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How do "disadvantaged community" status and an agency's project priorities affect a disadvantaged community's access to SRF awards, including access to principal forgiveness and other preferred award terms?

- When a community or water system is recognized as "disadvantaged" (Drinking Water SRF term) or meeting its state's "affordability criteria" (Clean Water SRF term), it can qualify for benefits such as lower interest rates, longer loan terms, and principal forgiveness or grant funding from a state's Clean Water or Drinking Water State Revolving Fund ("SRF").¹ These benefits are collectively known as "additional subsidization" and can help lower the cost of an SRF award, making it easier for the community to advance its water infrastructure project.

However, since (a) SRF programs receive a high volume of applications, and each state SRF (b) has different project priorities and ways of implementing those priorities, as well as (c) different amounts of funding and financing available, qualifying for disadvantaged status in itself does not ensure that a community or water system will receive an award at all, let alone preferred award terms.

- With respect to project priorities, state SRFs use their own ranking formulas to determine which projects will be funded first and to allocate benefits such as principal forgiveness.²
- Actual awards may deviate from project priority ranking formulas once a state SRF enters its bypass process, which governs awards towards the end of the annual cycle and after a subset of higher priority projects have dropped out of contention.

Project priority ranking approaches differ by state, as illustrated in the following table. Where a state's project priority ranking preferences certain types of projects that do not align well with a disadvantaged community's needs, the project priority ranking can erect a substantial barrier to a disadvantaged community receiving an award of any kind, due to available funds running out before reaching the community's project on the priority list.

In addition to setting forth more preferred project types via project priority ranking, state SRF administrators often impose limits on the amount of principal forgiveness awarded to each qualifying applicant, such as through a flat dollar cap or a cap on the percentage of total project costs that can be received as principal forgiveness. State SRF administrators also often apply a limit or cap on the amount of overall award support, including repayable loan financing, that any one applicant can receive in a given cycle, to help ensure a greater number of communities benefit from the SRFs. These caps can also be significant barriers to disadvantaged communities, if they do not align well with the community's project scale and/or financial means.

1. Many states provide principal forgiveness and/or other preferred award terms independent of an applicant community's disadvantaged status, including for specific type of projects like lead service line replacement and emerging contaminant.

2. "Readiness to Proceed" comes into play as well; though for present purposes, it is assumed that all projects are ready to proceed in the annual cycle in which they apply and are considered for an award.

ILLINOIS (PY2026)

SRF Overall

- **Projects benefitting Disadvantaged Communities ranked among all other types in single priority list.** Separate such lists for projects with funds reserved, as well as those falling below available funds line and unranked projects.
- PF available for disadvantaged communities or those that meet the affordability criteria.

DWSRF

- Project priority ranking based on compliance, water quality, asset management, conservation, economic factors, and population. ([admin code 662.345](#))
- Disadvantage based on population less than 25,000 for a small community rate **OR** 10,000 for hardship rate **AND** clearing benchmarks relating to MHI and unemployment rates compared to the state average, and annual user charges. ([admin code 662.210](#))
- PF Limits: eligible for 30% of project costs as PF, up to \$6m. (PY2026; \$4.8m cap in PY2025)

CWSRF

- Project priority ranking based on compliance, water quality, asset management, conservation, economic factors, and population. ([admin code 365.345](#))
- Disadvantage (i.e., affordability criteria) based on population less than 30,000 **OR** MHI less than 70% of the statewide average **AND** scoring at least 21 points for socio-economic benchmarks, including MHI, service population, unemployment rate, and service population changes. ([admin code 365.250](#))
- PF Limit: tiered point system awarding 0% to 60% of project costs as PF up to \$6m (i.e., cap set at 60% PF).

PF = Principal Forgiveness
MHI = Median Household Income
MAHI = Median Area Household Income
IUP = Intended Use Plan
PY = Program Year

OHIO

SRF Overall

- **Projects ranked against similar projects in similar communities in separate priority lists for CW SRF.** (OEPA has stated that it funds all projects that are sufficiently ready to proceed in given cycle.)
- PF generally awarded up to a flat dollar cap per applicant; limited instances where PF also limited to % of project cost for certain types of projects.

DWSRF (PY2026)

- Project priority list awards points for human health, compliance, and regionalization. ([Appendix D](#))
- Disadvantaged based on service population less than 10,000 **AND** clearing 3 out of 4 socio-economic benchmarks relating to median Household Income, poverty, unemployment, and water and sewer rates. ([summary](#))
- PF available for Regionalization projects and projects benefiting Disadvantaged Communities. Such projects also eligible for 0% interest rate loans.

CWSRF (PY2025)

- Project priority ranking by public health protection (e.g., basement backups and household sewage systems), potential uses of water resources benefiting from project, restorability of water resources to their potential uses or protection of existing uses, and effectiveness of project in addressing identified sources of impairment or threat.
- Applicants must meet affordability criteria to qualify for PF ([IUP page 102](#)). No population cap; applicant must clear 3 out of 4 socio-economic benchmarks relating to income, poverty, and unemployment rates, and population change.
- PF available up to dollar cap (no %-of-cost cap) for projects advancing Regionalization, Back-up Power, Home Sewage Treatment Systems (criteria not used), and those benefiting Small Community and Large Community. Such projects also eligible for 0-1% interest rates for balance of award in repayable loan form.

MICHIGAN (PY2026)

SRF Overall

- **Projects benefitting Disadvantaged Communities ranked among all other types in single priority list.**
- Project priority list awards points for public health, water quality, infrastructure improvements, and compliance.
- Disadvantage based on MAHI, taxable values per capita, and annual user costs.
- Projects benefiting Disadvantaged Communities awarded exclusive priority points, up to 25% of total points. * Also eligible for 1-2% interest rates.
- **PF exclusively for projects benefiting Disadvantaged Communities.**
- PF Limits
 - Clean Water SRF: 11-17% of project costs, depending on disadvantaged status, up to \$12 million
 - Drinking Water SRF: no dollar cap; 18-23% of project costs, depending on disadvantaged status
- Disadvantage defined same way for both CW and DW SRFs, based on MAHI, taxable values per capita, and user costs. ([agency website](#))

*Note: Michigan calls its two tiers of disadvantaged community status “overburdened” and “significantly overburdened” communities. Such communities can collect 20-25 PPL points, respectively.

For more details, check out the [Environmental Policy Innovation Center’s \(EPIC\) report on how state policies impact SRF support for disadvantaged communities.](#)