



## Protecting Source Water with the Drinking Water State Revolving Fund Set-Asides

States and communities may use the Drinking Water State Revolving Fund (DWSRF) set-asides to safeguard sources of drinking water.

### BACKGROUND

Protecting sources of drinking water can proactively safeguard the water we drink and improve our public health. Taking steps to manage potential sources of contamination and to prevent pollutants from reaching sources of drinking water can often be more efficient and cost-effective than treating drinking water downstream.

The Safe Drinking Water Act (SDWA) Amendments of 1996 required each state to develop a comprehensive Source Water Assessment Program and to complete source water assessments for each public water system. These assessments, which states made available to the public, include a delineation of the areas needed to protect the drinking water source, an inventory of potential contaminant sources, and a determination of the water system's susceptibility to contamination. While there is no requirement in the SDWA to update these assessments, the America's Water Infrastructure Act (AWIA) explicitly re-authorized the use of Drinking Water State Revolving Fund (DWSRF) set-aside funds for this purpose. The AWIA also expanded the eligibilities for set-aside expenditures on source water protection (SWP) activities and re-authorized states to establish source water petition programs that can investigate the

origins of pollution to reduce levels of contamination, establish partnerships for SWP, and develop recommendations for long-term SWP strategies.

### DWSRF ASSISTANCE

The DWSRF can provide financial assistance to publicly-owned and privately-owned community water systems, as well as non-profit non-community water systems, for drinking water infrastructure projects. Projects must either facilitate the system's compliance with national primary drinking water regulations or significantly further the health protection objectives of the SDWA.

Each of the 50 states and Puerto Rico operates its own DWSRF program. They receive annual capitalization grants from the EPA, which in turn provide low-interest loans and other types of assistance to water systems.

### Additional Source Water Protection Resources:

EPA's Source Water Protection page:  
[epa.gov/sourcewaterprotection](https://epa.gov/sourcewaterprotection)

The Clean Water SRF Program: [epa.gov/cwsrf](https://epa.gov/cwsrf)

The Source Water Collaborative: [sourcewatercollaborative.org](https://sourcewatercollaborative.org)



Repayments of DWSRF loans begin up to 18 months after project completion, with loan terms up to 30 years for most communities, or up to 40 years for disadvantaged communities.

Additionally, states may use a portion of their capitalization grant from the EPA as “set-asides” to help communities build the technical, managerial, and financial capacities of their systems. States may use the set-asides to fund several types of SWP activities. They may administer the SWP program, provide technical assistance, and fund implementation activities.

### SET-ASIDES USE FOR SWP

The State Program Management (i.e., 10 percent) and Local Assistance and Other State Programs (i.e., 15 percent) set-asides are commonly used to support SWP programs and initiatives. States submit set-aside workplans to the EPA each year describing activities for which they intend to use their set-asides and how funds will be spent.

The State Program Management set-aside is most commonly used to support staff in the state’s SWP program (e.g., a SWP coordinator) or other technical assistance providers (e.g., circuit riders or hydrogeologists). The Local Assistance and Other State Programs set-aside has broader eligibilities and allows states to provide assistance through loans or grants, depending on the activity and recipient of the funds.

In brief, for SWP, the Local Assistance Set-Aside may be used to:

- Make loans to public water systems for purchasing land or conservation easements for the purpose of SWP;
- Make loans to community water systems for implementing source water protection petition programs or voluntary, incentive-based SWP measures;
- Make expenditures to delineate, assess, and/or update SWP areas; and
- Make expenditures to establish and implement wellhead protection programs, and to implement efforts to protect source water.

Examples of activities that can be supported by the Local Assistance set-aside include:

- Updating source water assessments,
- Developing and implementing SWP plans,
- Land acquisition and conservation easements,
- Well abandonment,
- Cover crops and other best management practices,
- Building fences to protect water sources,
- Septic system surveys and replacement,
- Outreach and education, and
- Development of local ordinances to protect source waters.

States may provide support through various mechanisms such as loans to public water systems, grants to local communities, funding of technical service providers, or grants to nonprofit organizations. More information on eligibilities can be found in the DWSRF Eligibility Handbook: <https://www.epa.gov/dwsrf/dwsrf-eligibilities>.

### LEVERAGING SET-ASIDES TO ADVANCE SWP

Even small investments can play an important role in advancing SWP. Set-aside funds can help not only through direct action, but also coordination with other programs charged with protecting and improving freshwater resources and public health. For example, several states have used DWSRF set-aside funds to develop assessments, appraisals, and plans to meet application requirements for Clean Water State Revolving Funds and Clean Water Act section 319 Nonpoint Source Management grants. Some states have used set-aside funds to support staff who research and prepare applications for funding opportunities or who coordinate with other organizations to identify priority areas for conservation investment (e.g., United States Department of Agriculture conservation programs).

### LEARN MORE ABOUT FUNDING

DWSRF assistance is distributed directly from state agencies. Each state has its own funding procedure. Contact information for each state is posted at <https://www.epa.gov/drinkingwatersrf/state-dwsrf-website-and-contacts>.



For more information, visit: [epa.gov/dwsrf](https://www.epa.gov/dwsrf)



## DWSRF Set-Asides Case Studies: Source Water Protection

How states and communities are using the Drinking Water State Revolving Fund (DWSRF) set-asides to safeguard sources of drinking water.

### NEBRASKA: DRINKING WATER PROTECTION MANAGEMENT PLANS

The Nebraska Department of Environment and Energy (NDEE) uses their DWSRF set-asides to support the development of groundwater-focused planning documents which help Community Water Systems access funding to address nonpoint sources of pollution. Plans are developed by communities using source water protection grants funded by the DWSRF 15 percent Local Assistance set-aside. These plans are written to meet the requirements of an Alternative to an EPA 9-Element Watershed Management Plan. Once accepted, the plans will be eligible for EPA Clean Water Act section 319 grant funds. If awarded, these grant funds may be used to implement the actions outlined in the plans, including on-the-ground best management practices and public outreach to address nitrate contamination in the aquifer. Currently, two of these groundwater-focused plans are also being used to access targeted funding for financial and technical assistance from the National Water Quality Initiative (NWQI) of the USDA Natural Resources Conservation Service (NRCS) and have resulted in over \$500,000 for implementation of voluntary conservation practices to landowners.

In addition, NDEE is collaborating with USDA NRCS to prioritize wellhead protection areas for source water protection funding included in the 2018 Farm Bill.

The 2018 Farm Bill makes \$2-3 million available annually for source water protection in Nebraska to be invested in delineated source water protection or wellhead protection areas. The DWSRF 15 percent set-aside funds will be used by NDEE to update the delineations of wellhead protection areas from 20-year time-of-travel to 50-year time-of-travel, expanding the areas eligible for USDA NRCS investment in source water protection activities. Funding for source water planning has been limited in the past and this collaboration between planning and implementation funding sources opens new opportunities for source water protection.

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### DELAWARE: COVER CROPS FOR PROTECTION

The Delaware DWSRF program partnered with the Sussex County Conservation District (SCCD) and the Delaware Rural Water Association (DRWA) to conduct a source water protection pilot. The objective was to work with both the agriculture and water utility communities to ensure all agricultural land surrounding high-risk public wells participated in a cover crop program. The state's DWSRF program worked with the SCCD to complete GIS mapping of high-risk public wells and financially supplement the cover crop program. The state also worked with the DRWA to identify high-risk public wells throughout Sussex County. This pilot, funded with \$250,000 from the DWSRF 15 percent Local Assistance set-aside, implemented 5,555 acres of cover crops. Based on the success of the pilot, the goal is to expand this program to the two other Delaware counties in the future and further promote drinking water protection through cover crops.



### WASHINGTON: LEVERAGING FOR LAND

The Skagit Public Utility District (PUD) provides drinking water to more than 65,000 people in Skagit County, serving three cities as well as suburban and rural areas. The Gilligan Creek area of the Cultus Mountain Watershed provides 45 percent of the PUD's source water for its Judy Reservoir Water System. Until recently, timber companies owned all property around Gilligan Creek. Using a grant and a loan from two state agencies, Skagit PUD purchased and protected 250 acres of critical watershed area in perpetuity for its customers. The grant, funded with the DWSRF 15 percent Local Assistance Source Water Protection set-aside through the Washington Department of Health, was used by the PUD for appraisal and survey of the property early in the process.

Knowing the approximate value and exact portion of the property helped the utility negotiate with the property owner and clearly identify a cost to rate payers for the PUD board of commissioners to consider. The PUD subsequently purchased the land in 2019 with a \$1.53 million Clean Water State Revolving Fund loan through the Washington Department of Ecology. The loan included 25 percent principal forgiveness, which reduced the amount owed on the loan. The PUD will pay back the loan through customer revenues and proceeds from selective timber harvests. This collaboration between multiple state agencies and funding sources resulted in a successful priority drinking water protection project.

### MAINE: LAND CONSERVATION

The Portland Water District (the District) is Maine's largest water utility. Its source, Sebago Lake, is a multi-use lake with excellent water quality. The greatest challenge to the long-term protection of lake water quality is potential development pressure in the mostly privately-owned watershed. In response, the District developed a Watershed Land Conservation Program, which provides funding toward forest conservation. In 2019, the District approved the purchase of a \$345,000 conservation easement on a 1,417 acre property known as the Tiger Hill Community Forest. The property is located within two miles of the drinking water source and its conservation will ensure that it remains forested in perpetuity. The District is using the Maine DWSRF's land acquisition loan program under the 15 percent set-aside, which offers a low interest rate and up to \$50,000 principal forgiveness, reducing the amount owed on the loan. This source water protection project, scheduled for completion in fall 2019, benefits the District and its rate payers by protecting their drinking water source.

### LEARN MORE ABOUT FUNDING

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