



Protecting the Durability of State Revolving Funds in Michigan



The U.S. federal government provides significant annual funding for water infrastructure, most notably through the Clean Water and Drinking Water State Revolving Funds (SRFs). SRFs are revolving loan funds administered by state governments through federally approved intended use plans (IUPs).

Maintain the Integrity and Effectiveness of State Revolving Funds

The U.S. Congress has tapped into SRF loan funds to pay for “congressionally directed spending” (CDS), which are one-time grants, compromising states’ abilities to administer SRF loans. SRF loans generate recurring revenue necessary to finance future infrastructure projects and provide consistent funding to address investment backlogs. Congress should allow states to utilize SRF funding according to their IUPs and fund CDS projects through a separate appropriation to ensure the long-term viability of each state’s SRF programs.¹

Congressionally Directed Spending

Beginning in Fiscal Year (FY) 2022, the U.S. Congress brought back the practice of Congressionally Directed Spending (CDS) – commonly known as earmarks – which ended a moratorium extending back to FY2011. Portions of the Clean Water SRF (CWSRF) and Drinking Water SRF (DWSRF) appropriations were removed to fund water infrastructure earmarks in FYs 2022-2024 and FY 2026 rather than being funded through a separate appropriation as was done from FYs 1989-2011.²

In FY2022, Congress redirected **27%** of CWSRF appropriations and **35%** of DWSRF appropriations for CDS; in FY2026, these percentages increased to **54%** of CWSRF appropriations and **64%** of DWSRF appropriations. This process has effectively decreased the amount of funding each state’s SRF programs receive from federal capitalization grants.

Impacts on Michigan’s SRF Programs

For both **tables 1 and 2**, the *Allotment Based on SRF Appropriation Pre-CDS* column values were calculated based on the percentage of total SRF Appropriations that would have been allotted to Michigan using U.S. Environmental Protection Agency’s (EPA) SRF funding formulas. The *Actual Allotment Post-CDS* column values represent the amount of funding distributed to Michigan’s SRF programs after earmarks were removed from the total SRF appropriation to be redistributed based on project availability. The *Total Impact on SRF Program* column values were calculated by subtracting the actual allotments from the appropriated allotments.

Table 1. The impact of Congressionally Directed Spending on Michigan’s CWSRF program in FYs 2024-2026.³

Michigan CWSRF	Allotment Based on CWSRF Appropriation Pre-CDS	Actual Allotment Post-CDS	Total Impact on CWSRF Program
FY2024	\$68,644,000	\$35,102,000	\$33,542,000
FY2025	\$68,217,000	\$68,217,000	\$0
FY2026	\$71,541,000	\$32,569,000	\$38,972,000

¹ Great Lakes Commission. [Support for Effective Administration of State Revolving Funds](#).

² Congressional Research Service. [The Role of Earmarks in CWSRF and DWSRF Appropriations in the 117th Congress](#).

³ No CWSRF earmarks were funded during FY2025.

Table 2. The impact of Congressionally Directed Spending on Michigan’s DWSRF program in FYs 2024-2026.⁴

Michigan DWSRF	Allotment Based on DWSRF Appropriation Pre-CDS	Actual Allotment Post-CDS	Total Impact on DWSRF Program
FY2024	\$24,751,000	\$10,634,000	\$14,117,000
FY2025	\$24,884,000	\$24,884,000	\$0
FY2026	\$25,675,000	\$9,365,000	\$16,310,000

SRF Program Spotlight: Michigan

States are afforded flexibility to manage their respective SRF programs to address the specific drinking water, wastewater, and stormwater needs of their communities. The Michigan Department of Environment, Great Lakes, and Energy (EGLE) administers both SRF programs in the state. Michigan’s CWSRF program is called the Clean Water State Revolving Fund (CWSRF) program⁵ and its DWSRF program is called the Drinking Water State Revolving Fund (DWSRF) program.⁶

- Michigan EGLE produces the Michigan Water Infrastructure Funding and Financing Dashboard to share general information about current and historical projects financed through the state’s CWSRF and DWSRF programs.⁷ It includes for both SRF programs the total amount of loans distributed, principal forgiveness awarded, and the average population served by each project.
- In July 2022, after collaboration with stakeholder groups, Governor Whitmer signed into law legislation amending the CWSRF scoring criteria, disadvantaged community criteria, and application process to better align the CWSRF program with today’s needs and digital world. Michigan’s FY2025 IUP represents the second year these changes have been in place for the program.

Infrastructure Investment and Jobs Act

The Infrastructure Investment and Jobs Act (IIJA) was enacted into law in November 2021,⁸ representing the single largest federal investment in clean water, drinking water, and wastewater systems in U.S. history.⁹ The IIJA authorized more than \$43 billion to both SRF programs from FYs 2022-2026, including \$11.7 billion in supplemental funding for the CWSRF; \$11.7 billion in supplemental funding for the DWSRF; \$1 billion for clean water emerging contaminants; \$4 billion for drinking water emerging contaminants; and \$15 billion for lead service line replacement.

It is important to note that while supplemental IIJA funding may offset some of the dollars removed from SRF program appropriations for CDS, the impacts may be more consequential once IIJA funding is exhausted. A larger percentage of IIJA funds must be provided as principal forgiveness when compared to traditional SRF dollars, thereby hindering the revolving nature of the SRF program. Funding CDS projects through SRF program appropriations also creates tension with potential SRF applicants as CDS project grants may be more attractive to funding recipients than SRF loans.

⁴ No DWSRF earmarks were funded during FY2025.

⁵ Michigan Department of Environment, Great Lakes, and Energy. [Clean Water State Revolving Fund](#).

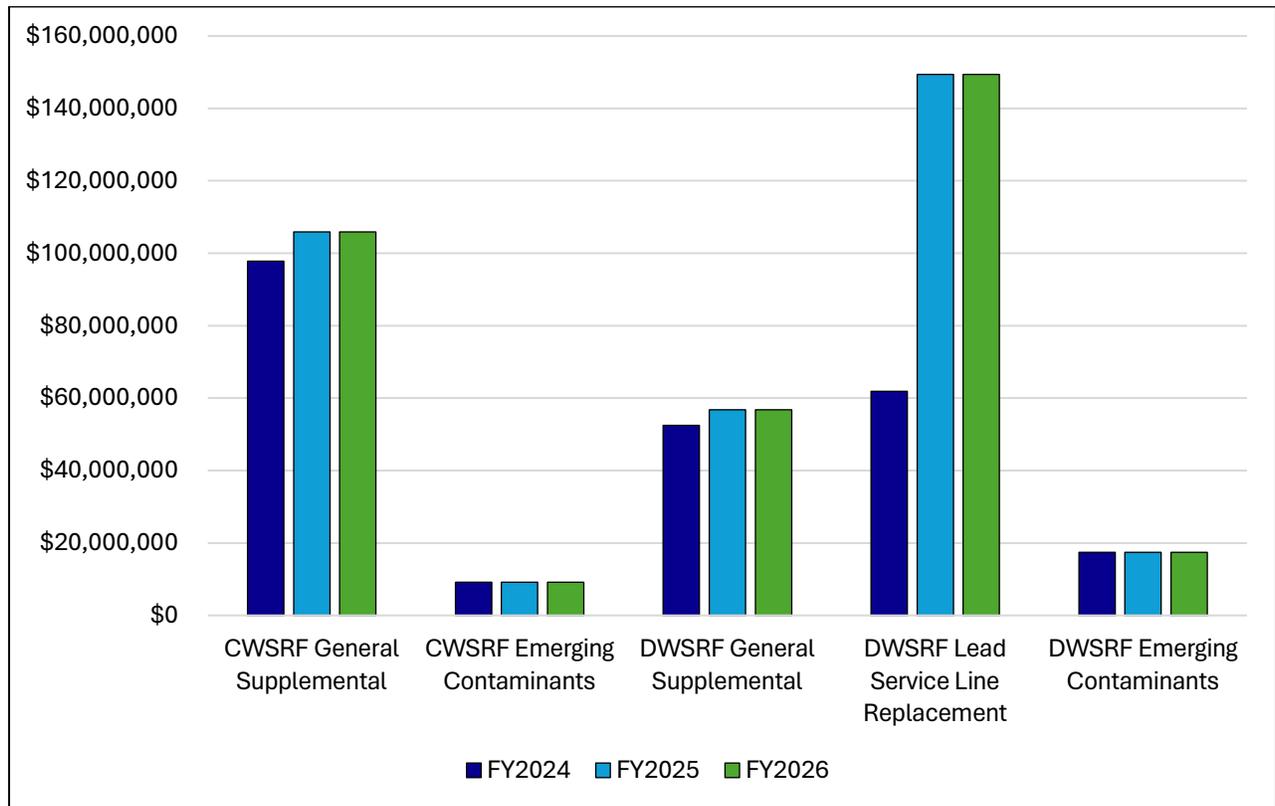
⁶ Michigan Department of Environment, Great Lakes, and Energy. [Drinking Water State Revolving Fund](#).

⁷ Michigan Department of Environment, Great Lakes, and Energy. [Michigan Water Infrastructure Funding and Financing Dashboard](#).

⁸ Also known as the Bipartisan Infrastructure Law (BIL). <https://www.congress.gov/bil/117th-congress/house-bill/3684/text>

⁹ U.S. Environmental Protection Agency. [Bipartisan Infrastructure Law SRF Funding Status](#).

Figure 1. The amount of IIJA funding allocated to Michigan’s CWSRF and DWSRF from FYs 2024-2026.¹⁰



State Revolving Fund Background

In response to environmental and public health concerns, the U.S. Congress established State Revolving Funds (SRFs) to address the most pressing water infrastructure needs in the United States. Each year, Congress appropriates funding to the U.S. Environmental Protection Agency (EPA), which then distributes capitalization grants to each state through both the Clean Water and Drinking Water SRFs.

The **Clean Water State Revolving Fund (CWSRF)** was established in an amendment to the Federal Water Pollution Control Act – otherwise known as the Clean Water Act – in 1987. The CWSRF program finances water quality infrastructure projects including municipal wastewater facility construction, nonpoint source pollution management, stormwater infrastructure projects, and green infrastructure projects.

The **Drinking Water State Revolving Fund (DWSRF)** was created in the 1996 amendments to the Safe Drinking Water Act (SDWA). In furtherance of SDWA’s health protection goals, the DWSRF program finances drinking water infrastructure projects including water treatment, transmission and distribution, and source water protection.

The SRFs are designed as “revolving” loan funds through which low-interest loans are repaid to state SRF programs, enabling states to build a permanent, predictable source of recurring revenue to finance new water infrastructure projects that ensure compliance with federal requirements. As a condition of receiving each year’s capitalization grant from the U.S. EPA, states are obligated to match 20% of federal funds with state dollars.

¹⁰ The U.S. EPA incorporated Lead and Copper Rule Revision initial inventory data into the 7th Drinking Water Infrastructure Needs Survey and Assessment, which was used to update the FYs 2025 and 2026 allotments of the IIJA’s DWSRF Lead Service Line Replacement funds. These updated allocations are reflected in Figure 1.