



Mayors Commission on Water Equity's U.S. Policy Agenda

Recommendations for U.S. Federal and State Governments to Advance Water Equity for Great Lakes and St. Lawrence River Basin Communities

December 2023

The mission of the Great Lakes and St. Lawrence Cities Initiative's Mayors Commission on Water Equity is to promote equitable access to clean, safe and affordable water for all residents of the Great Lakes and St. Lawrence River Basin.¹ The Mayors Commission recognizes that this is a historic moment for water equity in the United States, with unprecedented investments in water infrastructure through the Infrastructure Investment and Jobs Act and other federal and state funding programs, a network of water technical assistance programs under the umbrella of the U.S. Environmental Protection Agency and other initiatives aimed at making progress on key issues related to water equity. Together, these programs and initiatives have the potential to transform drinking water, stormwater and wastewater systems nationwide for many years to come. The Mayors Commission's U.S. policy agenda aims to make the most of this unique moment. The following policy agenda includes key recommendations for U.S. federal and state governments related to lead service line replacement, water affordability, water workforce development and urban flooding.² These recommendations were developed in close collaboration with the Environmental Policy Innovation Center, the U.S. Water Alliance and the Mayors Commission's Advisory Team.³

SUMMARY OF RECOMMENDATIONS

Replace Lead Service Lines Quickly, Equitably and Efficiently

Federal Government:

- Provide guidance to states on best practices for the equitable allocation of the Infrastructure Investment and Jobs Act (IIJA) lead service line replacement (LSLR) funds to communities and actively engage states on these issues when reviewing states' Intended Use Plans
- Provide guidance to states on allowable uses of set asides from IIJA LSLR funds while encouraging states to maximize the strategic use of set asides from IIJA LSLR funds to both enhance the efficiency and equitable outcomes of LSLR projects and improve the loan-to-principal forgiveness ratio for LSLR project awards
- Mandate a standardized and accessible format for Intended Use Plan Project Priority Lists for all Drinking Water State Revolving Fund funding, including for LSLR
- Require a standardized format for LSLR inventories and make these inventories publicly available with the October 2024 Lead and Copper Rule (LCR) inventory mandate
- Include lead connectors (e.g., pigtails and goosenecks) and galvanized pipes that have ever been downstream of lead connectors on both private and public property in lead service line definitions and replacement requirements

¹ See a full list of Mayors Commission members at www.gslcities.org.

² See recommendations for Congress at www.gslcities.org.

³ See a full list of Advisory Team members at www.gslcities.org.

- Require landlords, property owners and those selling their homes to disclose the presence of any lead service lines, lead fixtures and lead solder to tenants and buyers
- Provide guidance to states and local governments on trusted technologies for the efficient and effective detection, mapping and replacement of lead service lines

State Governments:

- Maximize the strategic use of set asides from IIJA LSLR funds to both improve the efficiency and equitable outcomes of LSLR projects and improve the loan-to-principal forgiveness ratio for LSLR project awards
- Adopt policies to ensure that IIJA LSLR funds, particularly principal forgiveness awards, are equitably allocated to underserved communities in line with Justice40 goals
- Adopt policies that provide longer planning windows for LSLR projects to enable cities to plan more cost-efficient LSLR projects
- Clarify municipalities' legal authority to replace LSLs on private property
- Dedicate part of all available state water infrastructure funding for LSLR
- Make all lead inventories publicly available with the October 2024 LCR inventory mandate
- Provide guidance and technical assistance to ensure efficient LSLR programs to drive down per-pipe replacement costs
- Provide guidance and technical assistance to ensure equitable LSLR programs that prioritize vulnerable populations
- Educate the public on ways to reduce the risk of lead exposure via drinking water and enable public funds for point-of-use filters when necessary
- Adopt a whole-of-government approach to reducing lead exposure

Make Water and Sewer Services Affordable for All

Federal Government:

- Provide guidance on policies states should adopt to allocate State Revolving Fund assistance in line with Justice40 goals and engage states on these issues when reviewing state Intended Use Plans prior to issuing federal capitalization grants to states
- Evaluate and request additional funding for the Low-Income Household Water Assistance Program and develop additional federal programs to address the rising unaffordability of water services
- Continue to provide technical assistance to help underserved, low-capacity utilities access public funds for water infrastructure and develop water affordability programs
- Improve State Revolving Fund (SRF) guidance and policy to better address water service access and affordability
- Provide clear, accessible guidance to states on best practices for state SRF program management and implementation, including in relation to meeting Justice40's equity objectives.
- Require states to collect and report on data relating to how SRF assistance is allocated, using a consistent data reporting template
- Assess states' allocation of SRF assistance against Justice40 goals

State Governments:

- Fully utilize allowable set asides from SRF state capitalization grants to build state administrative and program capacity
- Include support in state budgets for SRF program development and administration and related technical assistance to enable communities to utilize SRF funds
- Build partnerships with nonprofits and other third-party service providers to extend state program capacity

- Create a statewide program for water financial assistance for low-income residents that is efficient and equitable
- Revise state definitions of disadvantaged communities, affordability criteria and other policies that determine how SRF assistance is allocated to better target and prioritize funding for the communities that otherwise cannot afford needed water infrastructure upgrades
- Identify communities with the greatest water infrastructure and affordability needs and proactively offer technical assistance to access SRFs or other appropriate sources of funding and financing for urgent water infrastructure needs
- Remove legal barriers to customer affordability solutions
- Grant state authority to incentivize utility partnerships and consolidation
- Create and maintain statewide databases to inform and enhance transparency in state funding decisions and policies and prioritize technical assistance
- Make information on applications and awards for water infrastructure projects readily accessible and enable tracking of fund allocations for performance with respect to state and federal policy goals, including Justice40

Build Pathways to Opportunity in the Water Workforce

Federal Government:

- Provide guidance to states on how allowable set asides from SRF federal capitalization grants can be used for water workforce development

State Governments:

- Create water workforce incentive programs for underrepresented groups
- Remove barriers to state occupational licenses for formerly incarcerated people and revamp vocational programs
- Explore multi-state occupational licensing
- Use set asides from SRF federal capitalization grants to build a more diverse water workforce
- Incorporate policies aimed to develop a more diverse water workforce into state administration of SRFs, particularly lead service line replacement projects

Equitably Address Urban Flooding and Sewage Overflows

Federal Government:

- Enhance U.S. Environmental Protection Agency guidance, rules and communication on solutions
- Reform Federal Emergency Management Agency (FEMA) grant processes and policies to make sure these federal funds reach the communities that need them most
- Invest in mapping and modeling that better supports planning, mitigation and flooding response

State Governments:

- Direct more Clean Water State Revolving Fund assistance to green infrastructure and other nature-based solutions to manage stormwater
- Implement a statewide stormwater fee to create a designated funding stream for stormwater infrastructure
- Support municipalities to create stormwater ordinances, remove barriers to green and natural stormwater infrastructure through municipal ordinances and educate residential property owners
- Provide technical assistance to create pumping and treatment resilience plans
- Provide regional, watershed-scale guidance and coordination across municipalities
- Increase awareness of options for funding and financing construction and maintenance of nature-based solutions

- Create a state climate resilience program and/or expand existing programs to ensure more overburdened, disinvested communities address flooding and improve resilience by securing funds from FEMA's Hazard Mitigation grants

DETAILED RECOMMENDATIONS

Replace Lead Service Lines Quickly, Equitably and Efficiently

Federal Government:

- **Provide guidance to states on best practices for the equitable allocation of the Infrastructure Investment and Jobs Act (IIJA) lead service line replacement (LSLR) funds to communities and actively engage states on these issues when reviewing states' Intended Use Plans.** Policies that need to be considered include how states rank LSL inventory and LSL replacement projects for State Revolving Fund (SRF) assistance;⁴ how states define disadvantaged communities (DACs) for the distribution of IIJA LSLR funds,⁵ including allowing applicants to assess DAC metrics for LSLR projects in accordance with the area in which LSLs will be replaced (rather than for entire service areas of the water system); caps on the amount of principal forgiveness SRF applicants can receive for LSLR projects and interest rates offered on loans from the IIJA LSLR funds. While federal law grants wide discretion to states to define these policies, the U.S. Environmental Protection Agency (EPA) has the authority to actively engage states on these issues when reviewing states' Intended Use Plans that set out how states intend to allocate SRF assistance prior to issuing federal capitalization grants to states.
- **Provide guidance to states on allowable uses of set asides from IIJA LSLR funds and encourage states to maximize the strategic use of set asides from IIJA LSLR funds.** Maximizing the strategic use of set asides from IIJA LSLR funds has the dual value of improving the efficiency and equitable outcomes of LSLR projects and improving the loan-to-principal forgiveness ratio for LSLR project awards.⁶ EPA should encourage the use of set asides from IIJA LSLR funds to inventory and track the replacement of LSLs; provide community education and outreach to facilitate the efficient implementation of LSLR projects; develop a local workforce for LSLR projects and achieve efficiencies in procurement and other factors that can reduce the per-pipe costs for LSLR projects.
- **Mandate a standardized and accessible format for Intended Use Plan Project Priority Lists for all Drinking Water State Revolving Fund (DWSRF) funding, including for LSLR.** EPA allocates drinking water infrastructure funding to each state through DWSRFs and each state assigns their allocated funds for each year to drinking water projects according to their Intended Use Plans. Applying the policies set out in the Intended Use Plan, each state develops Project Priority Lists identifying and ranking the projects prioritized to be funded each year. Analyzing the Intended Use Plans and Project Priority Lists is crucial to identify where funds are intended to be spent.⁷ Without a

⁴ Wisconsin has developed very thoughtful and detailed policies to rank LSLR projects in its DWSRF Intended Use Plan for allocating its first two years of lead funds from IIJA. See

https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/intendedUsePlan/SDWLP_SFY2024_IUP.pdf.

⁵ EPA has already provided some guidance on these issues. See https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf (Attachment 1, Appendix E) and https://www.epa.gov/system/files/documents/2022-10/DWSRF%20DAC%20Definitions%20Report_October%202022%20Updates_FINAL_508.pdf.

The Association of State Drinking Water Administrators has curated an on-line catalogue of state DAC definitions and published a white paper presenting case studies describing DAC revision efforts in 10 states. See <https://www.asdwa.org/environmental-justice> and <https://www.asdwa.org/wp-content/uploads/2023/01/ASDWA-A-New-Era-for-the-Drinking-Water-State-Revolving-Funds.pdf>. The Environmental Policy Innovation Center has published commentary on the benefits of multi-factor DAC scoring systems that allow communities to be ranked according to their relative need and proposed more equitable alternatives to flat caps on principal forgiveness. See

<https://www.policyinnovation.org/blog/reforming-state-srf-policies-lessons-learned-from-advocacy-in-wisconsin> and <https://www.policyinnovation.org/blog/50exn2v1bbty413z225pljnmqpu13b>. See also

<https://www.policyinnovation.org/publications/srf-njequityreport>.

⁶ See <https://www.policyinnovation.org/blog/setasidedefunds>.

⁷ See <https://www.policyinnovation.org/water/tracking-srfs>.

standardized, accessible format and uniformity across states, it is extremely hard to analyze the data, and harder still to make comparisons across states.

- **Require a standardized format for LSLR inventories and make these inventories publicly available with the October 2024 Lead and Copper Rule (LCR) inventory mandate.** The LCR Revisions promulgated in 2021 require that all water systems complete LSL inventories by October 16, 2024. Though EPA and some states have circulated inventory templates as recommended formats, there is no uniform template that can be used across all states or a mandate from the federal government to create one. Consistency in this data would help the country better understand where LSLs are located and track replacement rates over time. Greater uniformity and accessibility of this data would also improve public awareness about the location and number of LSLs across the country and enable a greater focus on transparency and accountability. This is necessary not only for residents to understand the risks associated with their drinking water, but for water systems and the states to put together proactive financial plans to pay for LSLR.
- **Include lead connectors (e.g., pigtails and goosenecks) and galvanized pipes that have ever been downstream of lead connectors on both private and public property in LSL definitions and replacement requirements.** Sources of lead in drinking water can include not only LSLs, but also faucets and internal plumbing fixtures, lead solders and galvanized steel service lines that have ever been downstream of any lead pipe or lead connector and lead connectors such as pigtails or goosenecks (which connect the service line to the main and can be several feet long). If the goal is to eliminate the risk of lead in drinking water, all of these sources must be addressed. Definitions of LSLs and replacement requirements (for both public and private property) should include lead connectors and any galvanized steel pipes that have ever been downstream of lead connectors or pipes to ensure more effort is made to eliminate these additional sources.
- **Require landlords, property owners and those selling their homes to disclose the presence of any LSLs, lead fixtures and lead solder to tenants and buyers.** Congress passed the Residential Lead-Based Paint Hazard Reduction Act of 1992 to protect families from exposure to lead from paint, dust and soil. In this rule, before a contract for housing sale or lease is finalized, sellers and landlords must: disclose any known information concerning potential lead-based paint hazards and available records; provide purchasers and lessees with a lead hazard information pamphlet; include specific language in the lease or contract related to lead and give buyers time to conduct a lead inspection. Potential hazards from drinking water were not included in this rule, so these kinds of disclosures should be expanded to include water-based lead contamination threats such as service lines, fixtures, plumbing and solder made of lead. Landlords should be inclusively defined to include government housing administrators.
- **Provide guidance to states and local governments on trusted technologies for the efficient and effective detection, mapping and replacement of lead service lines.** As new technologies emerge and are proven to be effective at detecting, mapping and replacing lead service lines, EPA should provide guidance on their use to states and local governments. An example is the guidance that EPA issued in August 2022, which covered predictive modeling and other technologies for developing lead inventories.⁸

State Governments:

- **Maximize the strategic use of set asides from IIJA LSLR funds to both improve the efficiency and equitable outcomes of LSLR projects and improve the loan-to-principal forgiveness ratio for LSLR project awards.** Maximizing the strategic use of set asides from IIJA LSLR funds has the dual value of

⁸ See https://www.epa.gov/system/files/documents/2022-08/Inventory%20Guidance_August%202022_508%20compliant.pdf.

improving the efficiency and equitable outcomes of LSLR projects while improving the loan-to-principal forgiveness ratio for LSLR project awards. States should use set aside funds to provide direct support to municipalities to inventory and track the replacement of LSLs; support community education and outreach to facilitate the efficient, equitable implementation of LSLR projects; develop a local workforce for LSLR projects and achieve efficiencies in procurement and other factors that can reduce the per-pipe costs for LSLR projects.

- **Adopt policies to ensure that IIJA LSLR funds, particularly principal forgiveness awards, are equitably allocated to underserved communities in line with Justice40 goals.** The Justice40 Initiative promulgates a goal of directing 40 percent of the overall benefits of certain federal investments to DACs that are marginalized, underserved and overburdened by pollution. In addition, the IIJA mandates that 49 percent of IIJA LSLR funds must be provided as grants and forgivable loans to state-defined disadvantaged communities. Therefore, states should:
 - Examine and reform how they define DACs to align with Justice40 goals, as well as reform other policies (e.g., caps on principal forgiveness) that limit disadvantaged communities' effective use of SRF funds
 - Develop methods and requirements to systematically collect and publicly report data to assess and track whether their allocation of SRF funds fulfills Justice40 goals
- **Adopt policies that provide longer planning windows for LSLR projects to enable cities to plan more cost-efficient LSLR projects.** Applying for funding is often cited as a barrier to accessing public funds for water infrastructure – including for LSLR – due to the time, resources and capacity needed to complete an application. Moreover, SRF funds are typically allocated to local projects in annual cycles. Uncertainty about how much funding will be awarded, including how much will be provided as repayable or forgivable loans, makes it difficult for localities to plan how to braid SRF funds with other sources of funding, procure supplies and contractors in the most efficient manner or anticipate investments needed for workforce development. States should do more to minimize these burdens on municipalities, including by enabling SRF funding awards to cover large, multi-year LSLR projects instead of requiring municipalities to reapply for piecemeal funding each year.
- **Clarify municipalities' legal authority to replace LSLs on private property.** To facilitate its LSLR program, the City of Newark, New Jersey, passed a local ordinance requiring homeowners to either register in the city's LSLR program at zero cost or to independently replace the LSL within 90 days of the ordinance's effective date.⁹ It also included a provision that allowed the city to enter a home to inspect or replace the LSL, regardless of whether a homeowner approved replacement, called right of entry. Newark's program, however, was supported by enabling New Jersey state legislation in 2018 that allowed municipalities to replace LSLs on private property using municipal bonds and in 2020 permitted municipalities to pass an ordinance that allows the municipality to remove a lead service line after giving 72 hours' notice to the owner and any residents. States should do more to encourage full LSLR for municipalities by further clarifying municipalities' legal authority to: replace LSLs on private property, use municipal bonds and other public funding for full LSLR and implement mandatory programs with right of entry.
- **Dedicate part of all available state water infrastructure funding for LSLR.** The \$15 billion in IIJA LSLR funds and other federal programs are insufficient to cover 100 percent replacement in states with high lead burdens. States should do more to ensure state water-infrastructure funding is available for LSLR, as well as prioritize funding for schools, daycare facilities and multi-family and

⁹ See <https://ecode360.com/36709572>.

other residences in disadvantaged communities and neighborhoods. States should also allow DACs to be defined at a neighborhood scale rather than a water service provider's entire service area.

- **Make all lead inventories publicly available with the October 2024 LCR inventory mandate.** While water systems are now preparing for the October 2024 federal lead inventory mandate, states too can start preparing to help facilitate this process by making all inventories publicly accessible and by preparing a statewide inventory and portal. This effort will provide transparency to residents, help create momentum for investment in LSLR and provide data to decisionmakers about funding needs and how to prioritize assistance to communities that need it the most.
- **Provide guidance and technical assistance to ensure faster and more efficient LSLR programs to drive down per-pipe replacement costs.** Practices that could drive greater efficiency include encouraging LSLR projects with efforts to replace leaky sewer laterals in the same targeted neighborhoods, enabling block-by-block replacement and removing administrative barriers such as paving moratoriums. States could also enable joint procurement of LSLR projects with multiple communities – including through community-based public-private partnerships – to replace a large number of LSLs in a coordinated effort, with targets to reduce per-pipe costs and encourage local workforce development and community engagement goals. Finally, states could encourage municipalities to set incentives for faster replacement through contracting and procurement. States can provide incentives for these cost-efficient practices by factoring these practices into how they rank and award principal forgiveness to LSLR projects and providing guidance and technical assistance to municipalities to help them develop these and other strategies for more efficient LSLR programs.
- **Provide guidance and technical assistance to ensure equitable LSLR programs that prioritize vulnerable populations.** More attention has been focused on the inequities and environmental injustice around LSLR, in part due to the prevalence of LSLs in urban, low-income areas with predominantly non-white populations. The high costs associated with LSLR on private property are often prohibitive for homeowners, which may disproportionately expose racially-diverse and low-income neighborhoods to potentially elevated levels of lead in their drinking water. Given that some municipalities may take years to replace all of their LSLs, states can encourage the prioritization of limited resources by creating equity-based policies that provide transparent health and income-based priority to vulnerable groups where acute lead exposure conditions may exist. States can also provide guidance and technical assistance on creating equity plans.
- **Educate the public on ways to reduce the risk of lead exposure via drinking water and enable public funds for point-of-use filters when necessary.** Only full replacement will eliminate the risk entirely, but that will take a significant amount of time in which an entire generation could still suffer the effects of lead in drinking water. States should lead strategic awareness campaigns so those who may be at risk can take precautions that substantially reduce the chances of lead poisoning. Campaigns should clearly state the various sources of risk, work with landlords and public housing authorities and engage school and childcare center staff. States should also provide public funds to install point-of-use filters in schools, childcare centers and other high-risk settings.
- **Adopt a whole-of-government approach to reducing lead exposure.** Lead service lines are only one source of lead contamination. States can create an interagency taskforce of the departments of health, environmental protection, workforce development, housing, education, community development and others in order to create efficiencies, improve effectiveness of lead remediation programs and ensure a more holistic approach to eliminating lead exposure. States can also create a cross-agency “lead-safe communities” fund to affordably address lead service lines on both public

and private property and support state programs that identify and replace lead plumbing, lead fixtures and lead paint in homes and schools.

Make Water and Sewer Services Affordable for All

Federal Government:

- **Provide guidance on policies states should adopt to allocate SRF assistance in line with Justice40 goals and engage states on these issues when reviewing state Intended Use Plans prior to issuing federal capitalization grants to states.** Federal law grants states wide discretion over how they allocate SRF assistance, but EPA must fully exercise its legal authorities to provide guidance and engage states through the Intended Use Plan review process. EPA should urge states to reconsider the following policies: how states rank projects for SRF assistance; how states define DACs and affordability criteria; caps on principal forgiveness and other additional subsidies and interest rates on SRF loans.
- **Evaluate and request additional funding for the Low-Income Household Water Assistance Program (LIHWAP) and develop additional federal programs to address the rising unaffordability of water services.** While this program had mixed results,¹⁰ the federal government should conduct a comprehensive, public evaluation to build on lessons learned in implementing the temporary program. The U.S. Department of Health and Human Services should request additional funding to establish an efficient, effective and permanent LIHWAP informed by the evaluation. Federal agencies should establish additional programs that address the rising unaffordability of water services and meet the full need of low-income customers and the utilities that serve them.
- **Continue to provide technical assistance to help underserved, low-capacity utilities access public funds for water infrastructure and develop water affordability programs.** Using IIJA funds, EPA has made a significant commitment to addressing crucial water challenges in overburdened, underserved communities through its water technical assistance (WaterTA) pilot programs and over \$150 million in awards through its Environmental Finance Centers.¹¹ WaterTA helps municipalities and utilities connect with technical experts and residents to identify priority issues, develop projects and apply for state and federal funds. EPA's investment will help scale technical assistance and will reach hundreds of communities. However, given the depth and breadth of the nation's backlogged water infrastructure needs, many communities will still need assistance after the five-year period of IIJA funding ends. Future WaterTA should build on feedback from municipal and utility leaders about the scope and priority of needs at the municipal level and lessons learned on how to make technical assistance easily accessible and effective, especially for communities that need it the most.
- **Improve SRF guidance and policy to better address service access and affordability.** EPA should modify financing through the Water Infrastructure Finance and Innovation Act program to address low-income affordability and access pressures. EPA should modify terms of borrowing (e.g., interest rates and repayment structures) and prioritize loans and loan forgiveness for projects with utilities that have programs to address water affordability and projects that address environmental injustices.
- **Provide clear, accessible guidance to states on best practices for state SRF program management and implementation, including in relation to meeting Justice40's equity objectives.** The need to manage the IIJA infusion of funds into SRF programs and the increased attention on equity concerns place increased demands on SRF program administrators. Providing guidance to states in the form of

¹⁰ See <https://acfhhs.foleon.com/lihwap/impact-report/>.

¹¹ See <https://www.epa.gov/newsreleases/biden-harris-administration-announces-selection-29-epa-environmental-finance-centers>.

best practices for responding to these challenges, particularly in the format of sharing best practices and lessons learned by other states, can help state administrators respond efficiently and effectively to these increased demands.

- **Require states to collect and report data on how SRF assistance is allocated, using a consistent data reporting template.** EPA should require states to provide additional data, using a prescribed data reporting template to enhance the quality, clarity and consistency of data collection and reporting across states. Data collected and reported should include specific data related to each SRF-funded project, as well as SRF applications for which assistance is not awarded. It should also include aggregate state-level data relevant to assessing whether assistance has been equitably allocated. EPA should also require states to report on their use of set-aside funds.
- **Assess states' allocation of SRF assistance against Justice40 goals.** States should be required to track and report on the allocation of SRF assistance using a consistent data reporting template that could be analyzed in light of socioeconomic indicators relevant to Justice40. This would help EPA exercise appropriate oversight of SRFs, which have been identified as a priority program for Justice40.

State Governments:

- **Fully utilize allowable set asides from SRF state capitalization grants to build state administrative and program capacity.** States are allowed to set aside a portion of their SRF capitalization grants for administration (4 percent) and technical assistance to small communities (2 percent). States are allowed to set aside a further 10 percent of DWSRF capitalization grants for state program administration and a further 15 percent for local capacity building and certain other activities. The same allowances can be taken from supplemental funds appropriated by the IJJA, as well as from base capitalization grants. Many states are not fully utilizing these allowances to build state and local capacities to manage and utilize SRF funds most fully, effectively and equitably, particularly in relation to set asides available from the IJJA supplemental funds. Taking full advantage of set aside allowances can help to ease the strain felt by both state and local administrators, and help them take on the expanded workload that managing the IJJA influx of funds and responding to equity concerns entails.
- **Include support in state budgets for SRF program development and administration and related technical assistance to enable communities to utilize SRF funds.** States need to invest in their capacity to manage SRF programs, reforming them as needed to respond to equity challenges, a growing workload and other persistent and emerging concerns. Similarly, states need to build the capacities of their local communities in order to ensure that they can access the funds. State investment to build administrative, managerial and technical capacity at both the state/SRF and local levels is essential to ensure SRF funds are utilized fully, effectively and equitably.
- **Build partnerships with nonprofits and other third-party service providers to extend state and local program capacity.** In addition to building public-sector capacity, state and local administrators should build partnerships with nonprofit organizations and third-party technical assistance providers to take full advantage of their expertise and insights and expand capacity to access and utilize SRF and other water infrastructure funding and financing programs.
- **Create a statewide program for water financial assistance for low-income residents that is efficient and equitable.** States should help take some of the onus for affordability and assistance off of local utilities by institutionalizing state financial assistance programs. States would also benefit from a full assessment of LIHWAP – including lessons learned from states that were successful in

reaching eligible utility customers with LIHWAP dollars – to inform the continued development of programs to assist low-income residents.

- **Revise state definitions of DACs, affordability criteria and other policies that determine how SRF assistance is allocated to better target and prioritize funding for the communities that otherwise cannot afford needed water infrastructure upgrades.** Given the limited amount of state funding for water and wastewater, it is imperative to prioritize funding equitably. State policies to be reconsidered should include:
 - *How states rank projects for SRF assistance:* Scoring systems used to rank projects should include points based on communities' relative financial need. This would ensure that projects in communities facing greater financial hardship are ranked higher than those in more affluent communities.¹²
 - *How states define DACs and affordability criteria:* States should revise their DAC definitions to include socioeconomic and public health factors to target additional subsidies to communities who need them most; enable the state to rank communities according to their relative need;¹³ target additional subsidies to communities that would not otherwise be able to afford needed water infrastructure projects; target additional subsidies to underserved communities within a larger water system for projects with localized benefits such as lead service line replacement and green infrastructure and help communities understand and anticipate their eligibility for and reasonable likelihood of receiving additional subsidies prior to investing significant resources in preparing SRF project applications.
 - *Caps on the amount of principal forgiveness SRF applicants can receive:* States should ensure that caps on principal forgiveness are equitable, proportionate to the scale and expense of infrastructure projects needed and do not systematically discriminate against underserved communities within larger water systems.
 - *Interest rates offered on SRF loans:* States should offer discounted interest rates, including interest-free loans, to state-defined DACs.

- **Identify communities with the greatest water infrastructure and affordability needs and proactively offer technical assistance to access SRFs or other appropriate sources of funding and financing for urgent water infrastructure needs.** State programs typically wait for communities to request assistance. At times, however, the very communities who are most in need of water infrastructure upgrades lack the capacity to even identify and develop project proposals or otherwise seek assistance. Proactive outreach targeted to the neediest communities can help to bring these communities to the table and ensure they are not left behind.

- **Remove legal barriers to customer affordability solutions.** Many states have either explicit prohibitions or ambiguous laws around implementing rate structures that prioritize certain customer groups and/or publicly-funded assistance programs. States should pass constitutional amendments affirming a basic human right to water and expand local options for addressing affordability by explicitly authorizing use of alternative rates and customer assistance programs and establishing minimum customer service standards around disconnections, deposits, delinquent payment fees, arrears management plans and other tools that improve access to reliable and affordable services for all.

¹² See recommendation 3 and related analysis in <https://www.policyinnovation.org/publications/srf-njequityreport>. See also <https://www.policyinnovation.org/blog/reforming-state-srf-policies-lessons-learned-from-advocacy-in-wisconsin>.

¹³ See recommendation 5 and related analysis in <https://www.policyinnovation.org/publications/srf-njequityreport>. See also <https://www.policyinnovation.org/blog/reforming-state-srf-policies-lessons-learned-from-advocacy-in-wisconsin>.

- **Grant state authority to incentivize utility partnerships and consolidation.** Some utilities could achieve greater economies of scale through regional partnerships and consolidation, passing on the resultant savings to their customers. Especially when public health is at significant risk, states should have the ability to incentivize utility consolidation. In non-emergency situations, states should incentivize voluntary and locally-led and determined utility partnership and consolidation. Examples include planning grants to develop equitable regional solutions such as Project Evaluation & Ranking Formula Points for Public Water Supply/System Partnership projects in Wisconsin’s Drinking Water SRF program.¹⁴
- **Create and maintain statewide databases to inform and enhance transparency in state funding decisions and policies and prioritize technical assistance.** Take steps toward establishing a utility reporting system to collect key financial and infrastructure condition metrics. Compile and maintain a statewide water rate database. This information would provide a foundation for prioritizing outreach and assistance – both technical and financial – to communities that need it most.
- **Make information on applications and awards for water infrastructure projects readily accessible and enable tracking of fund allocations for performance with respect to state and federal policy goals, including Justice40.** States should collect and report data on how SRF funds are spent, using a data reporting template prescribed by EPA to enhance the quality, clarity and consistency of data collection and reporting across states. Data collected and reported should include specific data related to each SRF-funded project, as well as for SRF applicant projects for which assistance is not awarded. It should also include aggregate state-level data relevant to assessing whether assistance has been equitably allocated. In addition to reporting on state SRF project applicants and awards, states should report on their use of set-aside funds.

Build Pathways to Opportunity in the Water Workforce

Federal Government:

- **Provide guidance on how states can use set asides from SRF federal capitalization grants for water workforce development.** Some states, including Indiana,¹⁵ have set aside funds from their DWSRF federal capitalization grant to support apprenticeship programs to build a more diverse water sector workforce, including the use of set aside funds to provide wage subsidies for apprenticeship and pre-apprenticeship programs. Set aside funds could also be used to optimize regional workforce development through regional roundtables on workforce development needs and joint procurement efforts. Federal guidance on permissible workforce-related uses set aside funds could encourage states to use set aside funds to support workforce development.

State Governments:

- **Create water workforce incentive programs for underrepresented groups.** Some states have successfully implemented either tax incentives or targeted, industry-specific grants for workforce development in underrepresented groups. A combination of these approaches, tailored for each state, could help significantly lower barriers to water sector employment.
- **Remove barriers to state occupational licenses for formerly incarcerated people and revamp vocational programs.** States control licensing standards for a variety of water and wastewater-related jobs.¹⁶ Formerly incarcerated people often face legal obstacles in obtaining these licenses, including overly broad criminal record inquiries and blanket or mandatory bans. States should

¹⁴ See <https://www.policyinnovation.org/blog/reforming-state-srf-policies-lessons-learned-from-advocacy-in-wisconsin>.

¹⁵ See <https://www.in.gov/ifa/srf/files/SFY-2023-DW-IUP-9-20-2022-Public-Notice.pdf>.

¹⁶ See https://www.awwa.org/Portals/0/AWWA/ETS/Resources/Final_Report_Compiled_2.19.18.pdf.

remove automatic blanket bans; mandate consideration of any applicant's rehabilitation and mitigating circumstances; eliminate any required self-reporting of criminal record and severely limit the scope of when and how a licensing authority or employer can check criminal records and how they can act with that information.

- **Explore multi-state occupational licensing.** Despite similar requirements in training and education requirements, there are vast differences between state operator certification programs and there is no standardized approach to operator licensure. Most states evaluate reciprocity with other state certifications and licenses only on a case-by-case basis; the rest will not offer reciprocity at all. Workers of all backgrounds would benefit from being able to transfer their licensing qualifications across multiple states, saving costs on retraining and certification for both worker and state alike. States should explore opportunities to establish standards equivalencies with neighboring states, if not standard certification and licensing requirements.
- **Use set asides from SRF federal capitalization grants to build a more diverse water workforce.** Utilizing a local workforce to construct water infrastructure projects ensures that the financial benefits of investments in water infrastructure returns to local communities. However, some communities face challenges procuring skilled, locally-based workers to construct water infrastructure projects. States can help to address these challenges by using set aside funds from their DWSRF federal capitalization grants to assist water workforce development. For example, Indiana's DWSRF program uses technical assistance set-asides to support an apprenticeship program to provide training for workers from disadvantaged communities for employment as certified operators for water systems.¹⁷ States could also use set aside funds to convene regional roundtables aimed to better understand regional workforce development needs and to optimize regional workforce development through joint workforce investment and project procurement efforts.
- **Incorporate policies aimed to develop a more diverse water workforce into state administration of SRFs, particularly LSLR projects.** States could adopt several measures that would enable utilities to contract for larger, multi-year streams of LSLR projects, as these are the conditions that best support the workforce investments needed to ensure the equitable distribution of jobs and economic benefits from getting the lead out of our drinking water.

Equitably Address Urban Flooding and Sewage Overflows

Federal Government:

- **Enhance EPA guidance, rules and communication on solutions.** EPA should create guidance and models on how to design state and municipal stormwater ordinances and fees to serve as direct funding sources for green and gray stormwater projects. EPA should encourage states to use at least 10 percent of Clean Water State Revolving Fund (CWSRF) grants for best management practice-based green and natural stormwater infrastructure in addition to the 10 percent carve out currently required for the Green Project Reserve. EPA should also provide guidance to states about offering SRF principal loan forgiveness to communities with a stormwater fee to incentivize that practice at the local level.
- **Reform Federal Emergency Management Agency (FEMA) grant processes and policies to make sure these federal funds reach the communities who need them most.** FEMA Hazard Mitigation grants are a commonly used source of funds for communities to address flooding. However, many under-resourced communities do not access these funds. For example, while 124 projects were funded through the BRIC grant program in Fiscal Year (FY) 2022, only three percent of funds went to

¹⁷ See <https://www.rivernetwork.org/wp-content/uploads/2023/01/river-network-srf-toolkit-workforce-development.pdf>.

projects in low-capacity counties, with 83 percent going to high-capacity counties.¹⁸ In addition, only 22 percent of BRIC funding in FY22 went to interior and Gulf Coast states, including only 7.96 percent for Great Lakes states (excluding New York and New York City). The following reforms could help achieve more equitable outcomes:

- Simplify the applications and make the process more transparent
 - Give priority in the selection process to underserved, overburdened communities
 - Make the programs more accessible by waiving or reducing local match requirements
 - Expand FEMA's direct BRIC technical assistance and create additional technical assistance programs focused on low capacity communities
 - Work with the states to conduct proactive outreach to Great Lakes communities
 - Prioritize other benefits such as human health and safety and/or find a better proxy for benefits with FEMA funding, since the cost-benefit analysis that factors into whether a community qualifies for these funds often results in communities with low property values determined to be ineligible
 - Allow use of federal dollars for projects that involve private property and result in public benefits
- **Invest in mapping and modeling that better supports planning, mitigation and flooding response.** In order to address, prepare for and mitigate flooding and other climate-related risks, there needs to be a foundation of data, mapping and modeling that can help communities in their response and planning efforts. The federal government, through its agencies, can spearhead these efforts and also provide guidance for states.

State Governments:

- **Direct more CWSRF assistance to green infrastructure and other nature-based solutions to manage stormwater.** States should pursue a multi-tiered approach:
 - Encourage more cities to apply for SRF funds for green infrastructure by clarifying that establishment costs for green infrastructure installations and other nature-based solutions can be counted as capital costs eligible for SRF financing
 - Adapt familiar SRF policy tools – such as interest rate discounts, technical assistance and prioritization of principal forgiveness – to incentivize green infrastructure and other nature-based solutions
 - Carve out 10 percent of CWSRF funds for green stormwater infrastructure and other nature-based solutions
 - Examine CWSRF project ranking criteria to clarify where nature-based solutions would be suitable and eliminate implicit biases against nature-based solutions
 - Develop new SRF programs to direct more SRF funds to green infrastructure and other nature-based solutions – such as Ohio's Sponsorship Program – or use loan guarantees to enable more private investment in nature-based solutions
- **Implement a statewide stormwater fee to create a designated funding stream for stormwater infrastructure.** Many residents pay more than their share of stormwater infrastructure costs relative to residential contributions to impervious surface and flooding challenges. A statewide stormwater fee would more equitably distribute costs across residents and private entities. This would create a reliable funding source and be especially helpful to communities with separate systems that cannot access CWSRF funds for stormwater infrastructure in contrast to communities with combined systems.

¹⁸ See <https://headwaterseconomics.org/headwaters/femas-bric-program-continues-to-fund-innovative-risk-reduction-but-community-capacity-limits-access/>.

- **Support municipalities to create stormwater ordinances, remove barriers to green and natural stormwater infrastructure through municipal ordinances and educate residential property owners.** States should support and incentivize municipalities to pass stormwater ordinances requiring new developments and large renovation projects to manage a target percentage of stormwater onsite. These ordinances prevent further hardscaping, which can increase the amount of rainfall entering sewer systems with limited capacity. States should also create educational programs to educate residential property owners about why managing rainwater where it falls is important and steps they can take to do so on their properties.
- **Provide technical assistance to create pumping and treatment resilience plans.** Flooding events turn into flooding emergencies when power outages take out pumps and treatment plants, threatening public health by unleashing raw sewage along with torrents of rainwater into communities and local waterways. States should provide technical assistance to help municipalities create power-outage and climate resilience plans and implement the precautionary measures prescribed to avoid these outages.
- **Provide regional, watershed-scale guidance and coordination across municipalities.** States can ensure flood mitigation and response efforts are effective and equitable by coordinating across municipalities and municipal departments and by supporting Regional Planning Councils, a successful model for addressing cross-municipal challenges, as well as engaging watershed groups, especially those working across municipalities. By thinking and mobilizing from an ecosystem scale, implicated jurisdictions could pool resources and efforts to efficiently tackle stormwater and urban flooding challenges. States could also define and incentivize success along environmental and socioeconomic parameters.
- **Increase awareness of options for funding and financing construction and maintenance of nature-based solutions.** The costs relating to ensuring green infrastructure plantings are well established and functioning as intended – costs which can extend two-to-three years beyond the initial project installation costs – should be accounted as capital costs eligible for SRF funds and other funding sources that cover capital (but not ongoing maintenance) costs. States should clarify and promote that these establishment costs should be treated as capital costs. States should also indicate in project ranking formula and other SRF program materials and guidance where green infrastructure could provide SRF-funded solutions to water quality challenges to prompt communities' consideration of nature-based alternatives to gray infrastructure.
- **Create a state climate resilience program and/or expand existing programs to ensure more overburdened, disinvested communities address flooding and improve resilience by securing funds from FEMA's Hazard Mitigation grants.** Such programs should provide a source of funding to help applicants meet FEMA local match requirements and technical assistance to develop and submit successful grant applications.

About the Cities Initiative

The Cities Initiative is a multinational coalition of local governments led by mayors and chief elected officers working collaboratively to safeguard the economic, environmental and social health of communities in the Great Lakes and St. Lawrence River Basin. It is committed to stewarding the basin's freshwater and ensuring that all residents have access to clean, safe and affordable water as the foundation for sustainable, vibrant, inclusive and resilient communities.

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