



# Texas Southern State Revolving Fund (SRF) Program Fact Sheets

## Preface

### The State of Water Infrastructure

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

The Bipartisan Infrastructure Law (BIL), passed in November of 2021, was the single largest federal investment in water infrastructure to date. Of the \$55 billion to be administered by the Environmental Protection Agency (EPA), \$43 billion is being distributed through the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) over Federal Fiscal Year (FFY) 2022-2026. Although 49% of these funds must be distributed to “disadvantaged communities” as grants or forgivable loans (rather than loans that need to be repaid), communities with the greatest need

[still face several barriers](#) in accessing these funds. Interventions to address these barriers include reforms to State Revolving Fund (SRF) policies that determine how SRF funds are allocated to communities within each state.

### Why and How This Project Came to Be

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

This project consists of two main phases:

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

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

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

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

## Acknowledgments

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

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

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

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# How to Get Involved in the State Revolving Fund (SRF) Advocacy in Texas

## 1. Understand Key Departments and Programs

- **Texas Water Development Board (TWDB)**
  - Administers the Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF) general programs, Lead Service Line Replacement (LSLR), and Emerging Contaminants (EC) programs.
- **Texas Commission on Environmental Quality (TCEQ)**
  - Provides support to TWDB for technical assistance and project rating.

## 2. Stay Informed Through Public Notices

Find Public Notices on the TWDB's website under Request for Public Input.

Engage by providing comments on annual Intended Use Plans (IUPs). These plans outline the state's fund administration for the fiscal year and are finalized after notice and a public comment period.

## Drinking Water State Revolving Fund (DWSRF) Program (SFY 24)

### Overview

- Purpose: Provide low-cost financial assistance through loans and principal forgiveness for planning, acquisition, design, and construction of water infrastructure projects (e.g., mitigating water loss, upgrading or replacing water systems, consolidation projects, source water protection projects, etc.).

### Eligibility

- Existing community Public Water Systems (PWSs) including political subdivisions, nonprofit water supply corporations, and privately owned community water systems; nonprofit, noncommunity public water systems; and state agencies

## Assistance Types and Terms

- Standard loans (up to \$49 million) with a maximum repayment period of 30 years and an interest rate reduction of 35% for equivalency projects and 30% for non-equivalency projects
  - Loans for prioritized urgent need projects, projects in disadvantaged communities, and loans for asset management plans for small systems will receive 0% interest rates with a 2% origination fee
- Principal forgiveness (PF) (up to \$10 million) for disadvantaged communities (70% of project costs with an additional \$1,000,000 available for small/rural disadvantaged communities), green projects (up to 15% green costs), small systems (\$400,000 per project), and urgent need projects (up to \$800,000 per project/entity)

## Disadvantaged Communities (DACs)

- Eligible applicants must have an Annual Median Household Income (AMHI) of less than or equal to 75% statewide AMHI and meet the TWDB's Household Cost Factor (HCF) thresholds
- Eligible to receive favorable financing through principal forgiveness
- Receive favorable prioritization through extra rating points
- Disadvantaged small rural communities are also eligible for 0% interest financing for loans

## Project Rating

- Projects are rated or prioritized to address health and compliance issues, promote effective management, and incentivize funding in disadvantaged communities.
- Source water protection projects are prioritized using a separate rating system as funds are set aside to ensure investments in these projects.
  - Projects are rated to address source water vulnerability, incentivize effective management, and promote projects in disadvantaged communities

## Key Recommendations

- **Revise DAC Policies:**

- Create a DAC Score where different factors are weighted to provide points to applicants, which should be then used to determine the amount of principal forgiveness and project rating
- Replace HCF with a metric that combines the Household Burden Indicator and Poverty Prevalence Indicator to better prioritize PF for communities with affordability concerns
- Change the geographic scope used to determine DAC eligibility from applicant service area to project service area
- Instead of a flat 70% PF for DACs, provide a sliding scale for the amount of PF using DAC Score, with more disadvantaged communities being eligible for more PF—up to 100% PF for projects that can't otherwise afford it

- **Revise Project Rating:**

- Provide a sliding scale to provide more project rating points for DACs, affordability, green projects, and vulnerability using the CDC's Social Vulnerability Index
- Include a project rating criterion for projects that invest in workforce development

- **Technical Assistance and Administration:**

- *Increase Use of Set-aside Funding under the Local Assistance Program for DWSRF closer to the 15% maximum amount*

- **Program Accessibility and Transparency:**

- Track project withdrawals in the Annual Report when lower ranking projects bypass higher ranking projects
- Provide planning loans to high ranking projects that are not ready to proceed
- Extend the public comment period to 30 days notice and comment

## Clean Water State Revolving Fund (CWSRF) Program (SFY 24)

### Overview

- **Purpose:** Provide low cost financial assistance for planning, acquisition, design, and construction of wastewater, reuse, and stormwater infrastructure (e.g., creating or improving wastewater treatment facilities, managing, reducing, treating, or recapturing stormwater or subsurface drainage water, purchasing existing wastewater treatment plants, estuary management projects, etc.).

### Eligibility

- Eligible applicants for the CWSRF program include cities, counties, districts, river authorities, designated management agencies, authorized Indian tribal organizations, and public and private entities proposing nonpoint source or estuary management projects

### Assistance Types and Terms

- Standard loans (up to \$49 million) with a maximum repayment period of 30 years and an interest rate reduction of 40% for equivalency projects and 35% for non-equivalency projects
  - Loans for prioritized urgent need projects, projects in disadvantaged communities, and loans for asset management plans for small systems will receive 0% interest rates with a 1.75% origination fee
- Principal forgiveness (PF) (up to \$10 million) for disadvantaged communities (70% of project costs with an additional \$1,000,000 available for small/rural disadvantaged communities), green projects (up to 15% green costs), small systems (\$400,000 per project), and urgent need projects (up to \$800,000 per project/entity)

## Disadvantaged Communities (DACs)

- Eligible applicants must have an Annual Median Household Income (AMHI) of less than or equal to 75% statewide AMHI and meet the TWDB's Household Cost Factor (HCF) thresholds
- Eligible to receive favorable financing through principal forgiveness
- Receive favorable prioritization through extra rating points
- Disadvantaged small rural communities are also eligible for 0% interest financing for loans

## Project Rating

- Projects are rated or prioritized to address water quality and enforcement issues, promote effective management, and incentivize funding in disadvantaged communities
- Nonpoint source projects are prioritized using a separate rating system as funds are set aside to ensure investments in these projects
  - Projects are rated to address threatened or impaired waters, promote the use of Watershed Protection Plans, and include stream bank restoration or Low Impact Development elements

## Key Recommendations

- **Revise DAC Policies:**
  - Create a DAC Score where different factors are weighted to provide points to applicants, which should be then used to determine the amount of principal forgiveness and project rating
  - Replace HCF with a metric that combines the Household Burden Indicator and Poverty Prevalence Indicator to better prioritize PF for communities with affordability concerns
  - Change the geographic scope used to determine DAC eligibility from applicant service area to project service area
  - Instead of a flat 70% PF for DACs, provide a sliding scale for the amount of PF given using DAC Score, with more disadvantaged communities being eligible for more PF—up to 100% PF for projects that can't otherwise afford it

- **Revise Project Rating:**
  - Provide a sliding scale to provide more project rating points for DACs using DAC Score, green projects, and affordability
  - Include a project rating criterion for projects that invest in workforce development based on EPA's EJScreen
- **Technical Assistance and Administration:**
  - *Increase Use of Set-aside Funding under the Local Assistance Program for DWSRF closer to the 15% maximum amount*
- **Program Accessibility and Transparency:**
  - Track project withdrawals in the Annual Report when lower ranking projects bypass higher ranking projects
  - Provide planning loans to high ranking projects that are not ready to proceed
  - Extend the public comment period to 30 days notice and comment

## DWSRF Lead Service Line Replacement (LSLR) Program

### Overview

- **Purpose:** Identifying, planning, designing, and replacing entire lead service lines including the development or updating of lead service line inventories and nonroutine lead sampling (not for compliance purposes).

### Applicant Eligibility

- Existing community Public Water Systems (PWSs), including political subdivisions, nonprofit water supply corporations, and privately-owned community water systems; nonprofit, noncommunity public water systems; and state agencies
- Must meet the disadvantaged community (DAC) criteria to receive funding

## Disadvantaged Communities (DACs)

- **An entity is considered an eligible disadvantaged community if it:**
  - May have lead service lines within the distribution system, and
  - Fifty-one percent or more of the proposed project beneficiary area based on household connections has an Annual Median Household Income (AMHI) level that does not exceed 150% of the state's AMHI level. The state AMHI from the U.S. Census 2017-2021 American Community Survey (ACS) 5-year estimate is \$67,321; therefore the AMHI of the proposed project beneficiary area must not exceed \$100,982.

## Assistance Types and Terms

- All financing will be made at the ratio of 51% principal forgiveness and 49% loan/bond
- Zero-percent interest rate for the loan portion for LSL inventories and a regular subsidized interest rate (35% reduction) for all other projects
- Loans may be offered for a term of up to 15 years for inventories and up to 30 years for planning, acquisition, design, and/or construction phases

## Key Recommendations

- **Improve DAC Policies:**
  - *Decrease the AMHI threshold under the DAC definition from 150% down to 75%*
  - *Increase the amount of principal forgiveness for more disadvantaged communities on a sliding scale up to 100%*
- **Aggressively Promote Set-asides for LSLR Inventories:**
  - Instead of promoting construction projects over inventories for the loans and PF, use set-aside funds for LSLR inventories, providing communities with opportunities to obtain no cost identification of lead service lines
- **Improve Rating Criteria:**
  - Incentivize rapid replacement of LSLR through rating criteria providing points on a sliding scale
  - Add additional rating criteria aimed at prioritizing projects in vulnerable subpopulations, including the percentage of children under five years of age.

## DWSRF and CWSRF Emerging Contaminants (EC) Program

### Overview

- **Purpose:** to reduce exposure to perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants through drinking water and to help address discharges through wastewater and, potentially, nonpoint sources.

### Applicant Eligibility

- Wastewater treatment management agencies, including interstate agencies and water supply corporations that have been designated and approved as a management agency in the Texas Water Quality Management Plans; cities, commissions, counties, districts, river authorities, or other public bodies created by or pursuant to state law that have authority to dispose of sewage, industrial waste, or other waste; intermunicipal, interstate, or state agencies; authorized Indian tribal organizations; private entities for nonpoint source projects or estuary projects only

## Disadvantaged Communities (DACs)

- **An entity is considered an eligible disadvantaged community if it:**
  - May have emerging contaminants;
  - Fifty-one percent or more of the proposed project beneficiary area based on household connections has an Annual Median Household Income (AMHI) level that does not exceed 150% of the state's AMHI level. The state AMHI from the U.S. Census 2017-2021 American Community Survey (ACS) five year estimate is \$67,321; therefore the AMHI of the proposed project beneficiary area must not exceed \$100,982; and
  - The unemployment rate for the project beneficiaries is greater than 50% of the state unemployment rate or the population has declined or the utility is a small system with 25,000 or fewer connections for the applicable utility service.

## Assistance Types and Terms

- All project funding will be in the form of 100% principal forgiveness

## Key Recommendations

- **Improve DAC Definition:**
  - Decrease the AMHI threshold under the DAC definition from 150% down to 75%
- **Use TA Set-asides to help educate communities about the CWSRF EC program:**
  - Set-asides should be taken from the DWSRF and CWSRF general programs, to not use 100% PF for technical assistance, to increase education to communities about the CWSRF-EC program
- **Improve Rating Criteria:**
  - Add additional rating criteria for vulnerable populations
  - Streamline Rating Criteria 6 to 8 in order to eliminate redundancy and potential overprioritization of small and rural projects

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