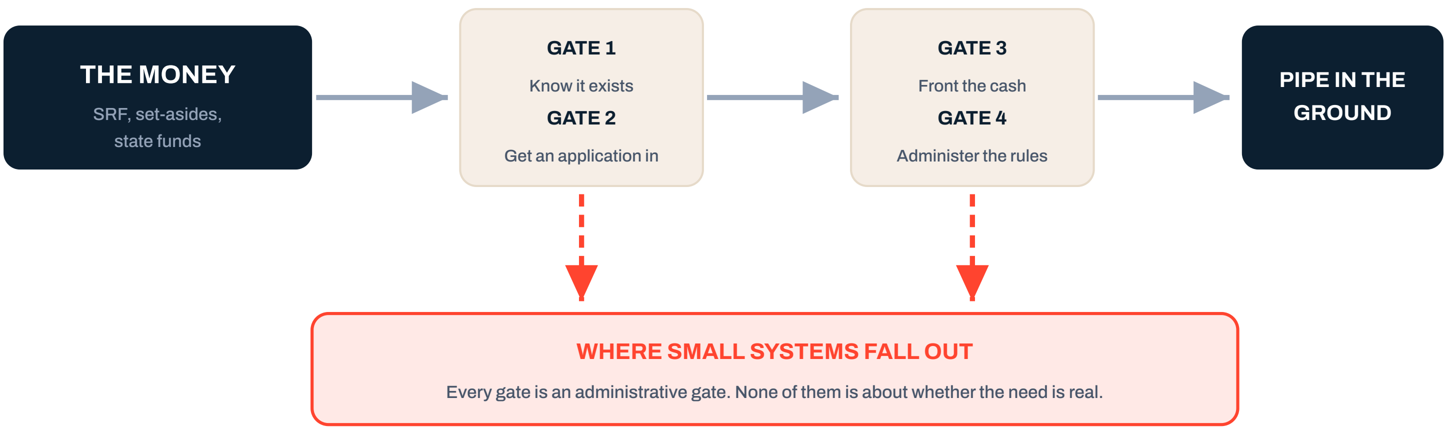
HOW RURAL WATER GETS PAID FOR, AND WHERE IT STOPS

The money is there. They cannot reach it.

Congress wrote the drinking water fund so that the worse off your system is, the higher you score. Distress is supposed to be the way in. **In Arizona the fund is undersubscribed**, which means a rural system that applies will usually get funded. The problem is almost never the money. It is the four administrative gates between a system and the money.



The cities clear all four with staff. A three-person volunteer board clears them on evenings and weekends, or not at all.

The words, in plain English

SRF	Federal money capitalises a state fund, the state lends it, repayments come back in and go out again. Arizona's is run by WIFA.
Forgivable principal	A loan you do not pay back if you meet the conditions. It is how a district of ninety households can carry a million-dollar project.
Set-aside	A slice reserved off the top for a purpose, such as small systems, so it cannot all go to the biggest applicant.
Disadvantaged community	An affordability test. Qualifying unlocks longer terms, lower rates and principal forgiveness.
WSDF	Arizona's own fund, separate from the federal SRF. It funded the Heber projects.

THE COMPARISON WORTH CARRYING

In Texas the drinking water fund runs roughly **ten times oversubscribed**. Good projects are turned away because the money runs out.

In Arizona it is **undersubscribed**. There is room. The constraint here is not appropriation, it is that the systems the money was written for do not apply.

Those two problems look identical from a distance and need opposite solutions. One needs more money. **The other needs more capacity to ask.**

~$60M
Arizona's Water Supply Development Fund, fully subscribed in roughly one round. It paid for the Heber projects.

15%
Of the SRF loan fund reserved by statute for systems serving under 10,000 people

30%
Of the annual capitalization grant available as principal forgiveness for disadvantaged communities

$0
Preliminary engineering report Arizona requires before you may apply. Many states require one.

Sources: Safe Drinking Water Act §1452 and the 1996 amendments; EPA Drinking Water State Revolving Fund program materials; WIFA program documents; USDA Rural Development Water and Environmental Programs; WRF Project 5015 (2020) on SRF cash flow for disadvantaged communities. Arizona subscription levels and Water Supply Development Fund uptake are as described by WIFA and by systems applying through it, 2026.

THE FOUR GATES, IN DETAIL

Why eligible does not mean funded

GATE 1 · KNOWING IT EXISTS

There is no outreach arm that visits ninety-connection districts. Systems find out about funding from a neighbour, a lab, a circuit rider, or nobody. A district that has never applied for anything does not know that a category of money was written with it in mind.

GATE 2 · GETTING AN APPLICATION IN

In many states the price of admission is a preliminary engineering report, commonly around **$20,000**. For a tiny district that is one to two years of every discretionary dollar, spent before anyone promises anything. **Arizona does not require one**, and that single design choice is why rural applications happen here at all.

GATE 3 · FRONTING THE CASH

SRF is a reimbursement program. Costs must be incurred before funds can be drawn. You spend first and get paid back.

Pinedale Estates had $10,000 in the bank. The project was $1.7 million. Someone has to carry that gap, and it is not the district.

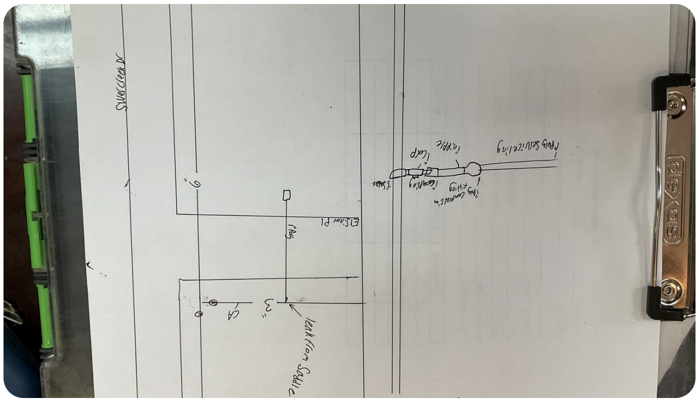
GATE 4 · ADMINISTERING THE RULES

Federal money brings Davis-Bacon prevailing wages and weekly certified payroll, American Iron and Steel, Build America Buy America, historic preservation review, disadvantaged business participation, and Uniform Guidance under 2 CFR 200, which binds you whether or not anyone explains it. Above the threshold it brings a single audit that costs nearly double a normal one.

THE ELIGIBILITY CATCH

Statute bars assistance to a system that lacks technical, managerial and financial capability, or that is in significant noncompliance. There is an exception when the assistance itself fixes the problem.

Read it twice. The systems that most need the money are the ones most easily disqualified, and clearing the gate takes precisely the administrative capacity they do not have.



A system schematic, as kept. Funding applications ask for asset inventories, condition assessments and capital plans. This is the starting position for most districts, and it is not laziness. It is what one person can maintain while also being the operator, the lab and the after-hours line.

WHAT ACTUALLY MOVES THE NEEDLE

- Paying for the front end of an application for systems that already qualify
- Technical assistance that survives past the award into administration and closeout
- Bridge capital so a district can front reimbursable costs
- Board and operator training, funded rather than assigned

> “The failure here is not that the money was not appropriated. It is that the people it was written for cannot physically reach it.”

Two of the systems on this tour cleared all four gates. That is the reason there is anything to look at today. Heber has nearly four million dollars committed. Pinedale Estates has $1.7 million, nearly all of it forgivable, and a well that will finally meet the standard. Neither district cleared those gates alone, and neither would have cleared them at all if the fund had been closed the year they were ready.

ALSO WORTH KNOWING

USDA Rural Development lends to rural systems for up to **40 years**, longer than SRF, and runs emergency grants for communities that have suffered a sudden loss of water supply.

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