

# How State Revolving Fund Policies Can Support Equitable Water Workforce Development



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## BUILDING AN EQUITABLE WORKFORCE

Congress appropriated roughly \$50 billion for water infrastructure through the Infrastructure Investment and Jobs Act (IIJA), also known as Bipartisan Infrastructure Law (BIL).<sup>1</sup> The vast bulk of these funds will flow through the Clean Water and Drinking Water State Revolving Fund (SRF) programs.

The Infrastructure Investment and Jobs Act is an investment in jobs, as well as infrastructure. Congress [provided \\$800 million through IIJA for dedicated workforce development](#) to create a more equitable workforce in traditional infrastructure sectors, including water. But more is needed to ensure that the jobs created by IIJA are equitably distributed to workers in underserved communities. Federal SRF appropriations flow to communities through state SRF programs. Therefore, it is important for state SRF program administrators to take steps to ensure that SRF-financed investments in water infrastructure also deliver equitable workforce development outcomes.

**This policy brief identifies policy options state SRF administrators can adopt to advance equitable workforce goals. These options are organized into six categories:**

1. **Programmatic:** clarification that workforce equity is an appropriate goal for state SRF policies and practices to aim for
2. **Requirements:** workforce-related measures required of applicants as a condition of receiving SRF funds
3. **Incentives:** advantages awarded to applicants who take specific equitable workforce-related actions
4. **Structural:** reforms to how or when SRF funds are awarded to applicants to facilitate optimal conditions for equitable workforce development.
5. **Guidance:** information about steps local project planners and implementers could take to advance equitable workforce goals
6. **Capacity Building:** training, facilitation, or direct financial support to build the skills and means needed for equitable workforce development



## BACKGROUND: WHY BUILDING AN EQUITABLE WORKFORCE MATTERS

An equitable water sector workforce is one that represents workers from the community served by the water system, including in particular workers in underserved communities.<sup>2</sup> Prioritizing

<sup>1</sup> Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 (2021).

<sup>2</sup> “Underserved Communities” is defined as a community with environmental justice concerns and/or vulnerable populations, including minority, low-income, rural, tribal, indigenous, and homeless populations. See [EPIC’s glossary for more terms and definitions we use in our work](#).

recruitment of a diverse water workforce is especially important to replenish the water industry, which is currently dominated by older white male workers, a third of whom will be eligible for retirement in the next ten years.<sup>3</sup>

Creating an equitable workforce involves providing workers in underserved communities with the skills and training needed to have fair access to high-quality jobs in the water sector. This, in turn, requires programs that cultivate a diverse, skilled talent pool, including individuals historically underrepresented in traditional infrastructure sectors. Programs typically include job training, apprenticeships, educational and youth programs, and other initiatives facilitating skill development and employment opportunities.

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## **EQUITABLE WORKFORCE DEVELOPMENT IS HIGH ON THE AGENDA FOR WATER EQUITY ADVOCATES**

SRF programs can help communities address a myriad of water infrastructure challenges, including the need to replace widespread networks of lead service lines, address emerging contaminants such as PFAS, and mitigate flood risks and other negative impacts of climate change. Underserved communities face the brunt of these water challenges. Thus, advocates are calling for SRF policy changes to direct more SRF assistance to projects serving underserved communities and ensure that these investments provide economic benefits to the impacted communities in the form of long-term, sustaining jobs. Community-based organizations (CBOs) are trying to build relationships with and engage water utilities and SRF administrators to deliver on these goals.

Nonprofit organizations have also developed educational resources to help advocates understand and communicate equitable workforce goals in the SRF context. Examples include River Network's [SRF Toolkit](#) and Self-Paced [SRF Advocacy Training Series](#), US Water Alliance's [Workforce & Capacity Development](#) hub, and Blue Green Alliance's [User Guide to the Bipartisan Infrastructure Law \(BIL\): How New and Expanded Federal Programs Can Deliver Good Jobs and Environmental Benefits](#).

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## **HOW TO LEVERAGE SRF POLICIES FOR EQUITABLE WORKFORCE DEVELOPMENT**

This section provides a discussion and examples of the six types of actions state SRF program administrators can take to advance equitable workforce development goals.

States have broad discretion over their SRF programs to align programs with the state's unique environmental and socioeconomic needs and goals. Thus, over the decades since SRF programs were launched, state programs have evolved differently in accordance with SRF program policies adopted in each state.

This brief provides a wide variety of policy options because different options will be suited to different circumstances. In most cases, state SRF administrators can adopt the policies presented here by incorporating the proposed policy in a state annual intended use plan (IUP). As a condition of receiving the state's federal capitalization grants for the SRF programs each year, each state must submit to the EPA an IUP for its Drinking Water and Clean Water

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<sup>3</sup> US Water Alliance, Towards a Strong and Equitable Water Workforce (2024), available at <https://uswateralliance.org/wp-content/uploads/2024/02/Toward-a-Strong-and-Equitable-Water-Workforce.pdf>

programs, respectively, explaining how the state will allocate SRF assistance that year. The IUPs are the primary documents that describe the intentions of a state's DWSRF and CWSRF program to the public, and policies noted in the IUP determine how SRF assistance will be allocated to communities applying for support.

## 1. Programmatic policies

In this brief, the term *programmatic policies* is used to describe policies that clarify the overarching purpose, priorities, objectives, and goals of the state SRF programs. States are required by federal law to state short- and long-term program goals in their IUPs. Some states simply reiterate the administrative duties delegated to them to implement an SRF program. Other states, however, add more substantive or aspirational goals relating to how SRF investments can be directed to achieve important co-benefits including addressing water affordability challenges, improving water systems' administrative, managerial, and financial capacities, mitigating the negative impacts of climate change, addressing inequities between and within communities, and advancing equitable workforce development.

Wisconsin and Indiana are two states that have included workforce-related goals in their IUPs. For example, [Wisconsin's DWSRF IUP for the State Fiscal Year 2024 funding cycle](#) includes the following short-term goal: "Explore avenues to support pre-apprenticeship, registered apprenticeship, and youth training programs that open pathways to employment." [Indiana's CWSRF for the State Fiscal Year 2024](#) includes the following long-term goals: "Ensure that the CWSRF Loan Program and its participants comply as required with Disadvantaged Business Enterprise fair share objectives" and "Continue to support the Alliance of Indiana Rural Water (a non-profit organization) with the Indiana Wastewater Certified Operator Apprenticeship Program, which has been approved by the Department of Labor. The Authority supports the wastewater apprenticeship program through state funding programs."

Including workforce-related goals in state IUPs lays an important foundation for the adoption of specific policies to advance these goals, because it clarifies that advancing equitable workforce development in the water sector is an appropriate aim of the SRF program.

## 2. Requirements

In the SRF context, *requirements* are policies that require all SRF applicants to perform specified actions as a condition of being considered for SRF assistance. Requirements could also be imposed at the award stage through policies that require all SRF awardees to perform specified actions as a condition of receiving SRF funds.

Workforce-related requirements can take several different forms, from strict requirements pertaining to who is hired to work on infrastructure projects and how much they are paid, to relatively 'soft' requirements. This section discusses policies that would impose different types of requirements along this spectrum.

## 2.a. Strict labor composition or wage requirements

Federal law already imposes on SRF awardees requirements regarding the kinds of workers that can be hired for SRF-funded projects, their wages or other working conditions, and the source of supplies used on SRF projects. These include, for example, the requirement to comply with wage standards in the Davis-Bacon Act,<sup>4</sup> and to procure supplies compliant with the Build America, Buy America (BABA) Act.<sup>5</sup>

States can impose further requirements of this nature on SRF-funded projects, and some do. Often, these will be state-wide requirements for publicly funded infrastructure projects above a specified scale. For example, Illinois requires that all state-funded projects exceeding \$500,000, including those funded through SRFs, must adhere to [Illinois Works Jobs Program Act Apprenticeship Initiative](#) requirements. These apprenticeship requirements ensure that these projects play a role in building career ladders for new workers without prior experience in the field, which is often the case for local residents from underserved communities. Legislation adopted by Minnesota lawmakers in 2023 setting up a new lead service line replacement grant program requires that any lead service line replacement projects receiving funds through the grant program must pay workers prevailing wages, as defined by the state laws governing labor industry standards.<sup>6</sup>

SRF program administrators should point to relevant state-wide workforce standards or protocols for publicly funded projects in IUPs and other SRF program materials, require SRF awardees to report on their compliance, and monitor compliance. In most states, state SRF program administrators will also have authority to require specific workforce standards for all SRF-funded projects even in the absence of existing state-wide requirements for publicly funded projects, so long as the requirements imposed are not prohibited by state or federal law. This could include prevailing wage standards, responsible contractor policies, and project labor agreements. Doing so will not only promote maximum employment and training opportunities for local residents, it will also promote timely, high-quality, and cost-effective delivery of SRF projects.

- **Prevailing Wage Standards.** Under federal law, any construction funded through the SRF must adhere to Davis-Bacon prevailing wage provisions. But Davis Bacon should be considered the floor of what states can do to ensure that SRF investments deliver quality jobs. States could adopt a high-road wage standard to attract high-road contractors employing skilled professionals who perform high quality work, helping projects meet construction milestones on time and safely, without increasing total construction costs.
- **Responsible Contractor Policies (RCPs).** Major modern construction projects require experienced, qualified contractors and highly skilled craft labor. Using best practice RCPs help to ensure these needs are met.
  - A central RCP component requires project contractors and subcontractors to affirmatively certify that they participate in bona fide apprenticeship training programs for each craft or trade they employ.
  - This is accomplished by mandating participation in Class A Apprenticeship (CAA) programs; these are programs registered with the federal or state government

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<sup>4</sup> The Davis-Bacon Act applies to contractors and subcontractors performing on federally funded contracts over \$2,000 for the construction, alteration, or repair of public buildings or public works. Davis-Bacon Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.

<sup>5</sup> Build America Buy America (BABA) was enacted as part of IIJA to ensure investments support American manufacturing, workers, and communities. BABA is a domestic procurement policy requiring certain materials for public infrastructure projects to be produced in the United States. The law also requires that an American workforce be used for construction projects.

<sup>6</sup> Minn. Stat. § 446A.077(8) (2024).

that have a track record of graduating apprentices for at least 3 years.

- While prevailing wage requirements generally help to attract higher-skilled workers, a CAA rule allows proper verification of skill levels for each trade and provides effective quality control over the entire project workforce.

- **Project Labor Agreements (PLAs).** Large construction projects can benefit from PLAs. PLAs control the terms and conditions of employment of workers on specific construction projects, including wages, hours, working conditions, and dispute resolution methods. These agreements can be utilized at the state and local level to ensure high-road labor standards and timely projects. When a state government is planning or funding a project, PLAs can be made a condition of project contracts, requiring the contractor to sign the negotiated PLA with the relevant union organizations before being hired.
  - PLAs promote safe, quality, cost-effective project delivery by providing project owners with access to the safest, most productive, best-trained skilled craft labor available in any given market.
  - PLAs guarantee reliable craft labor supply, as well as direct access to CAA programs. PLAs also include other benefits such as no-strike clauses and grievance-arbitration procedures.
  - PLAs can also be designed to incorporate Pre-Apprenticeship Programs (PAPs), which are highly advantageous to local communities because PAPs drive focused outreach efforts to people of color, women, and other economically disadvantaged populations, offering remedial education, preparatory craft training and other assistance designed to facilitate a secure pathway to CAA programs.
  - Including **local hiring requirements** in PLAs increases benefits for local communities by expanding employment opportunities for local residents and providing pathways for quality career development in skilled craft trades.

Prevailing wage requirements, responsible contractor policies, and project labor agreements have a proven track record for promoting successful project delivery, which is especially challenging in today's construction industry due to acute craft labor shortages. Where states require specific workforce standards for SRF-financed projects, they should also monitor compliance with these standards.

## 2.b. 'Soft' workforce-related requirements

While strict requirements pertaining to labor composition, wages and other work conditions, or supply chain sourcing can be powerful drivers of equitable workforce outcomes and should be encouraged where possible, strict requirements such as these require substantial administrative resources to implement and monitor, may be difficult to adopt in some jurisdictions, and may not be equally applicable for all project conditions. For these reasons, advocates and state SRF administrators may also want to consider so-called 'soft' requirements—requirements that prompt consideration of workforce related issues, without requiring strict compliance with specific workforce related standards. Such requirements could include:

- **Workforce development plans.** Just as applicants are currently required to develop engineering plans for proposed projects, for example, applicants would be required to explain the steps they will take to engage an equitable workforce in the proposed project. Alternatively, a workforce development plan could be required after project awards have been allocated and incorporated into the SRF funding agreement, as a condition



of receiving the awarded funds. States requiring workforce development plans should also provide guidance on what a quality workforce development plan should include. For example, the 2023 Minnesota statute establishing a state grant program to supplement SRF funding for lead service line replacement (LSLR) projects requires grant applicants to submit a workforce development plan with their application materials. The plan must include a description of how the applicant will maximize the use of registered apprentices and workers from populations under-represented in the construction industry in the LSLR projects.<sup>7</sup>

- **Workforce-related questions or prompts in SRF application forms.** Among details the state could require from applicants is how the proposed project would advance equitable workforce development in the community that will benefit from a potential project.
- **Collecting and reporting workforce data.** Requiring awardees to report workforce equity metrics for SRF-funded projects would help states assess the degree to which SRF-financed water infrastructure projects are delivering equitable workforce outcomes. Examples of metrics to identify if equitable workforce goals are achieved include the number of people of color in good-paying positions, employment rates in underserved communities, retention rates, and prevailing wages. The data collected would provide valuable information on the kinds of further SRF program strategies and investments needed to advance equitable workforce goals.

The American Council for an Energy-Efficient Economy has a helpful [database](#) on what states have done to implement equity metrics in workforce development. While the focus is on energy efficiency, there are some strategies that the water industry can borrow.

### 3. Incentives

States can also craft equitable workforce-promoting policies as incentives. *Incentives* are policies that award advantages to applicants that take specified actions. Any workforce-related measures that could be imposed as requirements could alternatively be linked to an incentive to encourage SRF applicants to implement these measures on a voluntary basis.

Feasible and meaningful incentives in the SRF award context could include:

- **Bonus principal forgiveness.** Principal forgiveness is the most common form of additional subsidy provided to SRF awardees. A principal forgiveness award forgives a portion of the loan awarded for the project, so that the awardee does not need to repay the portion forgiven.

States are required to award 12–35% of their annual base DWSRF grant as principal forgiveness to state-defined disadvantaged communities. In recent years Congress has required states to issue another 14% of their base DWSRF grant as “discretionary” additional subsidies which can be awarded to any eligible recipient.<sup>8</sup> Similarly, recent annual federal budget bills have required states to issue 10% of their base CWSRF grant as discretionary additional subsidies to eligible recipients, on top of the 10–30% of the base grant that must be issued to projects on the basis of the state’s affordability criteria per requirements in the Clean Water Act.<sup>9</sup>

<sup>7</sup> Minn. Stat. § 446A.077(6) (2024).

<sup>8</sup> See, e.g., U.S. EPA, FY 2022 DWSRF Base Allotment Availability (May 12, 2022) (citing and explaining Safe Drinking Water Act Disadvantaged Community Additional Subsidy Authority and Congressional Additional Subsidy Authority), available at: <https://www.epa.gov/system/files/documents/2022-05/FY%202022%20DWSRF%20Base%20Allotment%20Availability.pdf>.

<sup>9</sup> See, e.g., U.S. EPA, FY 2022 CWSRF Base Allotment Availability (May 12, 2022) (citing and explaining Clean Drinking Water Act Disadvantaged Community Additional Subsidy Authority and Congressional Additional Subsidy Authority), available at: <https://www.epa.gov/system/files/documents/2022-05/FY%202022%20CWSRF%20Base%20Allotment%20Availability.pdf>.

States have used discretionary additional subsidies from their base SRF grants to incentivize various actions in line with goals of their SRF programs. For example, many states use these additional subsidies to promote the regionalization of failing water systems. Some also use these additional subsidies to incentivize project co-benefits, such as energy efficiency measures incorporated into water treatment plant upgrades. Likewise, discretionary additional subsidies from base DWSRF and CWSRF grants could be awarded as bonus principal forgiveness to any applicant that implements desired workforce-related actions.

- **Additional project ranking points.** States rank project applications to prioritize which projects should receive limited loans and additional subsidies from a limited pot of SRF resources. For the most part, states award project ranking points on the basis of the importance or urgency of the proposed project in relation to protecting public health, projects needed to correct violations of the Safe Drinking Water Act or Clean Water Act, or otherwise needed to maintain compliance with drinking water and clean water regulations. However, some states also award project ranking points as a way of incentivizing desired actions. A common example is project ranking points awarded to applicants that develop or update their asset management plan.

Some states use project ranking points to incentivize other actions as well. For example, [Pennsylvania](#) includes economic development criteria in the state's SRF project priority ranking factors. Pennsylvania's Department of Community and Economic Development assesses each project in relation to the project's expected impact on job creation or preservation of private investment. Up to 20 points can be awarded for this factor, 10% of the total available 195 project ranking points.

- **Interest rate discounts.** States also have broad discretion over the provision of interest rate discounts for SRF projects. Many states provide discounted interest rates (even as low as 0%) to projects serving state-defined disadvantaged communities, or for certain types of projects such as regionalization projects or lead service line replacement.

[Ohio's green infrastructure sponsorship program](#) is a particularly interesting example, because it provides a discounted interest rate in exchange for asking an SRF awardee to perform actions that would otherwise increase costs for the awardee. The savings incurred through a reduced interest rate on a 20-year, multimillion dollar loan make up for the additional costs imposed by the desired action. Similarly, to the extent that compliance with high-road workforce standards or other desired workforce-related actions add (or are perceived as likely to add) costs to the proposed projects, the state could shift these costs to the state SRF program by offering a reduced interest rate in exchange.

## 4. Structural changes to how assistance is awarded

States can also *structure how they award assistance to facilitate more optimal conditions for equitable workforce development.*

- **Multi-year funding awards.** One key step that state SRF program administrators can take is to provide multi-year funding awards for projects that will progress over multiple years.

Lead service line replacement (LSLR) is an excellent example of infrastructure work that, in most communities, will take place over several sequential years due a large number of lead service lines and the costs of replacing them. Understanding the logistics of local

budgeting and procurement, material supply chains, contractor capacity, and workforce development required to scale up LSLR, and aligning the timing and scale of SRF awards for LSLR projects with these logistics, can enable these projects to deliver more equitable workforce outcomes.

Typically, a water system applying for SRF assistance for lead service line replacement receives an award to replace a specified number of LSLs within the state fiscal year following the award. Then, if more LSLs still remain, another SRF award could be pursued in a subsequent year for another set of LSLs to be replaced, and the cycle repeated until all LSLs are replaced. For large drinking water systems that have thousands—or tens of thousands—of LSLs to replace, it would be beneficial for the system to obtain a larger SRF award to replace a larger set of LSLs over sequential years. This would enable water systems to more confidently engage in multi-year project planning, to better manage supply chain risks and more economically procure supplies needed for LSLR projects, and to contract for larger, multi-year LSLR projects. Larger, multi-year LSLR contracts will, in turn, give water infrastructure contractors the longer-view security they need to make equipment and workforce investments to take on larger scale LSLR projects, including building apprenticeships into their labor force for LSLR projects and facilitating subcontracts with local minority-owned businesses. Systematic, neighborhood-scale, multi-year contracts to replace hundreds—or thousands—of LSLs each year provide better circumstances for training apprentice craft construction laborers, plumbers, and operating engineers needed to do this work. Greater security of funding to replace a larger number of projects over a few years would also enable cities with thousands of LSLs to explore [innovative contracting and procurement arrangements](#) to further reduce LSLR costs.

In response to concerns raised by water utilities and advocates seeking to maximize the potential for IJJA's LSLR funds to accelerate lead service line replacement and employ local workers, Wisconsin SRF administrators clarified in [LSLR amendments to the state's DWSRF IUP](#) that flat caps would not be imposed on SRF awards from the LSLR funds, enabling the potential for larger awards to be issued each funding cycle. State administrators also clarified that applicants can plan to use an SRF award for LSLR over a series of years and still apply for additional LSLR funds in subsequent years before the first award is fully expended, so long as sufficient progress to use the funds previously awarded is demonstrated. This creates the potential for water systems to obtain overlapping SRF awards financing LSLR projects to be built over a series of years, enabling longer-term planning and related cost efficiencies and workforce benefits.

- **Regional collaboration.** Smaller water systems serving small towns with relatively few LSLs could also benefit from regional collaboration that enable the planning and contracting of larger, multi-year LSLR projects across neighboring communities. Coordination across neighboring small communities to [self-aggregate for joint procurement](#) of larger, multi-year LSLR projects, framed with an understanding of local contractor capacities and workforce development needs, can bring the same workforce development benefits and cost efficiencies to smaller water systems and communities in more rural parts of the state. Regional strategies aimed at combining the technical, managerial, and financial capabilities of small water systems across a region to achieve greater economies of scale is something SRF programs in most states have generally sought to encourage and incentivize. Regional collaboration should be encouraged and incentivized for LSLR, to ensure more expedient and cost-efficient LSLR projects that deliver greater workforce development benefits for local communities.



## 5. Guidance

State SRF programs can also provide *guidance* in the form of informational materials about action local project planners and implementers could take to advance equitable workforce development. **Any of the workforce development actions described in the sections above could be the subject of useful guidance materials.** Particularly where incentives are offered, it will be important to provide guidance on the actions to be rewarded, and how they will be verified.

In addition, state SRF programs could provide guidance on innovative actions project planners and implementers could take to advance equitable workforce development, including lifting up case studies where innovative practices have helped to advance workforce development. Such practices could include:

- **Community Benefits Agreements.** A Community Benefits Agreement (CBA) is a legally binding, enforceable contract negotiated between a developer and the communities that live in the area. The CBA commits the developer to work with local CBOs and workforce development agencies to create opportunities for local workers, mitigate environmental and public health harm, and otherwise positively contribute to the local community. The CBA also explains how this will be done, the community benefit outcomes expected, and metrics that will be used to assess outcomes. CBAs often include a commitment to provide living wage employment opportunities to local residents and to provide training programs to prepare them for the type of work needed to complete the project. Community-based organizations (CBOs) and nonprofit workforce development organizations often play a role in building residents' capacity to engage in negotiations, and to otherwise facilitate and monitor CBAs.

The EPA endorses CBAs in the SRF context. A March 2022 EPA memo on the implementation of SRF funding from IIJA urges states to “encourage SRF funding recipients to support safe, equitable, and fair labor practices by adopting collective bargaining agreements, local hiring provisions (as applicable), project labor agreements, and community benefits agreements” and promises that further guidance developed in collaboration with the U.S. Department of Labor will be forthcoming.<sup>10</sup>

The [Louisville Metropolitan Sewerage District \(MSD\) Community Benefits Program](#) provides an example of how community benefits agreements can be integrated into water infrastructure contracts. The MSD program was created following a [disparity study](#) commissioned by MSD which was completed in 2018. The study found significant disparities in regards to the underutilization of minority and women owned businesses and workers across multiple sectors related to MSD's infrastructure investments including construction, construction-related services, engineering and professional services, and materials, commodities and services. The Community Benefits Program, is fully integrated into MSD's procurement process and applies to its construction contracts valued at \$2 million or more and to professional services contracts valued at \$200,000 or more, was established in response. Workforce development is a key area of focus for the program. The program requires contract bidders to develop community benefits plans as part of their bid proposal, which are assessed together with other bid requirements. The process requires prospective contractors to develop these community benefit plans in collaboration with CBO, non-profit, education, and/or other community partners. Thus, contractors essentially

<sup>10</sup> U.S. EPA, Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law (March 8, 2022) at 6, available at [https://www.epa.gov/system/files/documents/2022-03/combined\\_srf-implementation-memo\\_final\\_03.2022.pdf#page=6](https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf#page=6).

need to compete on the basis of their development of impactful community benefits agreements alongside more conventional bid requirements pertaining to quality and price of the contracted service. The community benefits score comprises 5% of the total available bid assessment points, with another 5% based on the contractor's local labor agreement. Failure to satisfactorily fulfill the promised community benefit plan over the course of the contract results in a forfeit of at least 2% of the contract's value.

- **Community-Based Public-Private Partnerships.** The Community-Based Public-Private Partnership (CBP3) approach, originally [developed by the U.S. EPA](#) over ten years ago, involves a partnership between the public and private sectors to deliver infrastructure while prioritizing community-based benefits. This approach aims to generate superior results in terms of speed, efficiency, cost-effectiveness, and equity. Currently, [CBP3s are more common in the context of green infrastructure](#) projects, such as the widely acclaimed [Chesapeake Bay Community-Based Public Private Partnership](#).

States can play a role in helping communities seeking stronger workforce development or other community co-benefits from water infrastructure investment to consider whether a CBP3 approach might meet their needs and, if so, get them started on first steps. For example, Washington State Department of Ecology recently initiated the [Stormwater Community-Based Public-Private Partnership \(CBP3\) Funding Program](#). The creation of the program was motivated by the potential for CBP3s to meet the needs of several types of stormwater permittees across Washington State as described in the [Washington State Stormwater Community-Based Public-Private Partnership Feasibility assessment](#) commissioned by the WA Department of Commerce in 2018. As part of this program, the Department of Ecology is holding Learning Network workshops. These workshops will lead to a CBP3 working group for Washington State, with the goal of building local capacity for assessing and implementing these contracting mechanisms.<sup>11</sup> State SRF agencies could undertake similar CBP3 capacity-building efforts using funds set aside from their SRF federal capitalization grants for technical assistance or local capacity building.<sup>12</sup>

The Environmental Policy Innovation Center (EPIC) has urged that the [CBP3 approach is also well suited for lead service line replacement projects](#). And, in October 2023 the [City of Wausau, Wisconsin](#) and [Community Infrastructure Partners \(CIP\)](#), announced a pioneering initiative to bring the CBP3 approach to lead service line replacement. In addition to replacing lead service lines, the City of Wausau is implementing key elements into its program such as community outreach, workforce development, local business development, and public health.

- **Equitable Workforce Development Advisory Groups.** CBOs and other nonprofits play a crucial role in advocating for stronger workforce development policies and programs. Creating an advisory group to serve as a framework for regular dialogue between water utilities and local CBOs and nonprofits concerned with workforce development can help build shared understanding about workforce development issues, challenges, goals, and opportunities, and lead to collaboration on workforce development initiatives in the sector. Labor unions and nonprofits providing workforce development services as well as CBOs rooted in underserved communities are often important entities to include at the table. For example, Milwaukee's [Water Equity Task Force](#) brings together representatives from

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<sup>11</sup> Environmental Policy Innovation Center, Washington State Standing Up Community-Based Public-Private Partnerships for Green Stormwater Infrastructure (2024), available at <https://www.policyinnovation.org/blog/didwuul5qdr22a3k6g8bftbqhyf8mm>.

<sup>12</sup> Environmental Policy Innovation Center, State SRF Policies to help Communities Fully Take Up the new Federal Funding for Lead Service Line Replacement (2023), available at <https://www.policyinnovation.org/blog/setasidefunds>.

Milwaukee's water utilities with nonprofit organizations to explore and develop ways to diversify Milwaukee's water workforce.

## 6. Capacity Building

*Capacity building* involves the provision of training, facilitation, or direct financial support to build the skills and means needed for equitable workforce development. States are allowed to set aside up to 6% of CWSRF capitalization grants for administration and technical assistance (4%), and technical assistance for small communities (2%). States are allowed to set aside up to [31% of their DWSRF capitalization grants](#) for administration and technical assistance (4%), technical assistance for small communities (2%), state program management (10%) and local assistance and other state programs (15%). Set-asides can be used to provide capacity building relating to workforce development, including training, grants, or state-funded contractors to help local water systems understand and implement workforce development measures discussed in this brief.

Set aside funds could also be used to build workforce development capacity by promoting and/or facilitating regional collaboration on water infrastructure projects, particularly in relation to projects like lead service line replacements or green stormwater infrastructure and other nature-based solutions. Set-asides could also be used to provide direct support for workforce development initiatives such as pre-apprenticeship programs, including wage subsidies for workers enrolled in pre-apprenticeship programs.

- **Facilitating regional collaboration.** The promotion of regional collaboration across water systems for capacity building and cost efficiencies is a priority for SRF programs in many states. Often this entails consolidation of failing water systems into neighboring systems with stronger technical, managerial, and/or financial capacities. It can also include other kinds of more issue-specific capacity sharing and cost-savings, however, and [states have used various categories of DWSRF set aside funds to support such efforts](#).

In the LSLR context, regional efforts to understand local workforce capacities and constraints and to combine LSLR needs across several small- and medium-sized drinking water systems in a county or region [could achieve significant cost savings and help to expedite LSLR](#). Regional efforts could include joint procurement of LSLR supplies and/or contractors as well as information and lesson sharing.

States could use set-aside funds to support regional roundtables convening relevant drinking water utility staff, community stakeholders, and elected officials, together with local water infrastructure contractors and workforce development agencies. These roundtables could ascertain the readiness and capacity needs of area contractors. With this information, water systems could self-aggregate to coordinate their procurement contracts for LSLR projects, perhaps larger, multi-year projects to bid out to regional contractors through joint procurement. This could encourage local contractors to build their workforce and other capacities in anticipation of more substantial work opportunities over a series of years. Joint procurement for larger LSLR projects could yield cost-efficiencies, too.

- **Support for pre-apprenticeship programs to cultivate a more equitable, local water infrastructure workforce.** In some regions, the same towns and neighborhoods plagued by large numbers of lead pipes in their drinking water distribution systems also have large numbers of unemployed residents and a lack of accessible, family-supporting jobs. One goal of the Infrastructure Investment and Jobs Act (IIJA) is to ensure that the same underserved communities subject to the greatest environmental harms from degraded water infrastructure also share in the economic benefits of IIJA's substantial investments in water infrastructure. For this to happen, however, there is a need to connect underemployed workers with the quality jobs generated by IIJA investments. Workforce development programs tailored to the needs of workers from underserved communities can help meet these needs. These often take the form of pre-apprenticeship programs—programs that help workers from underserved communities meet the requirements to enter lucrative apprenticeships and become unionized plumbers and pipefitters or other kinds of skilled craft laborers needed to construct water infrastructure projects. Set aside funds can be used to support such programs.

For example, Indiana's [DWSRF program](#) has used set asides to support the [Alliance of Indiana Rural Water's Indiana Water Treatment Certified Operator Apprenticeship Program](#). The program provides training for workers from disadvantaged communities for employment as Certified Operators for water systems. [Delaware](#) is another state that is using DWSRF set asides for workforce development. Delaware will use set asides from its IIJA general supplemental DWSRF grant to provide a pre-apprenticeship program aimed at high school students to demonstrate the need for young adults to enter the field of drinking water distribution, operations and water treatment. This program will be provided through a grant to the Delaware Rural Water Association.

- **Wage subsidies for participants in workforce development programs.** The Indiana DWSRF program's support for the Alliance of Indiana Rural Water's apprenticeship programs includes wage subsidies during the training period. It is important to note that set asides cannot be used to provide wage subsidies for apprentices working on SRF-funded projects such as lead service line projects, given that these costs are eligible to be covered by SRF construction awards. However, the Indiana example indicates that set asides can be used to provide wage subsidies for workers participating in workforce development programs as well as the costs of developing and implementing such programs.

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## CONCLUSION

With the influx of funding to SRF programs from IIJA, states have an opportunity to implement policies, practices, recommendations, and guidance that can have a long-term impact beyond the life of IIJA. States have the financing and the structure within the SRF program to help close equity gaps in their communities by redesigning workforce accountability to focus on job quality while addressing problems that disproportionately affect underserved communities.

Much of the actions needed to ensure SRF investments deliver desired workforce outcomes must take place at the local level, but in many cases local project implementers will only take these steps if state SRF Administrators require or otherwise support them to do so. We are truly in a historic moment to implement equitable policies and practices. States must take a

holistic approach to creating conditions for money to flow to the communities that need it most. Metrics will be an essential factor in determining if states are going in the right direction. However, inclusive processes through thoughtful community engagement and working with diverse stakeholders to develop solutions are key to the change process. These holistic solutions will only be possible if policymakers and SRF Administrators adapt SRF programs to achieve equity.



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## ABOUT EPIC

The Environmental Policy innovation Center (EPIC) builds policies that deliver spectacular improvement in the speed and scale of environmental progress. EPIC is committed to finding and highlighting the best approaches for scaling up results quickly. EPIC focuses on water equity, watershed partnerships, endangered species, environmental markets, and the use of data and technology in producing conservation outcomes. We aim to advance innovative policies that provide equitable access to safe, reliable, and affordable water. We do this by engaging diverse partners, exploring out-of-the-box solutions, and championing policy change to address disparities across water systems.

### About EPIC's SRF State Policy Options Briefs

The Environmental Policy Innovation Center is developing a series of briefs on policy options that State Revolving Fund (SRF) programs can adopt to better advance equity and resilience goals. The policy options relate to a variety of important issues, from reforming state definitions of disadvantaged communities to ensure additional subsidies are targeted to the communities that need them most, to effectively informing and soliciting stakeholders' feedback on draft intended use plans (IUPs). These policy options will be useful to state SRF advocates, state and federal policymakers, local water systems, nonprofits, and other stakeholders. All policy briefs will be available on the EPIC website. Please check the website regularly for updates and sign up for the EPIC newsletter to get notifications when a policy option brief is released.



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### State Advocates Forum

The SRF State Advocates Forum convenes advocates across the country working towards equitable implementation of State Revolving Funds. The Forum creates opportunities for advocates to learn, share lessons, and develop synergies in their work across geographies and levels of government. Participants in the Forum include experts, state and national advocates, community based organizations motivated to address water infrastructure challenges—such as drinking water safety, affordability, lead service line replacement, and climate resilience. Join the Forum's Mobilize platform for regular updates and for information on how to join our national quarterly calls on Zoom. The SRF State Advocates Forum is convened and facilitated by the following organizations:

