Determining how to solve a water problem is usually easier than finding the funds to finance it. But money is available and knowing where to look for available money may be the most important part of the process. Resources include local environmental groups and source water protection organizations, partnerships with local businesses, a host of state and local programs, revolving loan funds, and rural development monies. The biggest funding sources are the U.S. Environmental Protection Agency’s (EPA) clean water and drinking water state revolving loan funds and U.S. Department of Agriculture’s (USDA) water and wastewater loans and grants, administered by the Rural Development Utilities Service.

“There is a whole conglomerate of federal, state, and local funding programs, and eligibility criteria differ from program to program,” says Anne Bargerstock, program support specialist with the Pennsylvania Department of Economic Development. “Some programs, for instance, have income requirements; some programs offer grants; others offer loans; still others offer a blended plan (combination of grants and loans); some require a local match; and some programs require public hearings.

“Even though there are a number of funding sources available, there is a very strong competitive edge to funding water and wastewater projects,” Bargerstock admits that ‘quagmire’ best describes the process.
When putting together a funding package, EPA suggests asking the question, “What else is going on in my watershed or wellhead protection areas?” A broad-based approach that includes various land uses and stakeholders within a watershed can open up more financing sources than can a more narrowly-based approach. Including wetlands as a part of the plan, for instance, could open up financing opportunities through the USDA’s Wetland Reserve Program, the U.S. Fish and Wildlife Service, and the Natural Resources Conservation Service.

(See the “Handbook on Coordinated Funding for Water and Wastewater Infrastructure” to learn about the keys to successful coordinated funding approaches based on the experiences of Arizona, California, Montana, New York, Pennsylvania and Washington. The handbook can be downloaded at www.epa.gov/safewater/dwsrf/pdfs/guide_dwsrf_funding_infrastructure.pdf.)

**Primary Federal Funding Sources**

Federal funds for water projects include the previously mentioned USDA Rural Development Utilities Service and EPA, as well as the U.S. Department of Housing and Urban Development’s (HUD) Community Development Block Grant (CDBG) Program, and the U.S. Department of Commerce (DOC) Economic Development Agency.

**USDA’s Rural Development Utilities Service (RDUS)**

The Water and Environmental Programs (WEP) offer loans, grants, and loan guarantees to rural areas and to communities with a population of 10,000 or less. Recognized Indian tribes may also qualify for assistance. Additionally, WEP provides grants to nonprofit organizations so that they can offer technical assistance and training to rural communities to assist with their water, wastewater, and solid waste problems.

RDUS Funding can be used for installing, repairing, improving, or expanding community drinking water, wastewater, solid waste, and storm drainage facilities as well as for land acquisition, legal fees, engineering fees, capitalized interest, equipment, initial operating and maintenance costs, and project contingencies. Projects are administered locally by state and district Rural Development offices. RDUS also offers Emergency Community Water Assistance Grants that are provided after a natural disaster to extend, repair, and perform maintenance to water infrastructure.

**EPA’s Drinking Water State Revolving Fund**

EPA awards grants to states through the drinking water state revolving fund (DWSRF), which was created through the 1996 Amendments to the Safe Drinking Water Act. In turn, the states offer low-interest loans to drinking water systems to improve infrastructure. If the state chooses, it can set aside a portion of the grant award to fund other drinking water activities, such as providing technical assistance to small drinking water systems, managing state drinking water programs, and purchasing land needed for source water protection. New Hampshire, for example, provided loans to systems to purchase land or conservation easements to protect drinking water sources from contamination. In these cases, states must develop a process for ranking projects according to importance. Typically, the priority setting system requires that land be located within a delineated source water or wellhead protection area. Each state determines how loans are repaid.

According to Walt Ivey, director of environmental engineering division of the West Virginia Office of Environmental Health Services, “loans through the DWSRF are offered at one percent, payable over 30 years for disadvantaged communities; otherwise, the loans are three percent, payable over 20 years.

“While source water and wellhead protection are important, they are not an absolute requirement,” Ivey says. “It is not the same as replacing a leaking water line or a storage tank that’s not holding water. These are the types of problems that have to be taken care of. And one option for repaying a loan is to increase rates. In West Virginia, water systems must go through the Public Utility Commission to increase rates, and the water companies don’t want to go through this process.”

There are also federal set-asides that target funds from the overall DWSRF appropriation to fund drinking water projects for American Indian Tribes and Alaskan Native Villages. This money is mostly used to monitor unregulated contaminants and to reimburse drinking water operator certification training expenses. (More information can be found at www.epa.gov/safewater/dwsrf.html.)

**EPA’s Clean Water Act (CWA) Fund**

Annually, the clean water state revolving fund (CWSRF) provides capital for more than $5 billion in water quality projects through low-interest or no-interest loans. It can provide 100 percent of the project cost with a repayment schedule of up to 20 years.

The program provides assistance to communities, water systems, and other organizations, such as land conservation associations, for projects that protect source water and enhance water quality. In 2007, 77 percent of all loans (21 percent of funding) were made to communities with populations less than 10,000.

Each state decides how loans are repaid; some examples are recreational fees for fishing licenses or park entrance fees, drinking water fees, wastewater user charges, fees paid by developers, and donations or dues made to nonprofit groups. Repaid money is rolled back into the CWSRF. (Visit www.epa.gov/owmitnet/cwfinance/cwsrf/ for more information.)

Some states have used cross-investment and cross-collateralization structures to fund their programs. Under these structures, a state can invest funds from one SRF program, the DWSRF for
example, to avoid default in the other, CWSRF for example. These structures provide added security to bond holders, improving the bond ratings assigned to leveraging bonds and reducing the cost of borrowing to the SRF program. (See descriptions how New York, New Jersey, and Michigan used these structures to fund their programs at: www.epa.gov/ouwm/cufinance/cufinance/cwsrf/finalmi.pdf.) Contact a state CWSRF representative to get help in funding a project. See www.epa.gov/ouwm/finan.htm or call (202) 260-7360 to find a representative.

EPA’s Non-Point (319) Source Implementation Grants
These grants are awarded to states and tribes for implementing nonpoint source projects and programs, including best management practices installation for animal wastes, pesticide and fertilizer control, stream bank restoration, and lake protection/restoration. Grantees, except for tribes, are required to provide 40 percent of the total cost of the project. For more information, see www.epa.gov/ouwm/nps/cwact.html.

EPA’s Five Star Restoration Grant Program
This program provides modest challenge grants (from $5,000 to $20,000) to community-based groups for restoring wetlands and streams. The National Association of Counties, the National Fish and Wildlife Foundation, and the Wildlife Habitat Council have joined together with EPA for this effort.

Funding for the program is provided by EPA’s Office of Wetlands, Oceans and Watersheds, and by the National Marine Fisheries Service’s Community-based Restoration Program for selected projects in coastal areas. More than 300 projects have been funded to date. For more information, visit www.epa.gov/ouwm/wetlands/restore/5star.

E-Grants Initiative
Managed by the U.S. Department of Health and Human Resources, this initiative is a collaborative effort led by 26 federal grant-making agencies and 11 commissions, including EPA. The program was established in 2002 to help improve government services by storing and providing information on more than 1,000 grant programs worth nearly $400 billion in annual awards. This Web site can be found at www.grants.gov.

HUD’s Community Development Block Grant Program (CDBG)
HUD offers grants directly to the states through its Community Development Block Grant (CDBG) program. In turn, the states award the grants to local units of government for development activities. While grants may be used for community and economic development activities, they are primarily intended for housing rehabilitation and public infrastructure projects, such as wastewater and drinking water facilities.

HUD’s role under the state CDBG program is to ensure state compliance with federal laws, regulations and policies. At least 70 percent of CDBG funds must be used to help low- and moderate-income people. For more information, see www.bud.gov/offices/cpl/communitydevelopment/programs/ or contact your state office, which may be found at www.bud.gov/localoffices.cfm.

DOC’s Economic Development Administration (EDA)
Through the Grants for Public Works and Development Facilities program, EDA provides grants to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term jobs. Water and wastewater facilities designed primarily to serve industry and commerce are among the many items funded under this program. For more information, see www.eda.gov/AboutEDA/Programs.xml.

Rural Communities Assistance Partnership (RCAP)
Through grants from RDUS, U.S. Department of Health and Human Services Office of Community Services and EPA, RCAP specialists from six regional organizations help small, rural communities obtain basic water, wastewater, and housing services through technical assistance, training, and financing options in all 50 states, Puerto Rico, and the U.S. Virgin Islands. Several of RCAP’s regional affiliates also maintain loan funds. The national office Web site is located at www.rcap.org.
Appalachian Regional Commission (ARC)

The ARC provides grants to designated counties within Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.

Eligible projects include improvement to water and wastewater systems and must be related to economic or community development. ARC also provides supplemental grants in some isolated rural communities to help meet local match requirements for federal funding.

Grants cover 50 percent of project costs, and 80 percent of project costs in distressed counties. For more information, see www.arc.gov, contact your Appalachian Resource Center program manager at www.arc.gov/index.do?nodeId=13, or your local development district at www.arc.gov/index.do?nodeId=14.

Department of Health and Human Services’ Sanitation Facilities Construction Program (Indian Health Service)

This program funds water, sewer, and solid waste projects in American Indian and Alaskan Native communities. Facilities intended for commercial and industrial uses are excluded.

In fiscal year 2006, the IHS Program funded more than $92 million for the construction of drinking water, sewer, and solid waste disposal facilities, with the average SFC project cost of approximately $350,000. There is no specific minimum or maximum project funding amount. Interested tribes should contact their nearest IHS Area Office. Contact information can be found at www.epa.gov/owm/mab/indian/sanitation-facilities-construction-program.html. For more information, see www.dsfc.ihs.gov.

USDA Rural Development

In addition to the previously discussed RDUS funds, Rural Development has grants that low-income, homeowner-occupants, aged 62 or older can use for the installation or repair of water supplies and sewage disposal systems. The amount of the Rural Housing Repair and Rehabilitation Grant is based on the applicant’s ability to repay and must be used in conjunction with the Repair and Rehabilitation Loan. The lifetime maximum grant amount for a homeowner is $7,500. (See www.rurdev.usda.gov/rhs.sfh.brief_repairgrant.htm for more information.)

Housing Assistance Council (HAC)

This program helps finance predevelopment, land acquisition, site development, and construction phases of a project, particularly in high-need groups and regions, such as Indian country, the Mississippi Delta, farmworkers, the Southwest border colonias, and Appalachia. Since its beginning, HAC has made almost $218 million in loans.
to help create more than 57,000 homes, including water and sewer connections. For more information, see www.ruralhome.org.

**U.S. Fish and Wildlife Service (FWS)**

The FWS’s National Coastal Wetlands Conservation Grant Program (www.fws.gov/CEP/cwgcover.html) provides matching grants for the acquisition, restoration, management, or enhancement of coastal wetlands. Another grant available through FWS is the North American Wetlands Conservation Act Grant Program (www.northamerican.fws.gov/NAWCA/grants.htm), which provides matching grants to carry out wetland conservation and restoration projects in the U.S., Canada, and Mexico.

**USDA, Natural Resources Conservation Service (NRCS)**

The Environmental Quality Incentives Program (EQIP), established through the 1996 Farm Bill, works mainly in locally identified areas where there are significant natural resource concerns such as water quality, soil erosion, and wetlands. It provides funding to farmers and ranchers for implementing voluntary structural, vegetative, and land management practices spelled out in five to 10 year contracts. The program pays up to 75 percent of the costs of conservation practices, with a cap of $10,000 for any one person and $50,000 for the contract’s life. Examples of projects include animal waste management facilities, filter strips, tree planting. For more information, including contact information for your NRCS State Conservationist District Office, visit www.nrcs.usda.gov/PROGRAMS/EQIP/.

The Natural Resource Conservation Service is providing $390 million through the Emergency Watershed Protection Program (EWP) to help landowners and communities cope with the aftermath of recent natural disasters. The $390 million is included in a $162 billion supplemental bill that helps Midwest states with areas ravaged by recent flooding, as well as providing funding to cover about $140 million in EWP projects from earlier natural disasters. Public and private landowners are eligible for assistance through the EWP program, but they must be represented by a sponsor, defined as any legal subdivision of state or local government. Visit www.nrcs.usda.gov/programs/ewp/ to learn more about this program.

**Conservation Reserve Enhancement Program**

USDA’s Conservation Reserve Enhancement Program (CREP) pays farmers and ranchers to voluntarily retire environmentally sensitive land to decrease erosion, restore wildlife habitats, and protect ground and surface water.

Maryland had the first pilot program, installing buffers around waters affected by the *Pfiesteria* organism. Other states drafting plans are Illinois, Minnesota, New York, Oregon, Delaware, Pennsylvania, Virginia, Washington, and Wisconsin. Acreage will be limited to 100,000 acres per state.

Check with state agriculture officials for details or to recommend priority areas at www.fsa.usda.gov/FSA/webapp/area=home&subject=copt&topic=cep.

**Chesapeake Bay Watershed Program**

The 2007 federal Farm Bill, funded through existing USDA programs, includes $440 million in additional conservation funding for the Chesapeake Bay region. ($188 million over the next 4.5 years for a new Chesapeake Bay Watershed Program, plus more than $252 million is expected as the regional share of national conservation program increases.) Funding is for “tributary strategy” plans that have been developed by the states with priority given to the Susquehanna, Patuxent, Potomac, and Shenandoah river basins. Funding could reduce nitrogen pollution to local rivers, streams, and the Chesapeake Bay by as much as 40 million pounds annually, depending on the number of farmers who request the money, the practices they use, and state and private matching funds. Visit www.usda.gov for more information.

**For More Information**


A member of NESC for more than 10 years, Caigan McKenzie, has had her water and wastewater articles reprinted in numerous publications.