



# Arkansas 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 Two (2024) and Three (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—or Phase II (supporting CBO-led SRF Advocacy). These represent two states from EPA Region Four (Tennessee and Alabama) and two states from EPA Region Six (Louisiana and Texas). PolicyLink selected a cohort of 16 CBOs (Four 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 (while at National Wildlife Federation)
- **Regional Overview:** Danielle Goshen, EPIC

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# Abbreviations Sheet

**ADA-NRD** – Arkansas Department of Agriculture Natural Resources Division

**ADFA** – Arkansas Development Finance Authority

**ADHE** – Arkansas Department of Health Engineering Section

**AMHI** – Area Median Household Income

**ASCE** – American Society of Civil Engineers

**BEAD** – Broadband Equity, Access, and Deployment

**BIL** – Bipartisan Infrastructure Law

**CBP3** – Community-Based Public-Private Partnership

**CDBG** – Community Development Block Grant

**CBO** – Community-Based Organization

**CDC** – Centers for Disease Control and Prevention

**CWSRF** – Clean Water State Revolving Fund

**DAC** – Disadvantaged Community

**DOLA** – Department of Local Affairs

**DWSRF** – Drinking Water State Revolving Fund

**EC** – Emerging Contaminants

**EPA** – Environmental Protection Agency

**EPIC** – Environmental Policy Innovation Center

**EJ** – Environmental Justice

**FFY** – Federal Fiscal Year

**FPL** – Federal Poverty Level/Fundable Project List

**GAO** – Government Accountability Office

**HBI** – Household Burden Indicator

**IJA** – Infrastructure Investment and Jobs Act

**IUP** – Intended Use Plan

**LMI** – Low-to-Moderate Income

**LQI** – Lowest Quintile Income

**LSLR** – Lead Service Line Replacement

**MCL** – Maximum Contaminant Level

**MHI** – Median Household Income

**PFAS** – Per- and Polyfluoroalkyl Substances

**PFOS** – Perfluorooctane Sulfonic Acid

**PPI** – Poverty Prevalence Indicator

**PPL** – Project Priority List

**PWS** – Public Water Systems

**RSEI** – Risk-Screening Environmental Indicators

**SRF** – State Revolving Fund

**SSF** – State Set-aside Fund

**SVI** – Social Vulnerability Index

**TA** – Technical Assistance

**USDA** – United States Department of Agriculture

## Introduction

In 2021, the U.S. Congress passed the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), allocating \$50 billion over five years to the Environmental Protection Agency's (EPA) State Revolving Fund (SRF) programs. Arkansas is set to receive an estimated \$528 million to improve drinking water and wastewater systems. The Arkansas Department of Agriculture Natural Resources Division (ADA-NRD) administers these programs, with the Arkansas Development Finance Authority (ADFA) and the Arkansas Department of Health Engineering Section (ADHE) providing support.

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

### 1. Understand Key Departments and Programs

- **Arkansas Department of Agriculture Natural Resources Division (ADA-NRD):** Administers the Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF) programs.
- **Arkansas Development Finance Authority (ADFA):** Assists ADA-NRD as agent, financial advisor, and purchaser/seller of bonds for the CWSRF program.
- **Arkansas Department of Health Engineering Section (ADHE):** Manages the State Set-aside Fund (SSF) program under the DWSRF.

### 2. Stay Informed Through Public Notices

- Find Public Notices and SRF information on ADA-NRD's [website](#).
- Engage by providing comments on annual Intended Use Plans (IUPs), which outline the state's fund administration for the fiscal year and are finalized after a public comment period.

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

### Overview

- **Purpose:** Provides 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)
- **IUPs:** the DWSRF IUP in Arkansas covers the DWSRF Base, General Supplemental, Lead Service Line Replacement, and Emerging Contaminants programs
- **Eligibility:** Existing community Public Water Systems (PWS) including political subdivisions, nonprofit water supply corporations, privately-owned community water systems, nonprofit noncommunity public water systems, and state agencies

### Assistance Types and Terms

- **Standard Loans:** Loans available up to 100% of eligible cost of projects provided with variable interest rates depending on loan terms (i.e., 3.5% for 10-year replacement period; 4% for 20-year replacement period, and 4.5% for a 30-year replacement period); 0% interest (0% interest and 0% fee) for lead service line inventory or replacement projects; no additional information on lending rates for Emerging Contaminants projects
- **Special Lending Rates:** 1.5% interest rate and fee for regionalization projects addressing water quality concerns for a maximum of 30 years or the life of the project, whichever is less; .5% interest rate for cybersecurity projects; and reduction of 1% interest rate if the project meets all federal requirements. Standard repayment period is 20 years, but can be extended to 30 upon request or to provide DACs with an incentive to use the program

## Disadvantaged Communities (DACs)

- **Eligibility:** Any community where the current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis is at least 1.5% of the MHI for the project area; OR 51% of the customers who benefit from a project are either low or moderate income as defined by HUD's Community Development Block Grant (**CDBG**) program and have 1.25% of median household income; OR PFAS or LSLR projects
- **Benefits:** Favorable financing through additional subsidization and extended loan terms up to 30 years

## Project Rating

- Projects are rated based on health and compliance issues, design deficiencies, source vulnerability, consolidation, and affordability. All General Supplemental, Base, EC, and LSLR projects are ranked together.

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

### Overview

- **Purpose:** Provides low-cost financial assistance for planning, acquisition, design, and construction of wastewater, reuse, and stormwater infrastructure (e.g., wastewater treatment facilities, stormwater management, estuary management projects)
- **Eligibility:** 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:** Loans available up to 100% of eligible cost of projects provided with variable interest rates depending on loan terms (i.e., 3.5% for 10-year replacement period; 4% for 20-year replacement period, and 4.5% for a 30-year replacement period); no additional information on lending rates for Emerging Contaminants projects.

- **Special Lending Rates:** Special lending rates and fees are available for:

1. Illinois River Basin and Buffalo River Watershed water quality projects (2.5%);
2. Regionalization projects (1.5%);
3. Cybersecurity (5% lending rate savings) not to exceed the cost of cybersecurity components;
4. Emerging Contaminants projects (100% additional subsidy);
5. Equivalency Projects (reduce standard interest rate by up to 1%); and
6. Sponsorship Projects (reduction of lending rate for a POTW to work with nontraditional ones, usually for a nonpoint source project).

- **Special Loan Set Asides:** ADA-NRD sets aside the following funds for specific project types:

1. Agriculture Water Quality Loans (\$5M and may be increased to \$20M for rural landowners to obtain loans to implement NPS pollution control activities with 3% interest rate w/ maximum term of 20 years or life of project (whatever is less)
2. Septic Tank Remediation Program (up to \$4M to improve and protect water quality in three targeted watersheds while assisting residents in remediating failing onsite septic systems)

## Disadvantaged Communities (DACs)

- **Eligibility:** The current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis is at least 1.5% of the Median Household Income (**MHI**) for the project area; or if 51% of the customers who benefit from a project are either low or moderate income as defined by the U.S. Department of Housing and Urban Development's Community Block Grant (**CDBG**) Program; and have 1.25% of Median Household Income.
- **Benefits:** Favorable financing through additional subsidization and extended loan terms up to 30 years

## Project Rating

- Project ranking promotes water quality improvements and addresses compliance issues, consolidation projects, small systems, and heavily promotes "shovel ready" projects.

# Key Recommendations for Arkansas's CWSRF Program

## 1. Program Accessibility and Transparency

- Clearly articulate how much funding ADA-NRD expects to commit as principal forgiveness, loans, and set-asides
- Provide a methodology for how principal forgiveness is distributed amongst applicants, including any caps
- Identify which projects would serve DACs in the project priority and fundable project lists

## 2. DAC Policies

- Consider incorporating additional DAC factors such as a household burden indicator, poverty prevalence indicator, social vulnerability, etc.
- Create a DAC definition based on a sliding scale that allows principal forgiveness to be efficiently allocated based on level of disadvantage
- Provide discounted lending rates for DACs

## 3. Project Ranking

- Create separate ranking criteria for LSLR and EC programs
- Provide project ranking based on DAC score

## 4. Readiness to Proceed Procedures

- Provide planning loans to high ranking projects that are not ready to proceed

# Key Recommendations for Arkansas's DWSRF and CWSRF Programs

## 1. Program Accessibility and Transparency

- Clearly articulate how much funding ADA-NRD expects to commit as principal forgiveness, loans, and set-asides
- Provide a methodology for how principal forgiveness is distributed, including any caps
- Identify which projects would serve DACs in the project priority and fundable project lists

## 2. DAC Policies

- Consider incorporating additional DAC factors such as a household burden indicator, poverty prevalence indicator, Social Vulnerability, etc.
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- Provide planning loans to high ranking projects that are not ready to proceed

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