



Getting Started with the Colorado State Revolving Fund: A How-To Guide for Financing Sustainable Water Infrastructure Projects

This guide is for local governments, water utilities, and other Colorado organizations that are applying for **low-interest loans** from the State Revolving Fund (SRF) to finance the design and construction of drinking water, wastewater, and stormwater infrastructure. In addition to providing SRF fundamentals, the guide features how eligible agencies can lower the cost of SRF loans by investing in water conservation, green stormwater infrastructure, water reuse, source watershed protection, and other energy efficiency and environmentally innovative projects.

In the sections below, you'll find the key steps, requirements, and tips to help you prepare a competitive application and leverage SRF resources to advance your community's water sustainability goals.

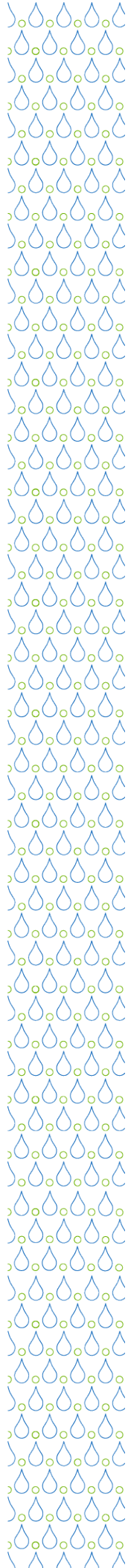
1. Find the SRF Program that Fits Your Project

The Colorado SRF program includes two programs:

- **Drinking Water Revolving Fund (DWRF):** Funds projects that ensure safe drinking water through infrastructure upgrades such as treatment, transmission and distribution, source protection, storage, consolidation, and creation of new systems.
- **Water Pollution Control Revolving Fund (WPCRF):** Funds projects that protect or improve surface water quality, including wastewater treatment, stormwater management, water reuse, nonpoint source pollution control, decentralized systems, and conservation measures.

Three agencies jointly administer both the DWRF and the WPCRF: (1) Colorado Department of Public Health and Environment (CDPHE), (2) Colorado Water Resources Power Development Authority (CWRDPA), and the (3) Department of Local Affairs (DOLA).

A hallmark of the SRF program is flexibility—if you can demonstrate that your project provides safe drinking water (e.g., DWRF) and/or improves water quality (e.g., WPCRF), you can likely find an eligibility category that fits your needs. You can use the table below to find which program your project most aligns with.

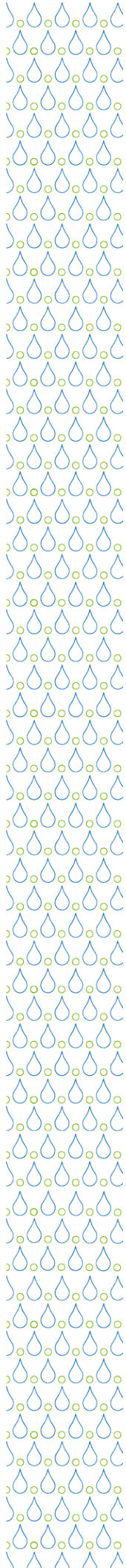


SRF Project Eligibility Categories

Water Pollution Control Revolving Fund	
Project Type	Description
Publicly owned treatment works*	Construction of publicly owned projects, such as wastewater collection and treatment, regulated stormwater, and water quality portions of landfill projects
Nonpoint source	Implementation of a state nonpoint source pollution management program
National estuary program projects	Development and implementation of a conservation and management plan
Decentralized wastewater treatment systems	Construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage <ul style="list-style-type: none"> • Repair, replacement, or sewer extension for eligible individuals via qualified nonprofit entities**
Stormwater	Measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water
Water conservation, efficiency, and reuse*	Measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse
Watershed pilot projects	Development and implementation of watershed projects
Energy efficiency*	Measures to reduce the energy consumption needs for publicly owned treatment works
Water reuse	Projects for reusing or recycling wastewater, stormwater, or subsurface drainage water
Security measures	Measures to increase the security of publicly owned treatment works
Technical assistance	Assistance to owners and operators of small and medium sized publicly owned treatment works
Drinking Water Revolving Fund	
Project Type	Description
Treatment	Projects to install or upgrade facilities to improve drinking water quality to comply with SDWA regulations
Transmission and distribution	Rehabilitation, replacement, or installation of pipes to improve water pressure to safe levels or to prevent contamination caused by leaky or broken pipes
Source	Rehabilitation of wells or development of eligible sources to replace contaminated sources
Storage	Installation or upgrade of finished water storage tanks to prevent microbiological contamination from entering the distribution system
Consolidation	Interconnecting two or more water systems
Creation of new systems	Construct a new system to serve homes with contaminated individual wells or consolidate existing systems into a new regional water system

*Only public agencies can receive funding for activities.

Source: [EPA Clean Water SRF](#) and [EPA Drinking Water SRF](#)



If your project fits within one or more of the eligibility categories above, the SRF programs offer a valuable source of low-interest financing to support your community’s water infrastructure goals. But identifying the right program is just the first step. The next sections outline how to pursue additional cost-saving opportunities—such as **reduced interest rates or principal forgiveness**—and how to prepare a complete, competitive application.

2. Determine if Your Project May Be Eligible for the Green Project Reserve

Green infrastructure, water efficiency, energy efficiency, or other environmentally innovative activities are eligible for the Green Project Reserve (GPR). The GPR is a 10% set aside for the WPCRF—i.e., at least 10% of WPCRF funds must be spent on GPR eligible projects.

Because of this set aside, projects that qualify for the GPR are automatically considered in each WPCRF loan application cycle throughout the year. Projects may receive up to 40 additional points in the prioritization process, which can improve your project’s ranking on the Project Priority List (PPL), and in some cases, increase the likelihood of receiving principal forgiveness. Separately, GPR-eligible projects may qualify for reduced interest rates on the first \$3 million of the loan request, as shown in the table below.

Percent of Project Determined to be “Green”	Loan Term	Interest Rate*
15%	20-year	2.50%
15%	30-year	2.75%
20%	20-year	1.50%
20%	30-year	1.75%

* For the first \$3 million dollars of loan request.

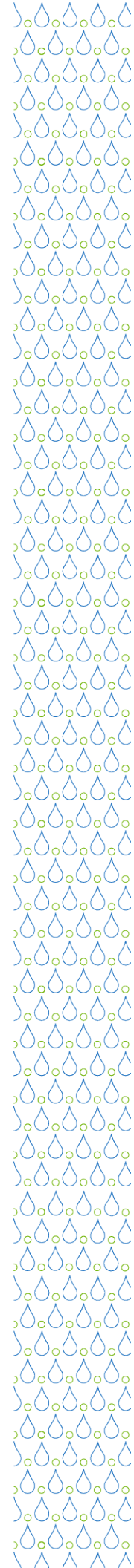
There are three initial steps to evaluating whether your project is eligible for the GPR under the WPCRF program.

Step 1. Determine if Your Project is Categorically Eligible

Start by reviewing the [EPA’s 2021 GPR Guidance](#) to see if your project falls within one of the four GPR categories and is **categorically eligible**.

Categorically eligible projects include, but are not limited to:

- **Green Infrastructure** (GPR Guide pg. 5-6): Rain gardens, permeable pavement, bioswales, green roofs, urban forestry programs, etc.
- **Water Efficiency** (GPR Guide pg. 7-8): Smart irrigation, metering and leak detection, turf replacement, plumbing fixtures and appliances, etc.
- **Energy Efficiency** (GPR Guide pg. 8-9): Solar, wind, geothermal, micro-hydroelectric, and biogas system retrofits, etc.



- **Environmentally Innovative** (GPR Guide pg. 10/12): integrated water resources management planning, greenhouse gas inventory, construction of LEED certified facilities, decentralized wastewater treatment solutions, etc.

If your project is **categorically eligible**, it automatically qualifies for the GPR and does not require a **business case** (and you can skip Steps 2 and 3, below).

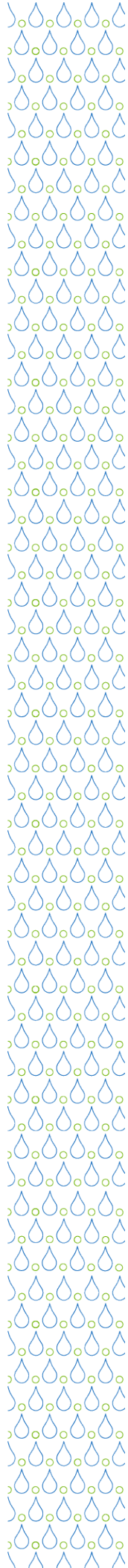
Step 2: If Your Project is Not Categorically Eligible, Determine if You Can Build a Business Case

If your project does not fall under one of the categorically eligible examples, above, you may still qualify for the GPR by preparing a **business case**. A business case is a brief narrative supported by documentation that demonstrates how your project achieves the GPR objectives by:

- Meeting one or more of the **GPR Decision Criteria** (see table below) for one of the four eligibility categories;
- Including and citing supporting documentation, such as engineering reports, water or energy audits, results of water systems tests, and more;
- Quantifying expected water and/or energy savings and, where applicable, providing a cost-benefit analysis and payback period;
- Demonstrating that the project’s equipment is designed to operate efficiency and meet or exceed standards set by professional associations.

Decision Criteria For Making A Business Case

GPR Category	Decision Criteria
Green Infrastructure (EPA GPR, Section 1.4)	→ Green infrastructure projects are designed to mimic the natural hydrologic conditions of the site or watershed. → Projects that capture, treat, infiltrate, or evapotranspire water on the parcels where it falls and does not result in interbasin transfers of water. → GPR project is in lieu of or to supplement municipal hard/gray infrastructure. → Projects considering both landscape and site scale will be most successful at protecting water quality.
Water Efficiency (EPA GPR, Section 2.4)	→ Water efficiency can be accomplished through water saving elements or reducing water consumption. This will reduce the amount of water taken out of rivers, lakes, streams, groundwater, or from other sources. → Water efficiency projects should deliver equal or better services with less net water use as compared to traditional or standard technologies and practices → Efficient water use often has the added benefit of reducing the amount of energy required by a POTW, since less water would need to be collected and treated; therefore, there are also energy and financial savings.



GPR Category	Decision Criteria
Energy Efficiency (EPA GPR, Section 3.4)	<ul style="list-style-type: none"> → Project must be cost effective. An evaluation must identify energy savings and payback on capital and operation and maintenance costs that does not exceed the useful life of the asset. → The business case must describe how the project maximizes energy saving opportunities for the POTW or unit process. → Using existing tools such as Energy Star’s Portfolio Manager or Check Up Program for Small Systems (CUPSS) to document current energy usage and track anticipated savings.
Environmentally Innovative (EPA GPR, Section 4.4)	<ul style="list-style-type: none"> → State programs are allowed flexibility in determining what projects qualify as innovative in their state based on unique geographical or climatological conditions. → Technology or approach whose performance is expected to address water quality but the actual performance has not been demonstrated in the state; → Technology or approach that is not widely used in the State, but does perform as well or better than conventional technology/approaches at lower cost; or → Conventional technology or approaches that are used in a new application in the State.

Project examples that typically require a **business case** include, but are not limited to:

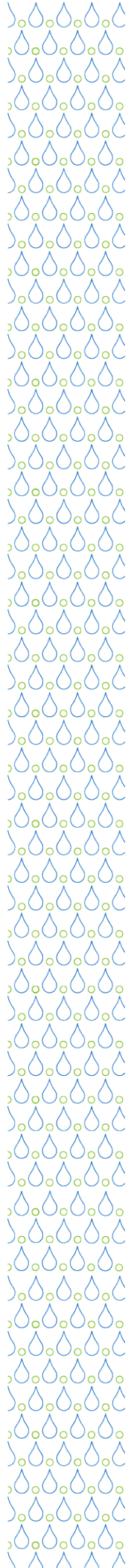
- Fencing to exclude livestock from streams and riparian areas;
- Replacement of water meters with traditional models;
- Projects stemming from a water audit or conservation plan;
- New efficient irrigation systems where none previously existed;
- POTW process upgrades with less than 20% energy efficiency improvement;
- Constructed wetlands for wastewater polishing or effluent disposal;
- Educational or demonstration projects related to water or energy efficiency.

Check out the [EPA’s GPR Guidance](#) for a complete list of projects that may require a business case.

Step 3. Submit Your Business Case to CDPHE

Once you have developed a business case demonstrating how your project meets one of the GPR eligibility categories based on the decision criteria, include it as part of your [Project Needs Assessment](#) (PNA) to CDPHE. CDPHE will review your submission and determine whether the project qualifies for the GPR. If it does, your project may:

- Receive up to 40 additional points during the project prioritization scoring process, and in some cases, increase the likelihood of principal forgiveness;
- Qualify for reduced interest rates on the first \$3 million of the loan.



3. Determine if Your Community May Qualify for Principal Forgiveness

If your community meets certain affordability criteria, you may be eligible for **principal forgiveness**, meaning a portion of your SRF loan does not need to be repaid. In Colorado, this can reduce the cost of a loan by 20% - 80%, up to \$3 million per project.

Principal forgiveness is available to communities that meet the state's definition of a **disadvantaged community (DAC)**. This is based on factors like local income levels, housing costs, population trends, unemployment rates, and water system affordability.

What Do You Need To Qualify?

To qualify, your community needs to meet:

- At least **2 Primary Factors**, or
- **1 Primary** and at least **3 Secondary Factors**

What Are The Primary and Secondary Factors?¹

Primary Factors (meet 2 and automatically qualify for principal forgiveness):

- **Low household income:** Median Household Income (MHI) in your community is 80% or less than state average of \$73,796 as of June 2025.
- **Low home values:** Median Home Value (MHV) is lower than the state average of \$502,200 as of June 2025.
- **High unemployment or job loss:** local unemployment rate is higher than the state average of 4.47% as of June 2025, or there's been a long-term decline in local jobs.

Secondary Factors (need to satisfy 3 if only meet 1 primary factor to qualify for principal forgiveness):

- **Low county income:** Your county's median income is 80% less than the state average.
- **Population decline:** Your community has lost population over the last 10 years.
- **Low property values:** Assessed value of homes in your area is lower than the state average.
- **High water / sewer debt burden:** households carry more water system debt relative to home value.
- **High water / sewer rates:** Your system's water bills are high compared to income or compared to other towns in Colorado.

You can look up this information for your community using the [DOLA DAC Map](#).

¹ While benchmark values like state MHI (\$73,796), MHV (\$502,200), and unemployment (4.47%), as of June 2025, are publicly available, CDPHE uses internal data to determine thresholds for assessed value, water/sewer rates, debt per tap, and revenue needs per household. Applicants do not need to calculate these themselves—CDPHE will assess them as part of the pre-application review.

What are the DAC Categories?

If your community qualifies as a DAC, CDPHE will place you into one of two categories based on the severity of the affordability challenges.

DAC Category	Qualifying Scenario	Loan Benefit
Category 1 DAC	Meets DAC criteria	Up to \$3 million in principal forgiveness; interest rates of 2.5% (20-year) or 2.75% (30 year)
Category 2 DAC	Meets DAC criteria AND has high water system burden (e.g., high debt per tap and high revenue needed per household)	Up to \$3 million in principal forgiveness; interest rates of 1.5% (20-year) or 1.75% (30 year)

DAC Eligibility Comparison Examples

Factors	Community A	Community B	Community C	Community D
Median Household Income (MHI)	\$59,000	\$64,000	\$64,000	\$63,000
Unemployment Rate	6.1%	4.2%	4.2%	3.9%
Median Home Value (MHV)	\$480,000	\$450,000	\$450,000	\$525,000
Population Decline (10-year)	No decline	- 4%	- 4%	No decline
Assessed Property Value / Household	\$110,000	\$85,000	\$85,000	\$125,000
Monthly Water/Sewer Rates	\$80	\$110	\$110	\$70
Water System Debt / Household	\$5,000	\$6,000	\$9,500	\$4,000
Annual Revenue Required / Household	\$1,500	\$1,400	\$2,400	\$1,200
Likely DAC Category	Category 1	Category 1	Category 2	Not eligible

Note: All values are theoretical examples created to demonstrate how CDPHE evaluates Disadvantaged Community (DAC) status using primary and secondary affordability factors. Applicants are not expected to calculate these thresholds themselves. CDPHE will make final DAC determinations using internal data sources during pre-application review. As of June 2025:

- State Median Household Income (MHI): \$73,796
- Unemployment rate: 4.47%
- State Median Home Value (MHV): \$502,200

The examples above illustrate how different combinations of affordability indicators can affect a community's DAC status:

- **Community A** qualifies as a **Category 1 DAC** by meeting **two primary factors**: household income below 80% of the state average and an unemployment rate above the state average. No secondary factors are needed in this case.
- **Community B** also qualifies as a **Category 1 DAC**, but through a different pathway: it meets **one primary factor** (low median home value) and **three secondary**

factors (population decline, low assessed property value, and high water/sewer rates).

- **Community C** builds on Community B’s profile and adds **two additional indicators of high system burden**: high water system debt per household and high revenue requirements. This qualifies it as a **Category 2 DAC**, which receives the lowest available interest rates.
- **Community D** does **not** meet enough primary or secondary criteria to qualify. Its household income, home values, and unemployment rate are all above or below the thresholds needed for DAC designation.

4. Find Your Interest Rate

You can estimate your project’s potential interest rate by considering three main factors:

- Whether your project may qualify for the Green Project Reserve;
- Your desired loan term (e.g., 20 or 30 years); and,
- Whether your community’s DAC status under CDPHE criteria.

Some of this information, such as DAC status or the final percent of the projected deemed “green”, may not be confirmed until after CDPHE reviews your pre-application materials. However, the table below provides a helpful reference to understand the range of interest rates your project may qualify for.

Base SRF Program Interest Rates*

Category	20-Year Term	30-Year Term
Non-DAC	3.25%	3.5%
DAC Category 1	2.5%	2.75%
DAC Category 2	1.5%	1.75%
GPR (15% “green”)**	2.5%	2.75%
GPR (20% “green”)**	1.5%	1.75%

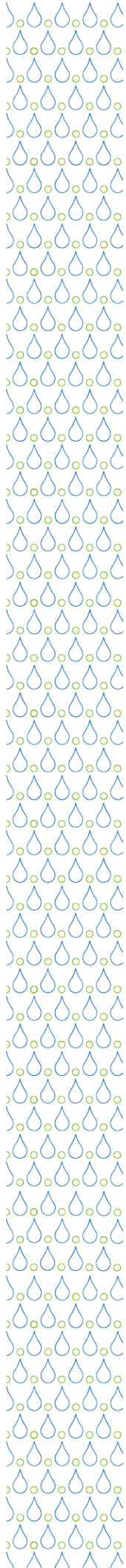
*As of June 2025.

**GPR rates apply to the first \$3 million only.

5. Compile Threshold Project Information & Get Support

A competitive SRF application starts with thoughtful planning. Before you dive into the application process, take the time to answer these questions to ensure that the SRF program is a good fit for your project:

- What is the primary purpose of your project (e.g., improving water quality, providing safe drinking water)?
- Is your project aligned with one of the SRF-eligible categories?
- Where are you in the planning and design process?
- Have you identified funding needs and estimated costs?
- Has your community been engaged in project development?



- Is your organization in compliance with relevant state and federal regulations (e.g., Safe Drinking Water Act, Clean Water Act)?
- Does your system have the technical, managerial, and financial capacity to manage the project and repay a loan?
- Are you prepared to meet federal cross-cutting requirements (e.g., Davis-Bacon, American Iron & Steel, Build America Buy America, and National Environmental Policy Act requirements)?

6. Access Technical Assistance

Once you have a sense of which SRF program may be a fit for your project and have compiled preliminary information about your project and community demographics, it may be helpful to seek out technical assistance to support your SRF application process.

Here are some free tools and resources to support you:

- **WaterNow's [Colorado SRF Dashboard](#)**: An interactive, step-by-step guide with resources, eligibility tips, and application guidance.
- **WaterNow's [Tap into Resilience Toolkit](#)**: Guidance on financing distributed and nature-based solutions.
- **WaterNow's [Colorado Wildfire Resilience Dashboard](#)**: Explore multi-benefit financing options for wildfire and watershed resilience.
- **[Environmental Finance Center Network \(EFCN\)](#)**: Training, tools, and TA for small, rural, and tribal communities.
- **[EPA Region 8 Environmental Finance Center](#)**: Direct support for compliance and sustainable finance planning.
- **Colorado SRF Agency Contact Information**:
 - CDPHE: cdphe_grantsandloans@state.co.us
 - CWRDPA: info@cwrdpa.com
 - DOLA: dola_web@state.co.us

Once you have answered these initial questions your next step is to **fill out and submit the [SRF Eligibility Survey](#)**, which is **due annually on June 30**.

This is the first official step to be considered for SRF funding and to be listed in the following year's Intended Use Plan (IUP) Project Priority List (PPL).

Need assistance?

Reach out to the TA providers and Colorado SRF agency contacts with your questions!