2 Closing the Gap in Available and Obligated Funds for Clean Water and Drinking Water State Revolving Funds

Brief Description:

The key elements of the approach include 1) analyzing historical drawdown trends; 2) understanding and offering more efficient grants management practices; 3) negotiating with state partners' best management practices and optimistic stretch goals for drawing down funds; and 4) analyzing progress and revisiting management practices and targets.

In lieu of responding to drawdown reports, EPA established targets at the beginning of the fiscal year. This brought immediate attention to construction projects that were stalled or not being funded, suggestions for improving invoice payment processes, and efforts for revising application processes. As a result, several state SRF programs developed short- and/or long-term revisions that helped expedite drawdowns. Several states revised their rules to accommodate a greater amount of construction project applications. Additionally, webinars were offered to all entities on the draft SRF project priority list, and consultants were available to explain changes to invitation process and Intended Use Plans (IUPs).

In developing the stretch goals, the Region 6 SRF team met with each state at the beginning of the fiscal year to discuss the feasibility of the stretch goals. Staff from EPA and the state collaborated on determining the most realistic yet ambitious stretch goal. Once staff had agreed on the stretch goal, senior management from all parties was briefed, and then official correspondence documented the decision. A series of check-in meetings throughout the year ensured that the stretch goals received appropriate attention and provided forums for discussing program challenges.

Current Status:

Apart from the reductions in unliquidated funds that were seen in each of the SRF programs (in particular the Clean Water SRF program), states have continued focus on the need to draw down SRF funds expeditiously. The Region 6 SRF program continues to track progress toward goals quarterly and evaluate the revised management practices. Region 6 also emphasizes the unliquidated obligation (ULO) issue at annual state onsite evaluations and in Performance Evaluation Reports (PERs); during one-on-one meetings with the state agencies; in its comments on states' IUPs, set-aside work plans, and annual reports; and during all other opportunities for dialogue.

Subobjective:

Water Quality

Type:

Financial Management

Highlights:

- **What:** EPA establishes drawdown targets or "stretch goals" for states in reducing the amount of unobligated funds for Clean Water and Drinking Water State Revolving Fund (SRF) grant programs.
- **Who:** The EPA Region 6 SRF program worked with its state partners to negotiate stretch goals for each quarter.
- **Why:** To "close the gap" between amount obligated in the federal SRF capitalization awards and total amount of outlays against that obligation.

Outcomes:

The primary outcome of the region's effort has been an increase in the majority of states' expenditure rates, resulting in a reduction of the states' balances of ULOs. The region expects this practice to continue to positively impact the program by further reducing ULOs in the upcoming years as it continues to partner with the states on this issue. Some changes put in place by this effort, such as a revision to a state rule to accommodate a greater amount of construction project applications, were not able to be implemented this fiscal year and promise to show even further reduction in the near future.

Clean Water SRF Stretch Goal Impact for FFY 2012

State	3 Year Average Outlay	FY 2012 Outlays	% of 3 Year Average Outlay
Arkansas	$4,978,313	$13,674,503	275%
Louisiana	$15,816,864	$33,952,103	215%
New Mexico	$2,192,430	$10,661,768	486%
Oklahoma	$8,432,017	$22,635,548	268%
Texas	$20,725,824	$171,729,833	829%
Region 6	$52,145,447	$252,653,756	485%

Drinking Water SRF Stretch Goal Impact for FFY 2012

State	3 Year Average	Actual	% of 3 Year Average
Arkansas	$12,621,037	$11,606,021	92%
Louisiana	$19,778,726	$17,230,785	87%
New Mexico	$7,937,932	$8,156,518	103%
Oklahoma	$18,996,410	$10,681,173	56%
Texas	$63,900,044	$80,419,285	126%
Region 6	$123,234,147	$128,093,781	104%

Lessons Learned/Recommendations:

Region 6 believes that its approach can be replicated in other regions as long as it has strong management support from all parties. Collaboration with states on ULOs encouraged planning and dialogue at the beginning of the fiscal year as stretch goals were developed in consultation with the states. Region 6 SRF Project Officers keep a ULO tracking chart that is updated monthly, and they are familiar with the amount of federal money each agency is spending and from which grants and set-aside accounts are being drawn. This gives the Project Officer a more intimate connection with the financial activity of the state agencies that manage the SRF programs and enables the Project Officer to identify potential problems (e.g., no federal draws after the first fiscal year quarter) and counsel the states about these potential problems in their infant stages. This has proven to be tremendously beneficial in accelerating federal draws.

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