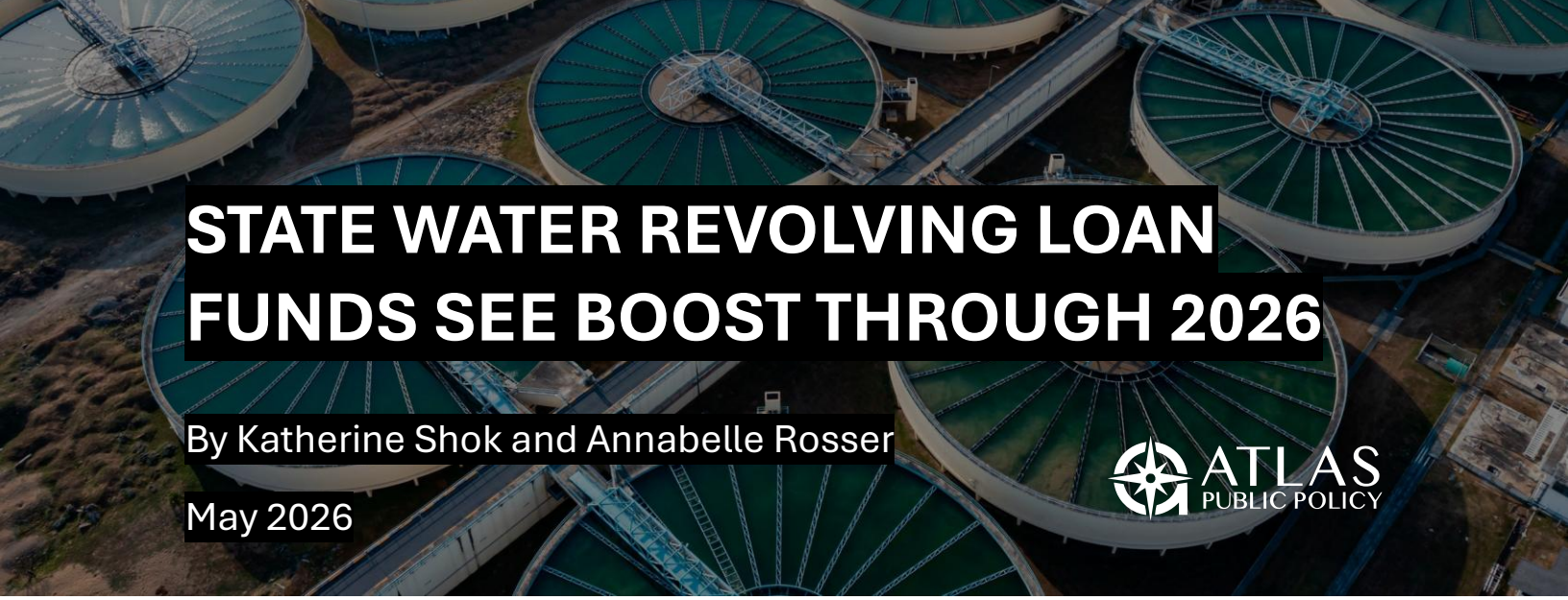

STATE WATER REVOLVING LOAN FUNDS SEE BOOST THROUGH 2026

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May 2026

The Clean Water State Revolving Loan Fund (CWSRF) was instituted in 1987 by the Water Quality Act of 1987; the Drinking Water State Revolving Loan Fund (DWSRF) joined the CWSRF in 1996 via the Safe Drinking Water Act Amendments of 1996. Over the proceeding decades, the programs became the central mechanism by which federal funding supports the nation's water infrastructure and were greatly expanded by the Infrastructure Investment and Jobs Act (IIJA) in 2021.

IIJA's Impact on the State Revolving Funds

In total, IIJA boosted the State Revolving Funds (SRFs) by $43 billion from fiscal years 2022 through 2026. This funding for states expanded the DWSRF and CWSRF programs to replace aging infrastructure, improve water treatment technology, address wastewater pollutants, and more. Through September 2025, more than $34 billion has been distributed to federal projects, states, territories, and Tribal Nations—about three times the base annual SRF funding from the U.S. Environment Protection Agency (EPA).

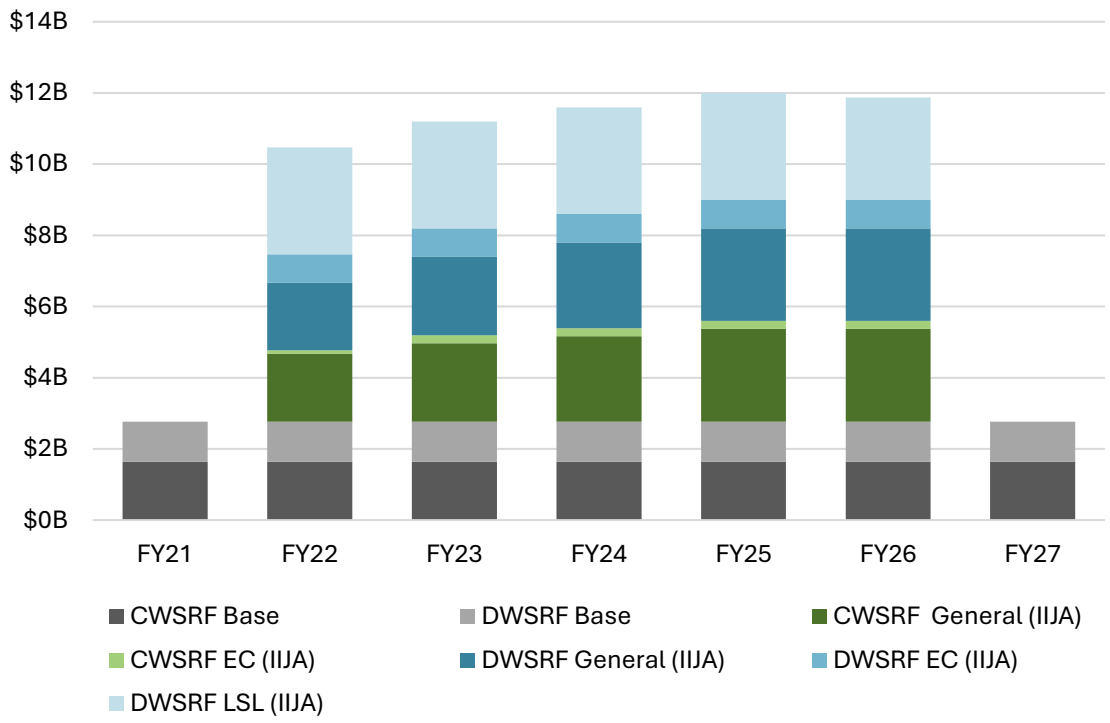
In fiscal year 2026, states will receive their last boost from IIJA. The CWSRF is expected to receive another $2.6 billion in supplemental funding, and the emerging contaminants program, another $225 million. Emerging contaminants funding will largely go to fund the research and filtration of per- and polyfluoroalkyl substances (PFAS). IIJA's DWSRF supplemental funding totals $2.6 billion as well, while the emerging contaminants arm is funded at $800 million.

The DWSRF lead service line program, which identifies and removes private-side lead service lines and piping tainting drinking water, will receive $125 million less in fiscal year 2026, decreasing from the annual $3 billion boost from IIJA to $2.875 billion because of congressional cuts.[1]

[1] President Trump's 2026 budget proposed $2.46 billion in cuts to SRF base funding, but Congress ultimately kept funding for 2026 about the same as in 2025.

In addition to the IIJA funding described above, the SRFs are slated to receive $2.76 billion in base appropriations in the upcoming year. Nearly 60 percent of this funding has been earmarked by members of Congress for hand-picked projects, meaning about $1.16 billion is available for direction to other state projects from these buckets. In fiscal year 2027, the additional funds the SRFs have received from IIJA will expire (Figure 1). Whether or not the increase in federal water spending through the SRFs will be maintained is unclear, and will likely hinge on whether additional spending is included in the Federal Surface Transportation Reauthorization.

Figure 1: Annual federal support for the SRFs has tripled since 2022



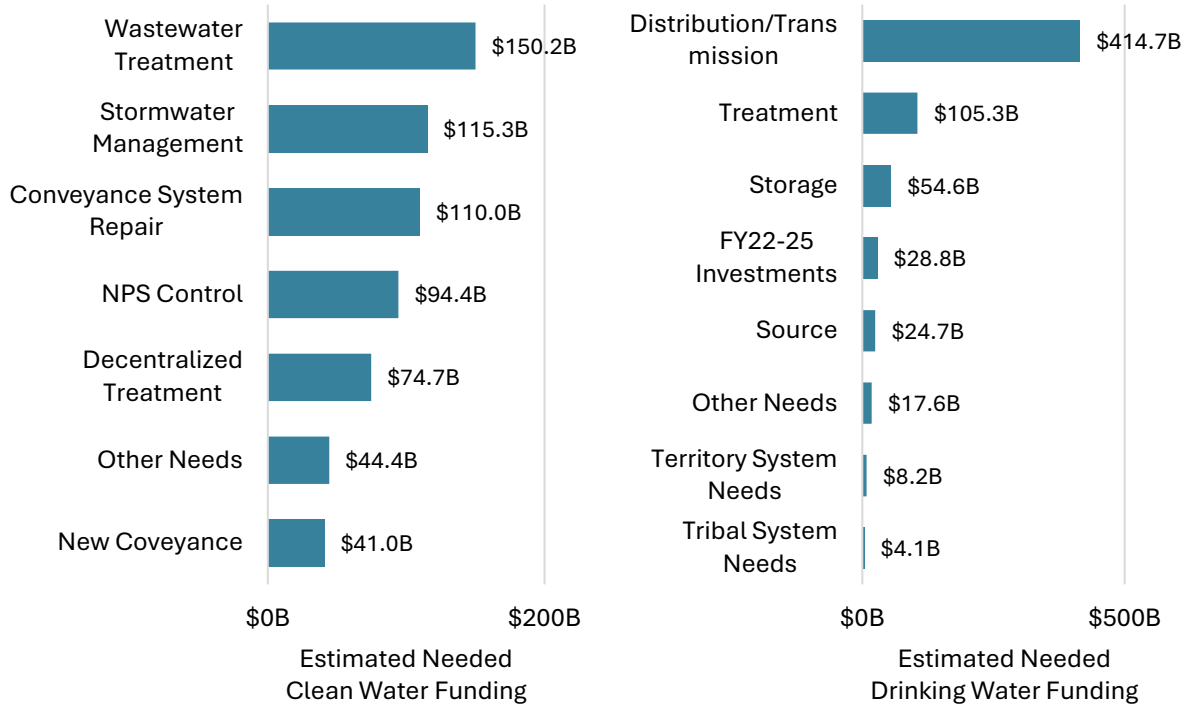
An additional $43 billion was appropriated for the SRFs by the IIJA and is being distributed annually between 2022 and 2026. Fiscal year 2026 funding levels reflect the latest Congressional appropriations for the EPA and IIJA allotments. Fiscal year 2027 funding levels assume the base funding levels from the previous year are continued and IIJA-appropriated funding is not. “EC” refers to emerging contaminants such as PFAS.

Source: Water Program Portal’s Outcome Dashboard and EPA’s State DWSRF and CWSRF Allotments (2022-2025).

State and territory funding varies, but is largely population-based

The DWSRF's allocations depend on the EPA's Drinking Water Infrastructure Needs Survey and Assessment, which has been performed every four years for the last two decades, and was last released in April 2023. Those estimated needs are applied to the DWSRF's formula regularly; the fiscal years 2025 and 2026 DWSRF lead service line replacement program's funding allocations have been updated using the survey's findings. The most recent survey found a need for $616.8 billion to improve and maintain domestic water systems (Figure 2). DWSRF funding provided from fiscal years 2022 through 2025, a sum of $28.8 billion, covers less than five percent of this need. The latest Clean Watersheds Needs Survey performed in 2022 and reported in April 2024, calculated an estimated need of $630.1 billion. CWSRF funding from fiscal years 2022 through 2025 of $16.4 billion addresses less than three percent of this need.

Figure 2: Clean and Drinking Water System Estimated Needs Nationwide



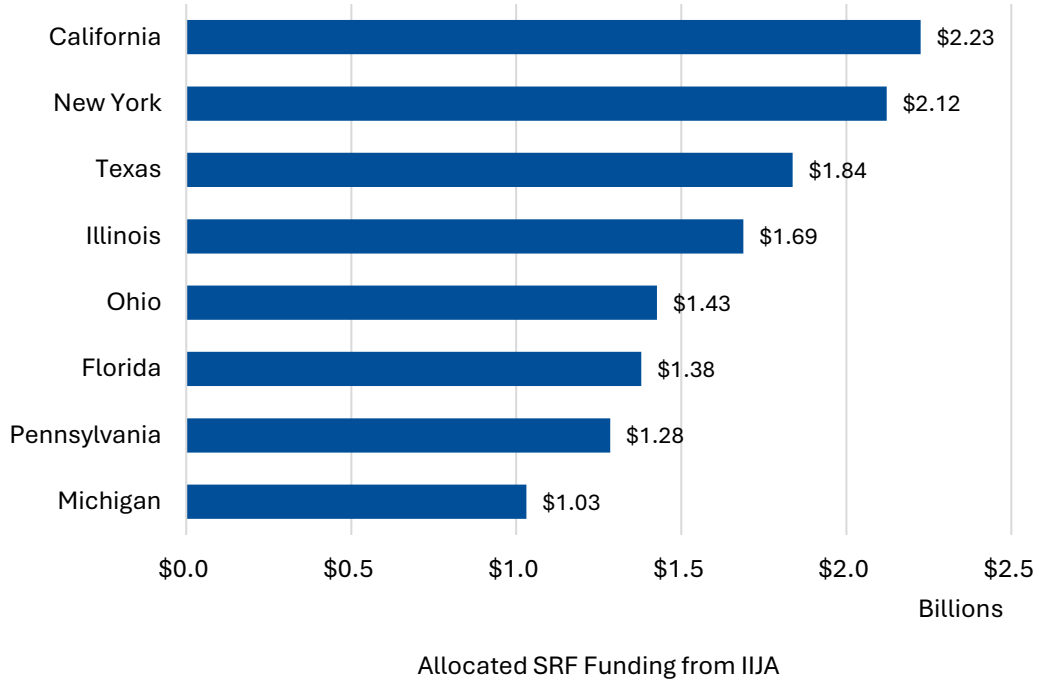
Note that the sum of all need types for clean water is about $630 billion and for drinking water is $619 billion.

Source: Water Program Portal's Outcomes Dashboard, EPA's 7th Drinking Water Infrastructure Needs Survey & Assessment, and EPA's Clean Watersheds Needs Survey.

EPA formulas decide the annual allotments of funding received by states, territories, and Tribal Nations through the SRFs. The CWSRF's formula has not changed since its creation, with states guaranteed to receive at least half of a percent of total CWSRF funding each year; no similar guarantee exists for territories or Tribal Nations, although Tribes are allocated a specified set-aside, as statutorily required. The out-of-date formula has been criticized as it is not dependent on the estimated needs of a jurisdiction, in contrast to the DWSRF's formula.

California and New York have been allocated the most IIJA SRF funding at $2.2 billion and $2.1 billion, respectively (Figure 3). At the low end, eight states have been allocated $277.9 million, while New Mexico has been allocated the least IIJA SRF funding of any state at $252.5 million.

Figure 3: Eight States Have Been Allocated Over $1 Billion in IIJA SRF Funding



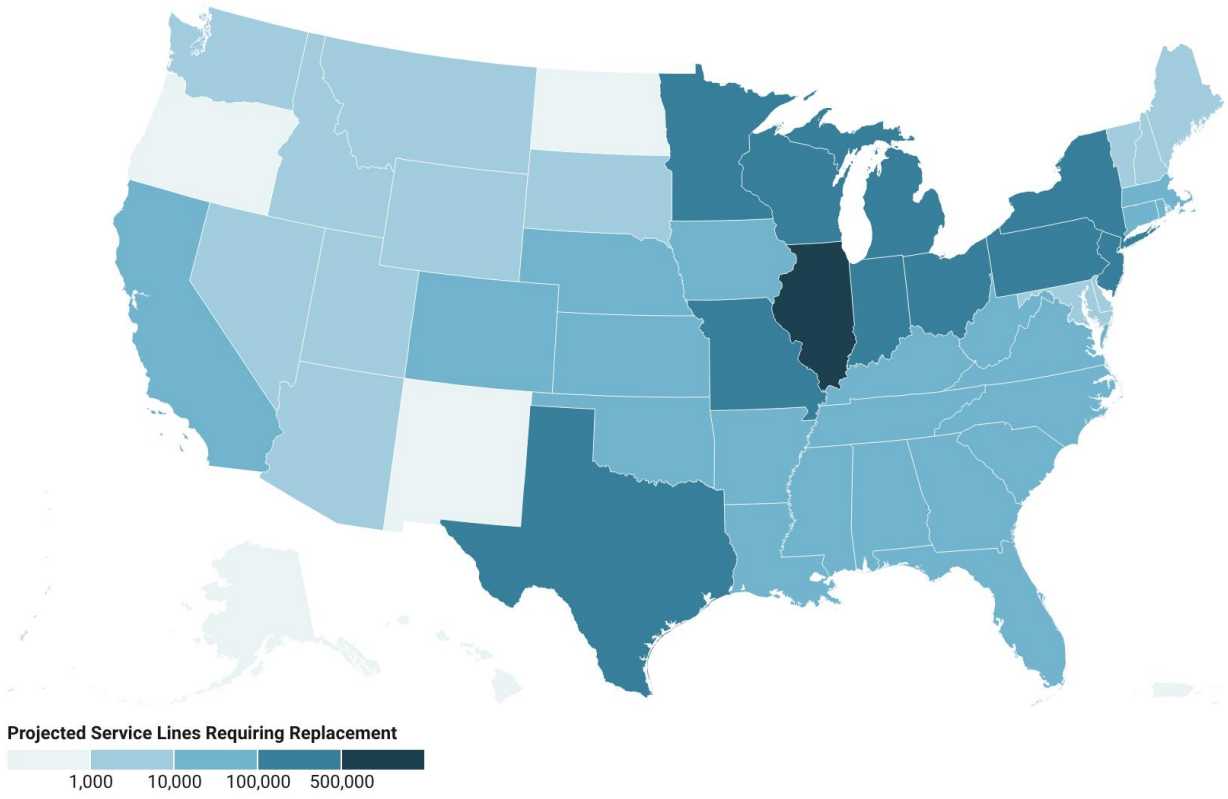
These states represent $13 billion in funding, or almost 40 percent of the $32.7 billion allocated funding from IIJA.

Source: Water Program Portal, Outcomes Dashboard

Lead service line replacement funding addresses a longstanding need

IIJA dedicated DWSRF funding to support lead service line replacement (LSLR) at a level of $3 billion per fiscal year or $15 billion in total. The DWSRF LSLR program is the first federal funding pot of its kind and scale. Every state, territory, and Tribal Nation receives funding to identify and replace LSLs, at no cost to homeowners (Figure 4). As a result, communities secure safer access to water via federal funding granted to states, who then provide loans to municipalities.

Figure 4: Drinking Water Service Lines Requiring Replacement as of 2025



The District of Columbia has a projected 18,978 service lines requiring replacement and the U.S. Virgin Islands have 329. No data is available from American Samoa, Guam, or the Northern Marianas. Created with Datawrapper.

Source: EPA's 7th Drinking Water Infrastructure Needs Survey and Assessment.

EPA estimated a significant drop in the number of drinking water system services lines that require replacement nationwide from nine million in May 2024 to about four million in November 2025; they cite new data from water utilities' inventories to explain the gap, although advocates have

questioned the new estimate's reliability. Of these, under two million are LSLs, under a million are galvanized service lines, and the remaining million or so represent a "best estimate"[2] by EPA of possible lead service lines.[3] About 264,000 LSLs have been replaced with IIJA funding and 126,000 more LSLs have been replaced using general funding. Box 1 describes one successful SRF project, conducted in Louisville, Kentucky.

Box 1: Louisville Water Company

The EPA estimated in 2025 that the projected number of LSLs in Kentucky fell from 175,306 to 36,093 due to changes in the data from water utilities. Kentucky also needs over $6 billion in funding to fix and replace aging parts of the state's water distribution and transmission systems.

The Louisville Water Company was loaned $32.1 million from IIJA's DWSRF LSLR funding to replace 32,000 LSLRs in a historically disadvantaged community in the city of Louisville. The loan was used to identify and replace LSLs for those 32,000 households at no cost to the households and will be repaid by the Louisville Water Company over the next couple of decades. A target area was established using a GIS system cross-referencing infrastructure records with census tract data and home construction dates. As of February 2026, the project has been successfully completed with all LSLs replaced.

Emerging contaminants funding helps water systems clean up PFAS, for now

As with the LSLR program, IIJA funded $1.25 billion in new programs within both the CWSRF and DWSRF to address emerging contaminants (ECs). These programs are the first at the federal level to address ECs such as per- and polyfluoroalkyl substances, or PFAS. PFAS create potential environmental and public health problems. EPA is furthering research into what harm PFAS causes and how. Thousands of PFAS are produced due to their helpful applications, particularly their chemical and thermal resilience, which make them near-impossible to break down quickly. As PFAS enter the environment, they accumulate in water, air, human bodies, and fauna.

[2] To attain a best estimate, EPA calculates the ratio of the number of LSLs divided by the total number of service lines in each state. This is multiplied by the number of reported unknown service lines, to gain the predicted number of LSLs.
[3] There are around 23.8 million service lines that have not yet been tested. While galvanized pipes are not made from lead, lead can adhere to these pipes and thus they are also considered LSLs.

In April 2024, EPA finalized the first ever drinking water regulations for six PFAS, dubbed the Maximum Contaminant Levels (MCLs). In May 2025, EPA announced it would maintain the MCLs of zero for the two most common kinds of PFAS while reconsidering limits on the other four. In September 2025, EPA moved to vacate the four other MCL regulations and extending the horizon of compliance to the two remaining MCL limits to 2031. These decisions influence the investments and timelines of investments water systems nationwide will make into their advanced filtering systems. Without a federal rule, domestic water systems are not required to reduce PFAS levels, especially without supportive funding such as IIJA's ECs funding allocations, the last round of which will be disbursed in fiscal year 2026.