



# The Louisiana Drinking Water State Revolving Fund: An Analysis with Recommendations

## Preface

### The State of Water Infrastructure

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

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

## Why and How This Project Came to Be

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

This project consists of two main phases:

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

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

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

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

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

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

## Acknowledgments

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

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# Abbreviations Sheet

**BIL** – Bipartisan Infrastructure Law  
**CBO** – Community-Based Organization  
**CWA** – Clean Water Act  
**CWNS** – Clean Water Needs Survey  
**CWSRF** – Clean Water State Revolving Fund  
**DAC** – Disadvantaged Community  
**DWINSAs** – Drinking Water Infrastructure Needs Survey and Assessment  
**DWSRF** – Drinking Water State Revolving Fund  
**EC** – Emerging Contaminants  
**EPA** – Environmental Protection Agency  
**EPIC** – Environmental Policy Innovation Center  
**EET List** – Enforcement Targeting Tool List  
**EJScreen** – Environmental Justice Screening Tool  
**FFY** – Federal Fiscal Year  
**IIJA** – Infrastructure Investment and Jobs Act  
**ITEP** – Industrial Tax Exemption Program  
**IUP** – Intended Use Plan  
**LDEQ** – Louisiana Department of Environmental Quality  
**LDH** – Louisiana Department of Health  
**LWWJFC** – Louisiana Waste Water Joint Funding Committee  
**MCL** – Maximum Contaminant Level  
**MHI** – Median Household Income  
**OSDS** – On-Site Disposal Systems  
**PFAS** – Per- and Polyfluorinated Substances  
**PWSS** – Public Water Supply Supervision Program  
**RWIC** – Rural Water Infrastructure Committee  
**SDWA** – Safe Drinking Water Act  
**SRF** – State Revolving Fund

# Introduction

This memorandum analyzes key components of the state policy framework for Louisiana’s Clean Water State Revolving Fund (**CWSRF**). While funding to capitalize the CWSRF is provided by federal appropriations, the policies that determine the projects and communities that are prioritized to receive funding—including which communities receive additional subsidies in addition to low-interest loans—are determined at the state level.

This memo explains key components of the state policy framework of interest to community-based organizations and other organizations working on environmental and equity issues in Louisiana. It is intended to provide guidance to state advocates in their efforts to engage state administrators to make the allocation of Louisiana’s CWSRF more equitable and to build the resilience of Louisiana communities, particularly low-wealth and historically underserved communities in the state.

The Intended Use Plans (**IUPs**) are the key policy documents that outline how each state will use BIL SRFs and base SRF grants (appropriated by Congress each year). This memorandum focuses on Louisiana’s most recent IUPs (2023, 2024), with reference to relevant statutes and regulations as well.

## Background

In 1996, as an amendment to the [Safe Drinking Water Act](#) of 1976 (**SDWA**), Congress established the Drinking Water [State Revolving Loan Fund](#) (**DWSRF**) to be administered by the Environmental Protection Agency (**EPA**). This program provides financial assistance to help states and drinking water systems carry out projects to provide clean, safe drinking water to communities.

Every year, Congress appropriates funding to EPA to award base capitalization grants to each state. These grants are awarded based on the most recent [Drinking Water Infrastructure Needs Survey and Assessment](#) (**DWINSAs**). A DWINSA is conducted once every four years using survey data received directly from drinking water systems.

In order to receive funding, each state must submit an annual Intended Use Plan (**IUP**) to EPA that demonstrates the state’s needs, goals, and intended uses of funding to improve drinking water infrastructure and ensure compliance with regulations.

Note also that state matching funds are also required, which is 20% of the capitalization grant under base funding. State matching funds are generally acquired through the sale of state revenue bonds.

While some communities may access additional subsidies often provided as grants or forgivable loans, the majority of funding is used directly for below-market interest rate loans to drinking water systems for capital improvement projects. Eligible projects include improvement of drinking water treatment, drinking water infrastructure repairs and construction, and other measures that protect the public drinking water supply. In addition to loans and additional subsidies, a state can set aside up to 31% of each year’s grant for administration of the program.

Over the term of the loan, drinking water systems pay back their loans with interest. That money is then directly invested back into the program to be used for other low-interest or principal forgiveness loans, hence the term “state revolving fund.”

In 2021, BIL created the largest investment in drinking water infrastructure seen in the United States, with [approximately \\$6.14 billion annually over five years](#) in supplemental appropriations allocated to the DWSRF program. With this significant investment comes great responsibility for state agencies to use funding wisely and in a manner that benefits communities most in need.

## I. Key Links

- Name of program: [Louisiana Drinking Water Revolving Loan Fund](#)
- Administering agency: [Louisiana Department of Health](#)
- Key documents:
  - [SFY22 Intended Use Plan for Louisiana’s Drinking Water Revolving Loan Fund](#): This formal policy document explains how Louisiana intends to distribute 2022 federal SRF appropriations.
  - [Louisiana’s DWSRF 2022 Intended Use Plan](#)
  - [Louisiana’s DWSRF 2022 BIL Intended Use Plan](#)
  - [LDH 2022 DWSRF Annual Report](#)
  - [Louisiana DWSRF BIL Funding Brief](#)

- State statute authorizing the Louisiana Drinking Water Revolving Loan Fund: [R.S. 40:2821 et. seq.](#)
- Other resources / links:
  - [EPA's BIL State Revolving Funds Implementation Memorandum](#)
  - [EPA's Enhancing Public Awareness of SRF Assistance Agreements](#)
  - [EPA's DWSRF Disadvantaged Communities Definitions: A Reference for States](#)

## II. Issues of Concern for Historically Underserved Communities

The South, including Louisiana, has a deep-rooted history of injustices toward Black, Brown, and Indigenous people and low-income communities. These injustices have pervaded many areas of life, including access to safe, affordable drinking water.

Water bills across the country have [increased by 43%](#) over the last decade. New Orleans, a majority-Black city with [nearly 24%](#) of its population living in poverty, ranks number one in the nation for most unaffordable water bills for low-income residents. [Almost 80%](#) of low-income residents in New Orleans cannot afford to pay for clean, safe drinking water.

Increased water rates and lack of drinking water infrastructure improvements are directly tied to federal disinvestment in water infrastructure over the last half century. This lack of investment coupled with the impacts of climate change have resulted in poor drinking water quality, noncompliance issues, saltwater intrusion and industrial contamination of source waters, antiquated infrastructure, lack of access to potable water, increased Boil Water Advisories, and foul-smelling, discolored water coming out of taps across the state.

These issues affect all residents of Louisiana but particularly burden communities of color and low-income communities throughout the state. While actions have been taken to address racial and economic injustices related to drinking water, established policies must ensure their permanence and efficacy. This includes Louisiana's Drinking Water Revolving Loan Fund.

## III. Key Recommendations

Analysis of Louisiana's DWSRF program shows room for improvement in at least four specific areas:

1. Increase public transparency and accountability, including timely posting of all up-to-date IUPs on the program's website and enhancing the public input process to increase awareness and participation;
2. Properly utilize the program's available funds—over \$156,000,000—to ensure as many community project needs as possible are met, including increasing set-aside funding for technical assistance and offering planning loans;
3. Develop a more robust and refined definition of disadvantaged communities that adequately captures the most vulnerable and in-need communities; and
4. Rework project priority points to more accurately assess each project's benefits to the community.

These four areas of improvement are considered feasible to implement through Louisiana's DWSRF program administration and do not require amendments to state statutes or regulations. A list of all recommendations is available at the end of this document.

## IV. 2022 Intended Use Plan

### A. Primary Goals

**Louisiana's DWSRF program has three primary objectives:**

1. Provide technical and financial assistance to eligible public water systems confronted with the most serious drinking water public health risks;
2. Ensure that the assistance provided helps systems come into or maintain compliance with the SDWA; and
3. Operate the DWSRF as a permanent funding program to provide low-cost assistance to eligible systems into the foreseeable future.

**Louisiana's DWSRF program has eight long-term goals:**

1. Assist water systems in achieving and maintaining health and compliance objectives of the SDWA by providing below-market-rate loans to fund infrastructure needs in a prioritized manner;
2. Promote the efficient use of all funds, and ensure that the Fund corpus is available in perpetuity for providing financial assistance to public water systems;
3. Use the DWSRF set-aside funds strategically and in coordination with the program loans to maximize the account's impact on achieving affordable compliance and public health protection;
4. Promote the development of the technical, managerial, and financial capability of all public water systems to maintain or come into compliance with state drinking water and federal SDWA requirements;
5. Provide needed investment in green and energy-efficient technology;
6. Make water systems more water efficient to ensure the continued availability of sufficient quantities of safe drinking water for future generations of the state;
7. Invest in infrastructure that will provide long term economic and environmental benefits to public water systems; and
8. Provide the maximum amount of allowed assistance to disadvantaged communities across the state.

**Louisiana's DWSRF program has ten short-term goals for the annual capitalization grant:**

1. Develop policies and procedures that help expedite project draws to expend the 2022 federal fiscal year (FFY22) grant within two years of the award;
2. Enter into seven binding commitments by the end of state fiscal year 2023 (SFY23) totaling \$10,155,242;
3. Close seven loans totaling approximately \$10,155,242 during SFY23 (the population total for these projects is approximately 32,700);
4. Maintain our fund utilization rate at 85%;
5. Provide at least 35% of the available DWSRF loan funds in SFY22 to assist public water systems, which regularly serve fewer than 10,000 persons to the extent that there

are sufficient projects eligible and ready to receive such assistance;

6. Promote the benefits of the program to as many water systems as possible to assure equitable distribution of available financing resources;
7. Apply for the FFY24 capitalization grant before the close of state fiscal year 2022;
8. Provide expedited financial aid to those systems qualifying as disadvantaged community systems;
9. Continue to partner with other funding agencies by jointly funding projects to assist public water systems; and
10. Maximize our principal forgiveness funds to ensure that as many communities as possible across the state can be helped in the current economic environment.

**Louisiana's DWSRF program has nine short-term goals for the BIL capitalization grant:**

1. Develop policies and procedures that help expedite BIL funds in a timely manner, consistent with law, regulation, and guidance;
2. Enter into nine binding commitments by the end of SFY23 totaling \$42,852,000 for the General Supplemental grant;
3. Enter into six binding commitments by the end of SFY23 totaling \$12,490,000 for the Emerging Contaminants grant;
4. Continue to perform outreach and promote the BIL grant for Lead Service Line Removal for potential applicants;
5. Maintain our fund utilization rate at 85%;
6. Provide at least 35% of the available DWSRF loan funds in SFY22 to assist public water systems, which regularly serve fewer than 10,000 persons to the extent that there are sufficient projects eligible and ready to receive such assistance;
7. Promote the benefits of the program to as many water systems as possible to assure fair and equitable distribution of available financing resources to disadvantaged communities;
8. Apply for FFY24 BIL capitalization grants before the close of SFY23; and
9. Provide expedited financial aid to those systems qualifying as disadvantaged community systems.

## B. Funding

The Louisiana Department of Health (**LDH**) administers the DWSRF program. Since the inception of the DWSRF program in 1996, Louisiana has accrued over \$740 million in funds from annual capitalization grants, loan repayments, and state matching funds. Approximately \$50 million of this has been used as set-asides, \$61 million has been used to repay and retire state matching bonds, and \$502 million has been loaned to drinking water systems. Approximately \$157 million is available for new loans.

In FFY22, Louisiana's base DWSRF program received \$10,489,000 in its annual capitalization grant with a 20 percent state match of \$3,200,000. In addition, it received \$80,681,000 in BIL capitalization grants: \$26,930,000 for the general supplement fund with a 10%state match of \$2,693,000 and \$11,308,000 for the emerging contaminant supplemental fund. Further Louisiana was allocated \$42,433,000 for the lead service line replacement supplemental fund, however, as of August 2023, Louisiana's DWSRF has not applied to EPA for BIL lead service line replacement funds, citing a lack of project applications.

## C. Interest Rates and Administrative Fees

Interest rates and administrative fees for the Louisiana DWSRF are established by the Secretary of LDH. Bond attorneys are hired to advise the Secretary on the most appropriate below-market-value interest rates based on current market data and are calculated based on credit worthiness, corporate structure, size, and existing debt.

The FFY 2022 interest rate was set at 1.95% and an administrative fee was set at 0.5%. Loans may cover up to 100 percent of eligible project expenses, up to 30% of available DWSRF funds for that year, with long-term financing up to 30 years.

Administrative fees collected are accounted for separately from the DWSRF program.

## D. Eligible Entities and Projects

Publicly-owned, privately-owned, and nonprofit-owned drinking water systems are eligible to receive loans. Publicly-owned and nonprofit-owned systems are eligible for refinancing at the end of their loan, which has only occurred once since the inception of the program. Privately-owned systems are ineligible for refinancing.

Eligible projects include:

1. Construction or upgrade of treatment facilities;
2. Replacement of contaminated sources with new water sources;
3. Installation or upgrade of disinfection facilities;
4. Restructuring or acquisition and interconnection of systems to address technical, financial, and managerial capacity issues;
5. Planning and engineering associated with eligible projects;
6. Replacement of aging infrastructure;
7. Transmission lines and finished water storage;
8. Distribution system replacement/rehabilitation;
9. Acquisition of land that is integral to an SRF eligible project;
10. Refinancing eligible projects where debt was incurred after July 1, 1993; and
11. Other projects necessary to address compliance and enforcement issues.

**Eligibility is based on four categorical capacity assessments:**

1. **Technical Capacity:** Water systems must show that their source water supply, infrastructure, and technical knowledge to operate and maintain the system are efficient.
2. **Financial Capacity:** Water systems must show that they have sufficient revenues to cover necessary costs and are credit-worthy.
3. **Managerial Capacity:** Water systems must show that management personnel are qualified to respond to daily operations, regulations, and emergencies.
4. **Long-term Capacity:** Water systems must show that a long-term plan to undertake feasible and appropriate changes in operations necessary can develop adequate capacity.

## E. Set-Asides

Louisiana's DWSRF program allocated \$2,755,000 for set-aside activities; \$1,966,788 from FFY22 annual capitalization grant funds (approximately 18.75% of the allowable 31% for set-asides) and \$788,212 from prior capitalization grants. It did not use any BIL grant money for set-aside activities, allowing 100% of funds to be used for low-interest and principal forgiveness loans.

Set-aside activities include program administration, technical assistance to small drinking water systems, implementation of the state's capacity development program, state program management, and local assistance and other state programs.

Program administration funds are used to pay staff salaries and provide supplies, training, and staff support. Technical assistance funds are used to pay personnel and assistance providers; assist with facility compliance, particularly from Total Coliform; review, identify, and evaluate source water problems and drinking water needs; assist with applications for the DWSRF program; and locating and procuring additional funding for projects. State program management funds are used to implement the Public Water Supply Supervision (PWSS) program and assist the Office of Public Health with implementing an operator certification program. State capacity development funds and other local assistance funds are used to pay staff and contractors to provide public water systems with technical, financial, and managerial support.

Louisiana's DWSRF program has chosen not to set aside funding for the Green Project Reserve at this time. This has increased the amount of funding available for all projects, including green projects.

## F. Principal Forgiveness Loans

No less than 49% of BIL general supplemental and BIL lead service line funds will go toward principal forgiveness loans for disadvantaged communities. No less than 100% of BIL emerging contaminant funds will go toward principal forgiveness loans for disadvantaged communities.

Thirty-five percent of FFY22 annual base capitalization grant funds will be applied to additional subsidies for disadvantaged communities. Individual projects in disadvantaged communities will receive between 30-100% in principal forgiveness loans.

To meet BIL requirements of 49% in additional subsidies to disadvantaged communities, 14% of FFY22 BIL grant funds will go toward consolidating water systems not in compliance with SDWA regulations. These projects, under the newly formed Public Health Water Infrastructure Consolidation Initiative will receive 100% principal forgiveness loans.

## G. Disadvantaged Communities

Louisiana's DWSRF defines a disadvantaged community (DAC) as meeting any one of the following:

1. The public water system is located in a state where the median household income is below the national median household income of the United States according to the U.S. Census Bureau.
2. Assistance is necessary to resolve noncompliance issues with the SDWA that have resulted in being placed on the EET list or receiving an Administrative Order issued against the water system.
3. The public water system serves a community with a population under 10,000.

If an entire system meets any of these criteria, then it is eligible for DAC funding.

## H. Project Priorities List

Louisiana's DWSRF project priority system evaluates four principal elements:

1. Elimination of adverse public health effects;
2. Unacceptable/undesirable physical conditions;
3. Environmental criteria; and
4. Affordability criteria.

Six categories are used to determine project priority:

1. **Compliance History:** Evaluated by reviewing the SDWA maximum contaminant level (MCL) violations assessed in the last eight quarterly reports
2. **System Consolidation:** Examines the population that is proposed to be absorbed into the subject system from other public water systems



3. **Affordability:** Priority points will be awarded to projects in which the service area lies within a census tract where the Median Household Income is 25% or more below the state average
4. **Physical Conditions:** Priority points will be awarded to projects that correct specific, existing physical conditions
5. **Sanitary Code Violations:** Priority points may be awarded to projects that correct systems in violation of the Sanitary Code.
6. **Other Considerations:**
  - a. Project represents part of a new multiyear, multiphase project or a project that has received prior DWSRF funding and is a loan in good standing.
  - b. Project has also secured a partial project funding commitment from another source.
  - c. Priority points may be reduced if the project addresses problems which could be resolved by normal repair and maintenance.
  - d. Priority points may be reduced if the project includes work that is not necessary to address the stated public health problem.

Projects are scored, and two lists are created: 1) the Comprehensive Priority List and 2) the Fundable List. Projects on the Fundable List are estimated to close by the end of the fiscal year. However, a project on the Fundable List may be bypassed and removed from consideration during the funding year because of failure to meet all program requirements.

## I. Application Process

Louisiana's DWSRF application is a multistep process. First, all eligible systems are solicited for proposals. Systems that wish to apply must submit a Project Priority Criteria Worksheet and a System Improvement Plan (SIP) Selected Plan Description, including the latest Sanitary Survey and any violations, Administrative Orders, and Boil Advisories over the last three years.

These preapplications are rated and selected for either the Comprehensive Priority List and Fundable List or rejected. Applicants on both lists are invited to submit full applications on a rolling basis that include a loan application form, environmental review checklist, resolution, site certification or title, agreements for professional services, approved business

plan, and the approved SIP.

Projects on the Fundable List are given priority, but projects on the Comprehensive Priority List may be moved to the Fundable List and given priority over other projects if they are ready to break ground and have submitted all necessary documents or are emergency-based.

## J. Public Input Process

Louisiana's DWSRF hosts one in-person public hearing in Baton Rouge and allows 30 days for comment on the DWSRF IUP, which includes the Fundable List of projects.

## V. Key Findings

1. **Louisiana's DWSRF IUPs Are Generally Publicly Inaccessible.** While the program website lists IUPs from past years, the 2022 BIL IUP is not linked on the website, nor are any of the 2023 IUPs, as of November 2023. A grave lack of transparency hinders public trust, community awareness, and program accountability.
2. **Louisiana's DWSRF Program Is Far Behind in Utilizing Funds for Projects.** The Louisiana DWSRF program has accumulated a large amount of funding since the inception of the program. Low-interest loan rates are in line with other states, and project eligibility meets the requirements outlined in the SDWA. Additionally, Louisiana's DWSRF program allots the maximum amount of principal forgiveness loans and additional subsidies required by federal law. The 2022 IUP utilized only 18.75% of the allowable 31% in set-aside funding for program administration and activities, increasing the amount of funding available for project loans. In the IUP, the Comprehensive List of Applicants — those who have applied for a loan — documents approximately \$172 million in requested project funding. However, the Fundable List of Applicants documents only \$10.155 million in approved loans. Upon closing of State Fiscal Year 2023 loans, \$157 million dollars in available loan funds are untouched. This discrepancy highlights a dire need for more outreach and technical assistance from program managers and staff to help communities resolve application issues so they are able to move from the Comprehensive List of Applicants to the Fundable List. Planning grants should be considered to help high ranking projects move from the Comprehensive List to the Fundable List.

3. **System Compliance With The SDWA Is a Top Priority.** This is acknowledged in several areas of the IUP, including DWSRF objectives, long-term goals, funding opportunities, and project priority status. In particular, one of the key defining factors for a disadvantaged community is a water system not in compliance with the SDWA. The Louisiana DWSRF gives project priority points, additional subsidies, and 100 percent principal forgiveness loans to projects that resolve noncompliance issues.
4. **Formula for Principal Forgiveness Loans to Disadvantaged Communities Is Unclear.** The Louisiana IUP states that an entity must meet one of the three disadvantaged community eligibility requirements to receive principal forgiveness, with up to 100% principal forgiveness given to projects with a priority to those that resolve noncompliance or consolidate water systems. However, for eligible projects that do not resolve compliance mandates or consolidate water systems, it is unclear how the amount of principal forgiveness given is determined, allocated, and distributed. Further, although under the base DWSRF program, only up to 14% of the base federal capitalization grant can be provided as additional subsidization to any eligible recipient, Louisiana states that 35% of the Capitalization Grant dollars will be targeted for additional subsidies to any eligible recipient, while at least \$1,258,680 or 12% up to \$3,671,150 or 35% of \$10,489,000 shall be used to provide additional subsidy to eligible disadvantaged communities. This represents a discrepancy between the stated DWSRF rules and policy decisions articulated in the IUP.
5. **Priority to Assist Small Water Systems Is Not Necessarily Equitable.** The SDWA allows up to 2% of annual capitalization grants to be used for small system technical assistance through set-aside funds. Louisiana's DWSRF has applied the full two percent of funds to provide facility compliance, complete needs assessments, and secure additional funding. As with systems not in compliance, a key defining factor for a disadvantaged community is a water system that serves less than 10,000 residents. In addition, if two projects score the same number of project priority points, the smaller system will be prioritized. According to EPA's DWSRF Assistance to Disadvantaged Communities Summary for States, "small communities do not always struggle with affordability, and some may be wealthy areas that can afford higher costs."
6. **Lack of Incentives for Louisiana Workforce Development.** Listed on the Louisiana CWSRF program website are virtually no tools or training opportunities to enhance Louisiana's clean water workforce or open pathways to employment for Louisiana residents and youth. Also missing are requirements or incentives for applicants to support Louisiana workforce development by hiring project contractors and workers that live in Louisiana.
7. **Lack of Emphasis on Energy Efficiency.** Projects are given priority points for violations, consolidation, affordability, compliance, water efficiency, asbestos and lead mitigation, meter replacement or repair, source capacity and point source discharge, and new connections to water systems. It does not specifically give project priority points to projects that increase energy efficiency, such as renewable power sources. These projects could impact both energy efficiency, long-term capacity development, sustainability, and affordability. Further, EPA's Combined SRF Implementation Memo strongly encourages states to fund projects that "support climate adaptation" and a "drive toward energy efficiency and climate smart water systems." However, we do not see prioritization of these projects provided in the Louisiana DWSRF IUP.
8. **The Disadvantaged Community Definition Is Not Comprehensive.** The current criteria includes small water systems, water systems that serve populations with 25% below the national median household income level, and water systems not in compliance with the SDWA. This definition does not specifically address water rates, poverty rates, or environmental justice concerns for people of color or communities that live in high pollution zones — which should be a priority for the state.  
  
First, projects that allow drinking water systems to come into compliance with the SDWA should remain a priority, but they should not be included in the definition of a disadvantaged community. LDH's innovative new grading system for water utilities recently gave 309 water systems (33% of all graded water systems) C, D, and F grades, which include noncompliance issues. Funding will be spread too thinly across projects to assist all water systems with compliance through principal forgiveness loans.  
  
Further, using median household income as an indicator of affordability "may obscure the prevalence of households in poverty, especially in communities with a skewed or wide income distribution" and "does not capture whether

a subset of the community's population might struggle with rate increases associated with existing or new water infrastructure debt" or "whether the actual cost of water paid by customers is affordable," according to EPA's [DWSRF Disadvantaged Community Definitions: A Reference for States](#).

9. **Lack of Technical Assistance for Disadvantaged Communities Beyond Small Water Systems.** Louisiana's DWSRF set-aside funds include only \$750,000 in technical, financial, or managerial assistance for local water systems beyond small systems. Louisiana's DWSRF does not explicitly address technical, financial, or managerial assistance for larger water systems in disadvantaged communities. It is entirely possible for larger water systems to need these types of assistance and program support, including support to navigate the extensive application process for a DWSRF loan.
10. **Public Participation and Input Is Lacking.** The application process is extensive but does not encourage public participation in project design, planning, and construction. Requirements for application do not mandate community meetings to facilitate communication between residents and project managers to increase community awareness or ensure the needs of the community are being met. In addition, circulating notices of a public hearing on Louisiana's DWSRF IUP in the Baton Rouge Advocate and hosting one in-person public hearing in Baton Rouge are acts that do not encourage adequate public participation in the IUP process across the state. According to meeting minutes for both 2022 IUP public hearings, not a single person showed up. This has been the case for many years. EPA's [Combined SRF Implementation Memo](#) strongly encourages state agencies to "foster a spirit of openness and mutual trust between the state and the public" and "use all feasible means to create opportunities for public participation, and to stimulate and support public participation."

## VI. Recommendations

1. Promptly add all drafted and finalized IUPs on the Louisiana DWSRF program website to increase transparency and accessibility.
2. Expand the utilization of technical assistance funding, especially under the BIL programs, to help communities proceed with their projects and move projects to the Fundable List. This includes increasing outreach to ensure

disadvantaged communities have the expertise, resources, and support needed to apply for a loan, and may be best accomplished through a third party nonprofit that can provide technical assistance.

3. Establish a planning grant or low-interest loan program to help communities plan and apply for projects. This program can help move projects from the Comprehensive List of Applicants to the Fundable List, particularly projects in communities that do not have the initial resources to become shovel-ready. Once a project receives its loan for construction, a portion of those received funds can be used to pay back the planning loan.
4. Assist public water systems with maintaining up-to-date and accurate records of needs and completing the DWINSA survey every four years. This will ensure the appropriate amount of available funding is received by the Louisiana DWSRF program.
5. Add workforce development training and apprenticeships to the list of fundable technical assistance activities provided to water systems to support employment of Louisiana residents.
6. Encourage loan applicants to state their intent to hire contractors, project managers, construction workers, and other staff that live in Louisiana to promote Louisiana's workforce development.
7. Add project priority points for energy efficiency, poverty rate of the population served, water affordability rate for the population served, and addressing environmental justice concerns to the Louisiana DWRLF Project Priority Criteria Worksheet.
8. Prioritize principal forgiveness loan funds for disadvantaged communities by converting to a scaled point model, ranking public water systems that meet the definition of a disadvantaged community by weighing all factors to ensure the most disadvantaged communities' needs are met first, and explicitly state in the IUP how the amount of principal forgiveness is calculated.
  - Replace water systems where the median household income is below the national median household income of the United States with "water systems that serve a population with a poverty rate above 19 percent."
  - Add water systems for which water rates account for 2% of the community's median household income.

- Add water systems in areas that experience disproportionately higher rates of pollution, climate change impacts, and health issues. These can be assessed using the EPA's Environmental Justice Screening Tools ([EJScreen<sup>1</sup>](#)) or the Climate and Economic Justice Screening Tool ([CEJST<sup>2</sup>](#)).
9. Ensure that no more than 14% of additional subsidy goes towards any eligible applicant under the base program, while 12-35% of additional subsidy goes towards disadvantaged communities. The state should consider maximizing the amount of principal forgiveness available for disadvantaged communities.
  10. Explicitly state the types of technical, financial, and managerial assistance available to water systems in disadvantaged communities, including assistance with applications.
  11. Require pre-applicants to conduct at least one public meeting in the community where a project takes place to explain the project, answer questions, and solicit feedback from community members. Require pre-applicants and approved applicants to inform community members of any public meetings or project changes.
  12. Create an option to attend Louisiana's DWSRF IUP public hearing virtually. Promote the public hearing through multiple channels, including the LDH DWSRF website, newspapers around the state, email notifications, and social media, and conduct public webinars to explain the program and IUP.

## VII. Contact Louisiana Department of Environmental Quality

- **DWSRF Program Manager:** Joel McKenzie, [joel.mckenzie@la.gov](mailto:joel.mckenzie@la.gov)
- **DWSRF Loan Coordinator:** Carrie Creel, [carrie.creel@la.gov](mailto:carrie.creel@la.gov)
- **DWSRF Program Engineer:** Dan MacDonald, dan.[macdonald@la.gov](mailto:macdonald@la.gov)
- **DWSRF Technical Assistance Phone #:** (225) 342-7499
- **DWSRF Mailing Address:** Drinking Water Revolving Loan Fund Program, Office of Public Health, Department of Health, P.O. Box 4489, Baton Rouge, LA 70821
- **LDH Mailing Address:** Louisiana Department of Health, P.O. Box 629, Baton Rouge, LA 70821
- **LDH Physical Address:** 628 N. 4th Street, Baton Rouge, LA 70802
- **LDH Main Phone #:** (225) 342-9500
- **LDH Fax #:** (225) 342-5568

## End Notes

1. EJScreen reconstruction accessed Feb 25, 2025. Tool accessible on this site: <https://screening-tools.com/epa-ejscreen>.
2. CJEST reconstruction accessed Feb 25, 2025. Tool accessible on this site: <https://screening-tools.com/climate-economic-justice-screening-tool>.

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