



April 24, 2026

The Honorable Tom Cole
Chairman
U.S. House Committee on Appropriations
Washington, D.C. 20515

The Honorable Susan Collins
Chair
U.S. Senate Committee on Appropriations
Washington, D.C. 20510

The Honorable Rosa L. DeLauro
Ranking Member
U.S. House Committee on Appropriations
Washington, D.C. 20515

The Honorable Patty Murray
Vice Chair
U.S. Senate Committee on Appropriations
Washington, D.C. 20510

Re: 2027 Fiscal Year Appropriations for the Clean Water and Drinking Water State Revolving Funds.

Dear Chairman Cole, Chair Collins, Ranking Member DeLauro, and Vice Chair Murray:

As your committees develops the fiscal year (FY) 2027 Interior-Environment Appropriations legislation, the Council of Infrastructure Financing Authorities (CIFA) urges full funding of the Clean Water and Drinking Water State Revolving Funds (SRFs) at congressionally authorized levels of \$3.25 billion each, or \$6.5 billion total, for FY 2027, providing a total of \$6.5 billion in FY 2027 for SRF programs. The need to fully fund the SRFs in FY 2027 is critical given that FY 2027 will be the first year without the supplemental advanced appropriations provided in the Infrastructure Investment and Jobs Act (IIJA). To that end, we strongly recommend that SRF funding be at a minimum maintained at full authorized levels, without diverting community project funding/congressionally directed spending (CPF/CDF) from SRF capitalization grants, which undermines the revolving nature of the funds and threatens the long-term sustainability of the SRFs.

Clean water is foundational to protecting public health.

Fully funding the SRFs will expand access to affordable financing for water infrastructure that protects public health. SRF subsidized loans fund infrastructure that provides safe drinking water, recycled water, wastewater services, and stormwater management in thousands of communities around the nation every year. Without increased federal funding for this critical public health infrastructure, the risk of exposure to preventable diseases from poor water quality and water scarcity will increase for millions of Americans.

Clean, safe water is essential to human health, which is inextricably linked to America's prosperity and high standard of living. Individual wellness and healthy communities are the foundation of robust, successful economies that attract investment and create high paying jobs. Communities without clean waterbodies or a safe, reliable supply of drinking water are communities without socioeconomic stability, economic opportunity, or upward mobility.

The demand for affordable SRF financing has increased exponentially in recent years.

According to the 2022 Clean Watershed Needs Survey Report to Congress, America needs to invest \$630 billion over the next two decades to meet wastewater and stormwater infrastructure needs. That figure is an increase of over \$400 billion from the previous 2012 assessment.

The EPA's 7th Drinking Water Needs Survey and Assessment Report to Congress found that America needs to invest \$625 billion over the next two decades to provide safe drinking water across the nation. That is an increase of over 30% from the previous report, issued only five years ago. Taken together, America's twenty-year water infrastructure needs are more than \$1.2 trillion – and those needs will only grow the longer necessary investments are delayed. Meeting those needs would create as many as 800,000 jobs and add as much as \$4.5 trillion to the national GDP.

Increased federal funding is needed to meet the growing demand for SRF subsidized loans, which has skyrocketed due to the increased cost of planning, design, construction and financing, compounded by new regulatory challenges, extreme weather events, and aging infrastructure.

- Budgets for water infrastructure projects have increased by as much as 40% in just the last five years. While historic inflation has ebbed, the cost of planning, design and construction remains significantly higher than pre-2021 levels, particularly in rural communities that can't afford it.
- In addition to repairing and replacing aging infrastructure, complying with more stringent water quality standards requires new investments in sophisticated and often expensive treatment technologies.
- Higher construction costs are compounded by higher financing costs from rising interest rates on the municipal market. The cost of borrowing has become a barrier to needed investment in water infrastructure.

Reliable annual federal appropriations are directly linked to an SRF's ability to:

- Maintain low interest rates on SRF subsidized loans to keep financing affordable.
- Build a permanent pool of loan repayments that can provide affordable financing for water infrastructure projects for generations to come.
- Provide assistance to help small and rural communities comply with water quality standards, build physical, financial, and operational resiliency, and develop water infrastructure projects
- Provide limited opportunities for targeted principal forgiveness and grants to communities that could not otherwise afford to build the water infrastructure needed to protect public health.
- Issue bonds to leverage their programs to meet higher demand for financing. For every one federal dollar, the SRFs generates three project dollars on average.
- Supplement state and local water quality programs that protect the sources of drinking water and train staff at local water utilities.

Annual federal funding is needed to fund the SRFs current and projected pipeline of projects.

The SRFs initially expanded their project portfolio based on supplemental appropriations provided in the Infrastructure Investment and Jobs Act (IIJA). However, the SRFs have had to scale back the project pipeline because the one-time funds in the IIJA were needed to backfill significant cuts to annual base level federal funding. Additionally, more than half of the federal funding in the IIJA can not be used to repair, replace, or improve aging infrastructure which is desperately needed, as it is designated to other specific uses. Nearly half of the funding available must be used as

grants or principal forgiveness to qualified entities, which limits eligibility and reduces the funds to be continuously revolved. Supplemental federal funding for the SRFs in the IJA ends this year. If that funding is not renewed or maintained – and is only a one-time investment – many communities will lose access to a source of affordable financing to build infrastructure to meet standards for safe and clean water, jeopardizing the health of millions of Americans and the prosperity of communities across the country. Continued cuts to annual SRF funding and earmarking of SRF funds undermines progress towards meeting a decades-long backlog of America’s water infrastructure needs, particularly without the additional IJA funding.

Diverting funding from capitalization grants undermines SRF viability.

The SRFs are fiscally-responsible, effective and efficient state-federal partnerships – the model of cooperative federalism. State and local governments already contribute the vast majority of funding for water infrastructure – accounting for over 90% of investment in this sector, according to the Bookings Institution’s analysis of CBO data. This is a marked difference from the 1970s, when the federal government was responsible for up to 40% of water infrastructure spending.

Today’s annual federal funding, while small, plays an essential role in program funding and administration – and with needs at historic levels, are dollars that communities depend on. Since Congress established the SRFs, \$90 billion in cumulative federal funding has generated \$244 billion in financial assistance for water infrastructure projects, producing a combined return-on-investment of \$3 for every \$1 in federal funding. Today, decades-old congressional appropriations for the SRFs are being reused and reinvested, with more than \$100 billion in loan repayments permanently revolving and financing new water infrastructure projects.

From 2022 to 2025, these state-managed programs executed more than an average of 1,738 loans each year. According to the EPA, about 93% of water systems in the country are serving small and rural communities with fewer than 10,000 people, most of which couldn’t qualify or afford financing in the municipal or private lending markets.

The cost of administering the SRFs is capped at 4% of annual federal funding. Diverting SRF funding to CDS/CPF not only deprives the SRFs of vital funding that could be used to assist communities, but it would directly undermine the administration of the programs themselves. Under the CDS/CPF process utilized since the 2022 appropriations cycle, these dollars are permanently removed from the SRF pool – losing years’ worth of added revenues that could be used to fund other projects.

Many states have already run out of available funding for new SRF loans, and more states may soon find themselves in similar situations if this pattern continues. States will increasingly be forced to turn away communities seeking financing options for essential water infrastructure projects. Congress must restore financial integrity to the SRFs by fully funding the programs and returning to the practice of funding congressional earmarks in addition to the SRFs, rather than draw from the SRF capitalization grants. Using the SRF capitalization grants to fund CDS/CPF is inconsistent with the goals of the SRFs, one of which is to provide a long-term, cost-effective, and sustainable strategy for rehabilitating, replacing and modernizing aging infrastructure to protect public health and the environment.

Fully funding the SRFs at congressionally authorized levels of \$3.25 billion each or \$6.5 billion combined, without diverting said funding to CDS/CPF, will expand access to affordable financing

for the essential infrastructure that provides safe drinking water, suitable recycled water, wastewater services, and stormwater management in thousands of communities across the nation every year.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read 'Barb Dimauro', with a stylized, cursive script.

Barb Dimauro
Executive Director
Council of Infrastructure Financing Authorities (CIFA)

cc: Members of the House and Senate Committees on Appropriations