

## Unlocking USDA Rural Development and State Revolving Funds

If your municipality is looking for support in managing water supplies, safely disposing of wastewater and managing stormwater, it should become familiar with the following two funding sources that may be able to help make those benefits available.

### USDA Rural Development Funds

#### What is it?

Rural Development is a federal government program under the US Department of Agriculture (USDA), administered by individual states, intended for smaller communities. It provides both grants and low-interest long-term loans. Such loans are tied to the lifespan of the project – so if an installation has a 30-year lifespan, the repayment schedule will be over 30 years, with terms up to 40 years possible. This is particularly attractive to smaller communities where there might be financial hardship if the project had to be paid for immediately.

According to the USDA:

Funds may be used to finance the acquisition, construction or improvement of:

- ◆ Drinking water sourcing, treatment, storage and distribution
- ◆ Sewer collection, transmission, treatment and disposal
- ◆ Solid waste collection, disposal and closure
- ◆ Storm water collection, transmission and disposal

In some cases, funding may also be available for related activities such as:

- ◆ Legal and engineering fees
- ◆ Land acquisition, water and land rights, permits and equipment
- ◆ Start-up operations and maintenance
- ◆ Interest incurred during construction
- ◆ Purchase of existing facilities to improve service or prevent loss of service \*

\* USDA Rural Development Water & Waste Disposal Loan & Grant Program, 2015

#### Who's it for?

To be eligible, municipalities must be under 10,000 in population. Loan programs may be available to such communities, provided they meet eligibility criteria.

To be eligible for grants as well, the community must be able to demonstrate financial need, which is determined based on median household income. Granting agencies analyze whether the project could be funded through raising municipal rates to a degree that will not pose undue hardship on the community.

There is no “window of opportunity” based on the time of year – USDA will consider applications made any time; however, actual funding is dependent on funds availability.

#### What do funding agencies look for?

The USDA is particularly interested in health and safety benefits. USDA will first look at your situation to see if there are any orders from state or federal agencies requiring the work to be done for health or safety reasons.

Priority is given to public entities to restore a deteriorating water supply or to improve, enlarge, or modify a water facility or an inadequate waste facility. Preference is given to requests that involve the merging of small facilities and those serving low-income communities.

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What do funding agencies look for?	USDA is particularly interested in health and safety benefits. Priority is given to public entities to restore a deteriorating water supply or to improve, enlarge, or modify a water facility or an inadequate waste facility.
Working with USDA	Some programs within the USDA offer “pre-development” grants to help communities do the legwork required to prepare a successful application and to complete preliminary design efforts.

USDA funding decisions can tend to be “cut and dry” – the project either meets the criteria and is eligible for loans and possibly grants, or it does not.

Working with USDA

Some programs within the USDA offer “pre-development” grants, to help communities do the legwork required to prepare a successful application and to complete preliminary design efforts. This funding can be used for hiring staff perhaps on a temporary basis to conduct necessary research, including external professional counsel.

For eligible communities with a population less than 10,000 and a median household income either below the poverty line or below 80% of the statewide non-metropolitan median household income, a pre-development planning grant can be up to \$30,000 or 75% of the project costs, whichever is less. For communities with a population less than 2,500, pre-development planning grants under the “SEARCH” program offer 100% grants (up to \$40,000). Communities can start their project through a grant program and then finish it, including construction, through USDA’s Water and Waste grant and loan program.

Typical USDA funding for projects ranges from several hundred thousand to several million dollars.

The USDA will require three components to the application: (1) financial data from the community, (2) a “preliminary” engineering report that presents the purpose of the project and its cost, and (3) an environmental report.

State Revolving Funds

What is it?

There are two programs under the State Revolving Fund (SRF) umbrella, both provided by the US Environmental Protection Agency, and managed by individual States:

- Clean Water State Revolving Fund (CWSRF) – covering storm and sanitary sewers
- Drinking Water State Revolving Fund (DWSRF) – covering drinking water supplies

They are called “revolving” funds because each year the federal government releases some money

to fund these programs, and as those loans are repaid by local municipalities, the returning funds are made available for new projects.

These are “competitive” programs in that applicants seek more funds than are likely available. Applications receive a numerical score to help determine which ones get accepted.

Most state programs have a deadline for applications each year, which varies by the state.

Who’s it for?

All sizes of communities are eligible for SRF programs.

What do funding agencies look for?

The questions used to determine funding decisions under the DWSRF tend to focus on whether the proposed project will help increase security of safe drinking water supplies. A “high priority” under a DWSRF program would be supporting a project to solve an immediate and pressing threat to the drinking water supplies of a large number of people.

CWSRF applications tend to be more complex than those involving drinking water. For CWSRF, funders tend to also consider the magnitude of the expected benefits. Does it clean up a watershed that may be used for a public water supply or a river that is used for public swimming, fishing and boating? Does the

State Revolving Funds (SRF)	
What is it?	<p>There are two SRF programs, both provided by the US Environmental Protection Agency and managed by individual states.</p> <ul style="list-style-type: none"><li>• The Clean Water State Revolving Fund (CWSRF) covers storm and sanitary sewers.</li><li>• The Drinking Water State Revolving Fund (DWSRF) covers drinking water supplies.</li></ul>
Who is it for?	All sizes of communities are eligible for SRF programs.
What do funding agencies look for?	CWSRFs consider how a proposed project directly impacts water quality and safety , as well as the magnitude of the expected benefits. A “high priority” under a DWSRF program would be a project that solves an immediate and pressing threat to the drinking water supplies of a large number of people.
Working with SRF	As a first step, an SRF program requires bringing an engineer on board. And, as with all successful funding initiatives, preparation and planning are key.

proposed project impact a small stream or the entire river basin? A project that will have a direct impact on water quality and safety will rank high with SRFs, such as correcting a wastewater treatment plant that will then meet its discharge requirements, greatly improving quality and safety of the water body that it discharges into.

## Working with SRF

As with the USDA program, one of the first steps that SRF program representatives will ask a community to bring an engineer on board, which could be someone from the community. It may be a good investment to involve a firm with experience in the funding requirements, as well as the actual work involved.

As with all successful funding initiatives, preparation and planning is key. Make sure to carefully determine the community need and benefit; meet with stakeholders; gain support, and carefully identify the right program based on your project's goals, benefits and cost/funding needs. Several articles available within Tighe & Bond's *Water Insights* blog offer helpful advice for embarking on successful funding initiatives.

Typical SRF funding ranges from \$100,000 to \$2 million for project planning, and \$1 million to \$100 million for project construction. However, the current applicant cap is \$65 million for any given project.



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