

Save the SRFs: MythBuster

Over the last three years, Congress has diverted \$3.73 billion in federal funding from the state-run Clean Water and Drinking Water State Revolving Funds (SRFs) to pay for Congressionally Directed Spending/Community Funded Projects (earmarks).

| Myths | Reality |
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| 1) Congressional earmarks offset cuts to the SRFs, so states are getting the same amount of annual federal funding. | Since earmarks returned in 2022, 36 states have experienced a net loss of federal funding for clean water and/or drinking water (SRFs plus congressional earmarks). |
| 2) Congress, not EPA, should pick SRF projects. | States, not EPA, pick SRF projects. Congress should fund congressional projects <u>in addition</u> to SRF state projects. |
| 3) The Infrastructure Investment and Jobs Act (IIJA) provides \$43 billion to the SRFs for clean water and drinking water infrastructure projects. | Nearly half the SRF funding in the IIJA – \$20 billion – is restricted and can't be used to rehabilitate, replace or modernize aging infrastructure. |
| 4) Federal funding in the IIJA is the same as annual federal funding. | Unlike annual federal funding, nearly half the supplemental SRF funding in the IIJA must be used for grants/principal forgiveness, significantly impacting the long-term lending power of the revolving loan programs. |
| 5) Cuts to annual federal funding for the SRFs have limited impacts. | Cuts to annual federal funding for the SRFs have a direct impact on: <ul style="list-style-type: none"> • Ability to generate the required state match (20%) • SRF subsidized interest rates and loan fees • Amount of grants/principal forgiveness available for economically disadvantaged communities • Funding for technical assistance for small communities, operator training, and source water protection • Leveraging (issuing bonds to fund more projects) |
| 6) It's not a problem now. | Utilities need to prepare <u>now</u> for the funding cliff when IIJA supplemental funding ends in two years. With less funding for SRF subsidized loans, utilities may need to begin the process of raising rates on household water bills to fund higher financing costs. |