



Key Policy Recommendations for Mississippi's State Revolving Fund

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—for 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

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

© 2025 PolicyLink. All rights reserved. PolicyLink is a national research and action institute that is working to build a future where all people in the United States of America can participate in a flourishing multiracial democracy, prosper in an equitable economy, and live in thriving communities.

www.policylink.org

Abbreviations Sheet

BIL – Bipartisan Infrastructure Law

CBO – Community-Based Organization

CWSRF – Clean Water State Revolving Fund

DWSRF – Drinking Water State Revolving Fund

EC – Emerging Contaminants

EPA – Environmental Protection Agency

EPIC – Environmental Policy Innovation Center

FFY – Federal Fiscal Year

GPR – Green Project Reserve

IJA – Infrastructure Investment and Jobs Act

IUP – Intended Use Plan

LR MHI – Locality's Median Household Income

LSLR – Lead Service Line Replacement

MDEQ – Mississippi Department of Environmental Quality

MHI – Median Household Income

MSDH – Mississippi State Department of Health

PF – Principal Forgiveness

PFAS – Per- and Polyfluoroalkyl Substances

PWSS – Public Water System Supervision

SRF – State Revolving Fund

TA – Technical Assistance

UCMR-5 – Unregulated Contaminant Monitoring Rule 5

WIFIA – Water Infrastructure Finance and Innovation Act

WPCRLF – Water Pollution Control Revolving Loan Fund

Contents

Introduction	5
Summary of Recommendations	5
Recommendation 1: Sustain SRFs Through Leveraging and Financial Analysis (DWSRF)	6
Recommendation 2: Reform Criteria for Principal Forgiveness Loans	6
Recommendation 3: Utilize Full Amount of Set-Aside Funds for Lead Service Line Inventories	7
Recommendation 4: Use Full Technical Assistance Set-Aside	7
Recommendation 5: Apply for and Transfer Clean Water Emerging Contaminant Funds to Drinking Water Emerging Contaminants Program	8
Recommendation 6: Enhance Support for Green Infrastructure Projects	8
Recommendation 7: Adjust Principal Forgiveness Caps Based on Project Size and Community Need	9
Recommendation 8: Increase Transparency and Public Engagement	9
Conclusion	10

Introduction

This document provides policy guidance for Mississippi's State Revolving Fund (**SRF**) programs, which include both the Drinking Water State Revolving Fund (**DWSRF**) and the Clean Water State Revolving Fund (**CWSRF**). This guidance is intended for a diverse audience, including state administrators, community advocates, and stakeholders involved in water infrastructure projects in Mississippi.

This document complements the *Analysis of the Mississippi Drinking Water State Revolving Fund and the Clean Water State Revolving Fund*, which provides an in-depth analysis of the state's policy frameworks governing these programs. Additionally, you can find the presentation version of these policy recommendations in the *Mississippi State Revolving Fund (SRF) Presentation* PDF. Together, these documents aim to contribute to a more equitable distribution of resources and better water infrastructure solutions for communities throughout Mississippi. By offering clear and practical policy directions, the policy recommendations documents aim to facilitate informed decision-making and active engagement in the policy reform process.

Summary of Recommendations

This section provides a summary of the key recommendations made throughout this document. These recommendations aim to optimize the utilization of State Revolving Funds in Mississippi, focusing on equitable distribution, efficient project execution, and community engagement.

- 1. Sustain SRFs Through Leveraging and Financial Analysis (DWSRF):** Employ bond market leveraging and utilize financial analysis tools for effective risk management, ensuring sustainable leverage ratios.
- 2. Reform Criteria for Principal Forgiveness Loans:** Reform eligibility criteria to include multiple affordability factors for more equitable distribution.
- 3. Utilize Full Amount of Set-Aside Funds for Lead Service Line Inventories:** Fully utilize set-aside funds for lead service line inventories, aiding in more efficient project identification and execution.
- 4. Use Full Technical Assistance Set-Aside:** Maximize technical assistance set-asides to address local capacity constraints and expedite project progression.
- 5. Apply for and Transfer Clean Water Emerging Contaminant Funds to Drinking Water Emerging Contaminants Program:** Apply for and strategically reallocate funds for addressing clean and drinking water emerging contaminants.
- 6. Enhance Support for Green Infrastructure Projects:** Enhance support through technical assistance and expand eligibility criteria to encourage green infrastructure project applications.
- 7. Adjust Principal Forgiveness Caps Based on Project Size and Community Need:** Implement a tiered system for principal forgiveness, adjusting caps based on project size and community need.
- 8. Increase Transparency and Public Engagement:** Increase transparency and engagement through educational webinars and community workshops.

Recommendation 1:

Sustain SRFs Through Leveraging and Financial Analysis (DWSRF)

Overview of Problem

The Mississippi State Department of Health (**MSDH**) faces a significant funding shortfall in its efforts to finance water system improvements. With \$60,266,977 available for SRF loans and a need of \$387,476,138 for remaining projects, there is a gap of \$327,209,161. The existing funding gap restricts MSDH's ability to address all necessary water system improvements.

1A: Leverage SRFs for Expanded Funding

State agencies can leverage their revolving funds through the municipal bond market or the EPA's Water Infrastructure Finance and Innovation Act (**WIFIA**) loan program. This approach, typically involving bond issuance, allows for the expansion of available funds. The WIFIA loan program, with its unique features for SRF lending, offers an additional avenue for debt financing. By utilizing these options, agencies like MSDH can finance more infrastructure projects at a lower cost, and due to the SRF's revolving nature, increase lending capacity in future years.¹

1B: Use Financial Analysis Tools for Risk Management

Various financial analysis tools are available for states to assess the financial risks and sustainability of leveraging strategies. The EPA's Fund Management Handbook emphasizes the use of the SRF Financial Planning Model and the importance of monitoring key financial ratios like Operating Net and Total Net. These are vital for evaluating the financial growth and stability of SRFs, enabling states to effectively manage the fund's earnings against its expenses and the risks of program leveraging.²

1C: Ensure Sustainable Leverage Ratios

It's crucial to maintain a balanced leverage approach in fund management. Ratios such as Debt to Net Position and Debt to Performing Assets offer insights into the level of leverage in relation to assets. This aspect of financial analysis ensures that states adopt a sustainable leveraging strategy, which is essential for preserving the integrity and effectiveness of SRFs in supporting environmental and public health projects.³

Anticipated Impact

By leveraging their DWSRF, MSDH can bridge the funding gap for the numerous projects awaiting awards. Expanding the available funds can also enhance the program's accessibility for disadvantaged water systems. With a larger fund, MSDH could potentially offer more favorable interest rates than the current 1.95% for all DWSRF loans. This expansion would be particularly beneficial for small and disadvantaged systems. Furthermore, a bolstered fund could increase the proportion of resources allocated towards principal forgiveness loans, enabling more equitable water infrastructure development.

Recommendation 2:

Reform Criteria for Principal Forgiveness Loans

Overview of Problem

For drinking water systems improvements and lead service line replacement, MSDH uses Median Household Income as the only metric for assessing eligibility for principal forgiveness (**PF**) loans. In communities with significant income disparities, MHI alone may not accurately reflect the financial challenges of all segments of a population, especially the financial hardship experienced by lower-income groups.

MSDH can consider integrating additional affordability factors when assessing eligibility for principal forgiveness loans. The following affordability factors, used by MDEQ in their subsidy priority list, align with recommendations from the EPA:⁴

- Per Capita Income
- Unemployment Rate
- Number of Vacant Households
- Percentage of Population Living 200% Below Poverty Level
- Percentage of Population with Limited English Proficiency
- Proportion of Population Receiving Food Stamps/SNAP

Anticipated Impact

Incorporating these factors will provide a more comprehensive and equitable assessment of community needs, ensuring that PF loans are more effectively targeted towards applicants in need.

Recommendation 3:

Utilize Full Amount of Set-Aside Funds for Lead Service Line Inventories

Overview of Problem

Under the Safe Drinking Water Act, all DWSRF programs (including LSL programs) are allowed to use up to 31% of their federal capitalization grant towards set-aside activities. Set-aside activities can reduce the repayment burden that local drinking water systems and their ratepayers have when a loan is taken out.⁵ Despite this, the LSLR program in Mississippi is only utilizing 18% of its funds for set-asides. Additionally, Mississippi is behind on their LSL projects as most of their applications are for inventories rather than for replacing lead service lines. The Lead and Copper Rule Revisions require that all water systems complete LSL inventories by October 16, 2024.⁶

MSDH can consider fully allocating its set-asides to provide technical assistance for the development and maintenance of LSL inventories. MSDH is not currently using the full set-aside amount for administration and state program management, and both activities can support progress on LSL inventories. Maximizing the use of set-asides for inventories enables more comprehensive and efficient identification of lead service lines, which is foundational for LSL replacement.

Anticipated Impact

The set-aside activities can help states lay the foundation for more equitable, efficient, and cost-effective lead service line replacements.⁷ The two major benefits of increasing set-aside usage for LSL inventories are:

1. Local water systems and their communities do not need to repay set-aside funds used to support inventories.
2. LSLR project awards have an improved loan-to-principal forgiveness ratio, making SRF awards for LSLR construction projects more attractive and affordable for lead-burdened communities.

Recommendation 4:

Use Full Technical Assistance Set-Aside

Overview of Problem

MDEQ faces a substantial backlog in progressing projects from planning to execution. For FY-23, MDEQ reported that they have \$78 million in excess funds, and simultaneously a backlog of project applications with a funding need of over \$1.5 billion. A key contributing factor to the project backlog is the challenge of complying with federal requirements and capacity constraints at the local level.

Because MDEQ is not currently using their 2% set-aside for technical assistance, they can consider using this set-aside to help address local capacity constraints. A robust Technical Assistance (TA) plan that was developed during Fiscal Year 2024 could be effectively implemented over the remaining years of the Infrastructure Investment and Jobs Act (IIJA) funding period.⁸

Key Components of the TA Plan

1. Contracting and Stakeholder Engagement

- Outsourcing the development of the TA plan is an option, with an emphasis on selecting a contractor experienced in engaging with residents of disadvantaged communities.

2. Utilization of Up-front Planning Grants

- Use up-front planning grants for preparatory activities like asset management and engineering plans.
- Allocate additional resources from excess funds to support the initial stages of project development, covering upfront costs of technical reports and application materials.
- Introduce innovative financial mechanisms, such as 0% loans with deferred repayment and interest rate discounts for construction loans, to alleviate financial burdens on systems.

3. Funding Strategy for the Plan

- Outline a clear funding strategy using allowable set-asides from IIJA funds.

4. Selection and Vetting of TA Providers:

- Establish a transparent process for selecting and vetting TA providers, focusing on qualifications and suitability for delivering targeted assistance.

Anticipated Impact

The full utilization of the TA set-aside can help increase the number of projects that are ready to proceed. This approach will make it easier for water systems, especially those with limited capacity, to apply for and receive funding. The introduction of financial mechanisms like 0% loans with deferred repayment will alleviate the financial burden on water systems that face significant upfront costs for technical reports and application materials. Finally, contractors with stakeholder and community engagement expertise can help facilitate more comprehensive and community-inclusive project planning and development.

Recommendation 5: Apply for and Transfer Clean Water Emerging Contaminant Funds to Drinking Water Emerging Contaminants Program

Overview of Problem

Mississippi has been allotted \$842,000 for emerging contaminants under the first two years of the Bipartisan Infrastructure Law (BIL). However, MDEQ missed out on receiving the first year of funds for emerging contaminants. Consequently, there is a risk that the remaining available funds will also go unused.

MDEQ should apply for the remaining available Emerging Contaminant Funds, ensuring that all necessary documentation and requirements are met within the stipulated deadlines. Upon securing the funds, MDEQ can consider transferring them to the DWSRF Emerging Contaminants program, utilizing the legal and administrative guidelines outlined in the EPA's regulations.⁹

Anticipated Impact

This strategic reallocation of funds will provide MDEQ with the necessary flexibility to develop a robust clean water emerging contaminant program, while simultaneously addressing immediate concerns through the drinking water program.

Recommendation 6: Enhance Support for Green Infrastructure Projects

Overview of Problem

Despite reserving \$13.4 million for green projects, having a separate and noncompetitive priority list for these projects, and conducting outreach, MDEQ received no applications for these initiatives in FY-23. There is a clear gap between the availability of funds and the capacity of potential applicants to pursue these projects.

To increase the number of applications for green infrastructure projects, MDEQ can consider using their 2% set-aside for technical assistance and expanding the eligibility criteria to include nonprofit organizations. The technical assistance set-aside can be used to offer guidance to communities that are unfamiliar with the benefits of green infrastructure. This set-aside is also an opportunity to provide contracts to community-based organizations who can help educate local water systems about green infrastructure and help them put together green project loan applications. If MDEQ expands the eligibility criteria for green project CWSRF loans, local organizations could also serve as eligible applicants.

Anticipated Impact

The above recommendation aims to bridge the gap between the funds available and the applications for green projects. By providing technical assistance and broadening applicant eligibility, MDEQ can stimulate more interest and participation in green projects.

Recommendation 7:

Adjust Principal Forgiveness Caps Based on Project Size and Community Need

Overview of Problem

MSDH caps the principal forgiveness for drinking water projects at \$500,000. This limit may be inadequate for communities facing substantial challenges in achieving drinking water compliance.

MSDH can consider implementing a tiered system for principal forgiveness. The caps can vary according to the scale of the project. This approach will ensure that larger and more impactful projects receive adequate support. MSDH can also consider establishing higher forgiveness caps for disadvantaged systems.

Anticipated Impact

Revising the principal forgiveness caps will enable MSDH to provide more effective support to communities grappling with significant drinking water compliance issues. The proposed tiered system and focus on disadvantaged systems will facilitate more comprehensive funding for both large-scale and high-priority projects. Consequently, this will lead to enhanced public health outcomes and better adherence to federal and state drinking water standards.

Recommendation 8:

Increase Transparency and Public Engagement

Overview of Problem

All SRF programs adhere to the Mississippi Administrative Procedures Law to ensure public involvement in the development of the annual IUPs. This includes a 25-day public notice period for comments, followed by a public hearing at the end of this period. However, several issues impact the effectiveness of public engagement. A predominant issue is the technical complexity of the IUPs, which make it challenging for the public and public water systems to understand.

8A: Educational Webinars

MSDH and MDEQ can consider hosting educational webinars that are separate and distinct from the public hearings, which can help explain the content and implications of the IUPs when they are released. The webinars can be recorded and made available online for broader access, and are also an opportunity to provide progress reports on the set-aside work plans for the DWSRF, LSLR, and EC programs. This could also enhance transparency around underutilized funds and green projects in the CWSRF program. Regular public reporting on the progress of projects, particularly regarding the use of set-asides, will enhance transparency and allow stakeholders to propose improvements.

8B: Community Engagement

MSDH and MDEQ can consider leveraging the information disseminated in the webinars to empower community-based and nonprofit organizations. These organizations can conduct in-person workshops, extending the webinar content to broader community circles.

Anticipated Impact

Implementing these measures will significantly enhance public understanding and engagement. The educational webinars will demystify the complexities of the IUPs, making them more accessible and understandable to the public and water system stakeholders. Increased transparency, particularly in fund utilization and project progress, will foster a more informed and participatory stakeholder community. This approach is anticipated to lead to more robust public involvement in decision-making processes, ensuring that SRF programs are more aligned with community needs and perspectives, ultimately leading to more effective and community-centered water infrastructure projects.

Conclusion

This document outlines a series of targeted recommendations aimed at enhancing the effectiveness and equity of Mississippi's State Revolving Fund programs. By addressing key areas such as financial management, infrastructure needs, and community engagement, these recommendations seek to create a more robust, equitable, and sustainable framework for water infrastructure investment in Mississippi. Implementing these strategies will not only improve the current system, but also lay a foundation for future resilience and growth. Ultimately, the success of these initiatives will depend on collaborative efforts among state agencies, local communities, and other stakeholders, underscoring the importance of a unified approach towards a healthier and more prosperous Mississippi.

Notes

- 1 Katy Hansen, Sridhar Vedachalam, and John Ryan. 2021. "Increasing State Revolving Fund Capacity through Leveraging." *Water Finance & Management*. <https://waterfm.com/increasing-state-revolving-fund-capacity-through-leveraging/>.
- 2 U.S. Environmental Protection Agency (EPA). 2018. "Spotlight on: Alabama Leveraging Analysis" in *EPA Fund Management Handbook*, 41. https://www.epa.gov/sites/default/files/2018-04/documents/fund_management_handbook_2018final.pdf.
- 3 Ibid.
- 4 U.S. Environmental Protection Agency (EPA). 2022. *Combined SRF Implementation Memo: Appendix E*. EPA Office of Water, Office of Wastewater Management, Washington, DC. https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.
- 5 J. Pritchard. 2023. *State SRF Policies to Help Communities Fully Take Up the New Federal Funding for Lead Service Line Replacement*. Environmental Policy Innovation Center. <https://www.policyinnovation.org/blog/setasidefunds>.
- 6 U.S. Environmental Protection Agency (EPA). n.d. *Revised Lead and Copper Rule*. EPA Ground Water and Drinking Water. <https://www.epa.gov/ground-water-and-drinking-water/revised-lead-and-copper-rule>.
- 7 Ibid., 5.
- 8 Katy Hansen, Govind Sawhney, Simon Warren, and Martin Doyle. 2022. *Uncommitted State Revolving Funds*. Nicholas Institute for Environmental Policy Solutions, Duke University. <https://nicholasinstitute.duke.edu/publications/uncommitted-state-revolving-funds>.
- 9 U.S. Environmental Protection Agency (EPA). 2000. "Transfer and Cross-Collateralization of Clean Water State Revolving Funds and Drinking Water State Revolving Funds." *Federal Register* 65(199): 60940-60945.

PolicyLink

Lifting Up What Works®

Headquarters

1438 Webster Street

Suite 303

Oakland, CA 94612

t (510) 663-2333

policylink.org

Facebook: /PolicyLink

Twitter: @policylink

Instagram: @policylink