSRF Short-Term goals

- Provide financial assistance, including principal forgiveness, to economically disadvantaged communities for the purpose of installing the necessary infrastructure to provide safe drinking water.
- **Research methods to provide additional assistance to water systems with programs that assist low-income rate payers.**
- Explore avenues to support pre-apprenticeship, registered apprenticeship, and youth training programs that open pathways to employment.
- Continue to develop and improve strategies, programs, and mechanisms to ensure, improve, and evaluate the ability of public water systems to provide safe drinking water.
- **Implement the Lead and Copper Rule and prepare to implement the Lead and Copper Rule revisions including conducting inventories and funding lead service line replacement.**
- Provide financial assistance, including principal forgiveness, to public water systems that have reported private lead service lines to the PSC for the purpose of removing privately-owned lead service lines.
- Incentivize public water systems to implement corrosion control study recommendations, develop and maintain asset management plans, and execute partnership agreements.
- Provide financial assistance, including principal forgiveness, to public water systems for addressing emerging or secondary contaminants exceeding state or federal health advisory levels.
- Protect municipal drinking water supplies by facilitating the development and implementation of wellhead protection plans.
- Encourage public water systems to plan for the impacts of extreme weather events and provide funding through the SDWLP for projects that implement sustainability and resiliency.

⁴ Although North Carolina's goals don't go as far as other states regarding prioritization of economically disadvantaged communities, the state did provide the option for distressed local governments to essentially swap out their pending low-interest SRF loans with American Rescue Plan Act (ARPA) [grant money to avoid debt](#). So, go talk to your relevant state agency—they may be taking positive action that you can't see just by reading a draft IUP.



Iowa Department of Natural Resources FY 2023 [Final IUP](#) for DWSRF (base funding) Short-Term Goals

- Commit loan funds to as many recipients as possible in accordance with the state priority rating system, the IUP, staff resources, and available funding.
- Ensure that borrowers are able to provide safe drinking water at a reasonable cost for the foreseeable future.
- Require applicants to engage a registered Municipal Advisor (MA)
- Implement the “Build America, Buy American (BABA)” requirements enacted by Congress in the Bipartisan Infrastructure Law on May 14, 2022.
- Implement the “Use of American Iron and Steel (AIS)” requirements enacted by Congress on January 17, 2014.
- Continue applying additional subsidization available in FY 2019-FY2021 Capitalization Grants to disadvantaged community projects and public health projects.
- **Review and revise criteria used to define disadvantaged communities and identify eligible applicants for loan forgiveness.**
- Apply additional subsidization available in FY 2022 Capitalization Grant.
- Promote and identify sustainable practices in projects proposed for funding.
- Comply with grant reporting conditions.
- Comply with EPA guidance on reporting under the Federal Funding Accountability and Transparency Act (FFATA).
- Comply with the EPA Signage Guidance.

Long-term goals also showcase a state’s priorities. In these examples, a desire to simplify and streamline applications is apparent, and note that Wisconsin’s short- and long-term goals highlight inventorying and replacing lead service lines.



North Carolina Department of Environmental Quality FY 2022-2023 [Draft IUP](#) for DWSRF Long-Term Goals

- Support the North Carolina goal of assuring safe and healthy drinking water for state residents and visitors with special emphasis on two subcategories of this goal:
 - Provide loans to eligible public water supply systems to address acute health risks as a priority.
 - Provide loans to eligible public water supply systems to allow consolidation of non-viable water systems with systems having adequate capacity.
- **Continue efforts to streamline the funding process** to ensure the funds are used in an expeditious and timely manner in accordance with the SDWA and applicable State laws as required by Section 1452(g)(3)(A) of the SDWA.
- Ensure the technical integrity of DWSRF projects through diligent and effective planning, design, and construction management.
- Ensure the long-term viability of the DWSRF program through effective financial practices.
- Ensure the priority system reflects the NCDEQ’s and the Authority’s goals.
- Provide technical and financial assistance to public water supply systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.
- Implement a capacity development strategy that may use innovative strategies and solutions to help public water supply systems improve compliance.



Wisconsin Department of Natural Resources FY 2022–2023 **Draft IUP** for DWSRF Long-Term Goals

- Assist public water systems in achieving and maintaining compliance with all applicable State and Federal drinking water requirements.
- **Facilitate distribution system materials inventories and the replacement of all remaining lead service lines, in their entirety, in the State of Wisconsin.**
- Protect the public health and environmental quality of the State of Wisconsin.
- Manage the state revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity.
- Monitor the progress of state programs and strategies in improving the ability of public water systems to provide safe drinking water.
- Maintain a program for ensuring that all public water systems are constructed, operated, maintained, and monitored properly.
- Protect drinking water supplies by integrating wellhead protection and source water protection efforts with other water and land use programs.
- Develop methods and mechanisms for measuring program effectiveness.



Iowa Department of Natural Resources FY 2023 **Final IUP** for DWSRF (Base Funding) Long-Term Goals

- Prioritize the provision of funds, to the extent practicable, to projects that address the most serious risk to human health and are necessary to ensure compliance with the national primary drinking water standards.
- Work with other state and federal agencies to coordinate water quality funding.
- **Apply program requirements that are simple and understandable and do not add unnecessary burdens to applicants or recipients.**
- Continue the option of extended financing terms for DWSRF infrastructure projects.
- Maintain mechanisms for funding the on-going administration of the program if federal funding is reduced or eliminated
- Manage the DWSRF to maximize its use and impact through sound financial management.
- Implement programs that effectively address water system needs and target appropriate audiences.

Use of Set-Asides

Set-asides are funds that a state may use from their capitalization grant for activities that are related to project support but are otherwise non-infrastructure related activities. A state's SRF IUP will specify what type of set-aside activities it plans to complete, and how much of each type of set-aside it will use. Set-aside categories include:

- Administration and technical assistance set-aside (up to 4% of capitalization grant)
- Small system training and technical assistance (up to 2% of capitalization grant)
- State program management (up to 10% of capitalization grant)

Jump to the [Technical Assistance section](#) for more details on how set-asides can be used for program administration and technical assistance.

The image to the right shows a description of Colorado's plan outlined in their [DWSRF 2022 IUP](#) to use the full set-aside amount for state program management.

STATE PROGRAM MANAGEMENT (10%)

Federal Fiscal Year 2021 - Requested Amount \$2,173,500

This amount covers administration of the state Public Water System Supervision (PWSS) program established in the EPA-approved state program management work plan.

Colorado intends to take the full set-aside amount.

Use of funds and expected accomplishments

A portion of this set-aside will be used to support staff to accomplish Safe Drinking Water Act program requirements including:

- Data management system upgrades and maintenance.
- Improved system communication resulting in compliance progress and attainment.
- Effective program oversight, compliance assurance, enforcement, rule adoption, regulatory development, public water system assistance and capacity development.
- Staffing for engineering, compliance assurance, compliance assistance, rule management, data management, enforcement, administration, sampling, SWAP support, sanitary surveys, program management, contract oversight, early rule implementation, training and technical assistance and for implementing a capacity development strategy.
- Computer acquisition and employee expenses including furniture, vehicles, operational costs and indirect costs.

Public Review & Comments

Public commenting processes should improve procedural justice, which is premised on the right of impacted communities to be fairly included in decision-making processes through inclusive and representative means. From an [environmental justice perspective](#), public policy should “be based on mutual respect and justice for all peoples, free from any form of discrimination or bias” and environmental justice communities have “the right to participate as equal partners at every level of decision-making, including needs assessment, planning, implementation, enforcement and evaluation.”

Historically, very few public comments have been submitted for draft IUPs in most states, partly because states do not widely announce opportunities for public comment. Timelines vary by state, and can even vary year to year within a state, so advocates must go through their state’s SRF administering agency staff or website to find out when public comment periods are held. Public engagement in the SRF process can be improved overall by developing direct relationships with state agencies responsible for administering SRFs in and outside of public comment periods. It is through this relationship building that advocates are more likely to move the needle on community engagement and public participation. Advocates can invite state SRF staff to meet with municipalities or utilities that you are working with, prepare comments and questions in advance, and ensure that meetings are accessible. Maintaining ongoing, consistent contact with state SRF program staff enables you to provide input and hold them accountable beyond the short public comment window.

State agencies are required to consider and respond to submitted comments!

EPIC [collects IUP comments](#) for both SRF programs nationwide. Get inspired by others and add your own to share with other SRF advocates. The more we share, the more we can strategize and learn together!

9. Public participation

To advertise the availability of the 2020 fall Draft DWSRF Funding List, we emailed stakeholders on the availability of the IUP. Stakeholders include all regulated water systems, consultants, operators, and state associations (such as water and sewer districts). We posted the IUP for public comment for 30 days on the DWSRF webpage:

doh.wa.gov/Portals/1/Documents/pubs/331-534.pdf

We did not receive any comments from stakeholders on the IUP. The Final IUP is posted on the DWSRF webpage at the above link.

This is an example of a state’s short description of their public participation outreach efforts. Note that community based organizations, city councils, and other local decision-makers are not included on their list of “stakeholders.” Source: WA DWSRF IUP 2021–2022.

In Wisconsin, organizations like Milwaukee Water Commons and Coalition on Lead Emergency (COLE), with support from Environmental Policy Innovation Center (EPIC), routinely schedule meetings with state SRF staff to push for their priorities related to improving the SRF ranking criteria. Check out some of [Milwaukee Water Commons](#) and [COLE's](#) comments.



BRENDA COLEY, CO-EXECUTIVE DIRECTOR OF MILWAUKEE WATER COMMONS, explains their approach:

“We needed to understand the mechanisms that get the money down to the utilities. And our research into Wisconsin’s SRF program was to uncover the components of getting lead out of water. We had never heard of this program, and we had no understanding of how the program worked or any of its bureaucratic issues... Milwaukee Water Commons committed capacity to researching Wisconsin’s SRF and we learned about the programs and the problematic issues from our point of view, the shift from grants to loans, and the impact of white flight and deindustrialization... There was a small window of opportunity for submitting public comments in Wisconsin’s Intended Use Plan. Milwaukee Water Commons drafted public comment on Wisconsin’s Drinking Water Intended Use Plan in 2021. Wisconsin’s Department of Natural Resources was not anticipating comments and did not have adequate time to make changes to the program. The comment window was really between two to three weeks.

DNR has received more comments in the last few years in their IUP than they have in the past 30 years. This short comment window did not leave

enough time for the Department to make any significant changes to the IUP, they felt doing so would disrupt the plans for the utilities that were already anticipating funds... We were expected to bring knowledge about this program, to advocate on behalf of the community, and to have solutions for the program, with no real transparency on how this program operates. We were expected to meet a level of urgency because of these federal dollars coming down—that was really beyond our capacity. And also expected to be understanding about the Agency’s capacity and lack of time to enact those changes. We would be in conversations with them and they would talk about their challenges, but they had no idea or no sensitivity to our challenges. It was not the partnership we were hoping to have. There was no accountability for the Department on not being prepared to take action on public comments... Milwaukee Water Commons and other Wisconsin allies were invited to meet with the Wisconsin DNR to discuss environmental justice and the SRF. They made changes to Wisconsin’s criteria for the distribution of principal forgiveness and a commitment to workforce equity, but these changes were not changes to the procedures that created barriers for community engagement...

In our view, procedural justice [would include] fairness around timelines for public input, more active community engagement and outreach, as well as transparent communication about what this program is and how it operates. There needs to be accountability for representative community engagement—we need to know if it happened... responsibility and trust to work with communities to create change.”



COMMUNITY ENGAGEMENT AND COMMUNITY-LED RESEARCH RESOURCES

Facilitating Power’s [The Spectrum of Community Engagement to Ownership](#)

River Network’s [Tool’s for Equitable Climate Resilience: Fostering Community-Led Research & Knowledge](#)

Southwest Environmental Finance Center created the [State Revolving Fund Switchboard](#) with financial support from Spring Point Partners. The Switchboard includes documentation and tools related to SRFs. You can locate your state’s DWSRF and CWSRF:

- Legislation
- Intended Use Plans (IUPs)
- Project Priority Lists (PPL)
- Annual Reports
- Loan Ranking Criteria

If you can’t find the most recent document you’re looking for using the Switchboard, try an online search for “state name” and “document and year,” such as “Virginia Drinking Water SRF Intended Use Plan 2023.” You can also [contact the relevant state agency SRF program staff](#).

