



# Fact Sheet

## Using DWSRF Set-Aside Funds for Capacity Development

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### WHAT IS THE DWSRF?

The Drinking Water State Revolving Fund (DWSRF) program was established by the Safe Drinking Water Act (SDWA) Amendments of 1996. The program authorizes grants to States to capitalize revolving loan funds. States use funds to provide loan assistance to eligible public water systems for infrastructure improvements needed to continue to ensure safe drinking water. The program also emphasizes the prevention of drinking water contamination by allowing States to reserve a portion of their grants to fund activities that encourage enhanced water system management and source water protection.

### WHAT IS CAPACITY DEVELOPMENT?

Capacity development refers to a State's efforts to help public water systems improve their technical, managerial, and financial capabilities so that they can provide safe drinking water consistently, reliably, and cost effectively. By enhancing system operations and ensuring the technical, financial, and managerial capacity of public water systems, States can promote greater long-term compliance with national primary drinking water regulations.

In order to encourage States to establish and maintain capacity development programs, §1420(a) of the SDWA requires States to obtain the authority or other means to ensure that all new community and nontransient non-community water systems that initiate operations after October 1, 1999 demonstrate adequate capacity prior to commencing operations. Any State failing to obtain and implement this authority will be eligible for only 80 percent of its total DWSRF allotment. Furthermore, §1420(c) of the SDWA requires each State to develop and implement a strategy to help public water systems acquire and maintain capacity or be subjected to a withholding of a portion of the State's DWSRF program allotment. Ten percent of a State's allotment may be withheld in fiscal year 2001, 15 percent in fiscal year 2002, and 20 percent in each subsequent fiscal year.

A State can use a portion of its DWSRF capitalization grant to fund capacity development programs. Up to 10 percent of a State's allotment can be used to develop and implement a capacity development strategy under the State program management set-aside [§1452(g)(2)]. A State can also use up to 10 percent of its capitalization grant under the local assistance and other State programs set-aside [§1452(k)] to provide technical and financial assistance to public water systems for capacity development.



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## WHAT ACTIVITIES ARE ELIGIBLE FOR SET-ASIDE FUNDING?

Up to 10 percent of a State's allotment can be used for State program management [§1452(g)(2)]. Funds can be used to develop and implement a capacity development strategy. Potential capacity development activities include, but are not limited to:

- Hiring and training State capacity development staff.
- Preparing guidance documents, work plans, standard operating procedures, and long-term strategies.
- Revising approval processes, sanitary surveys, and other regulatory mechanisms to better address concerns.
- Targeting efforts by identifying water systems that would most benefit from collaboration or regionalization.
- Preparing contracts and using consultants to assist States in capacity development efforts.
- Obtaining stakeholder input through workshops, advisory panels, or other public participation mechanisms on how to best develop a capacity development program.
- Conducting outreach programs to educate water suppliers and the general public on capacity development issues.
- Developing evaluation processes to assess the success of capacity development efforts.

Up to 15 percent of a State's capitalization grant can be used for local assistance and other State programs [§1452(k)].

Up to 10 percent of these funds may be used to provide assistance, including technical and financial assistance, to any public water system as part of a capacity development strategy. Potential activities include, but are not limited to:

- Providing incentive grants to plan for public water system regionalization and consolidation.
- Establishing a "buddy system" and other cooperative management programs to pair public water systems in need of help with water systems that can provide technical advice and assistance.
- Contracting with third-party providers for technical, financial, and managerial assistance to public water systems.
- Establishing programs to promote the use of new and innovative technologies, particularly easily operated treatment technologies for small systems.
- Contracting with third-party providers for training courses to keep water system personnel abreast of new issues.

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## HOW ARE STATES USING THESE SET-ASIDES?

- **Massachusetts** used funds to establish an ad hoc task force of interested stakeholders which is responsible for drafting an implementation plan and addressing capacity development program development issues.
- Believing that a regional approach is better suited to dealing with small water systems, **Utah** is using funds to develop a comprehensive work plan based on county-wide regional planning that will give small water systems a chance to prepare facility and long-range financial plans. Regional administrators will be appointed and will be responsible for their region's capacity development program.
- **Pennsylvania** is using funds to increase its participation in the National Partnership for Safe Water, a voluntary effort to encourage public water systems to survey their infrastructure, operating and maintenance procedures, and management practices. Such national partnerships can be an efficient way to communicate and coordinate with other members of the drinking water community.
- Examining trends in compliance data can reveal the underlying causes of non-compliance and allow assistance to be targeted at an individual system's problems. **North Carolina** is using funds to compile and analyze current and historical data on compliance by community and non-community water systems.

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## HOW CAN I OBTAIN MORE INFORMATION?

Information about the DWSRF and capacity development programs are available on the EPA Office of Ground Water and Drinking Water (OGWDW) homepage [[www.epa.gov/safewater](http://www.epa.gov/safewater)]. For questions concerning a specific State, a list of State or EPA Regional DWSRF coordinators can be found on OGWDW's webpage. You can also call the Safe Drinking Water Hotline at 1-800-426-4791.

