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Perspectives on Capacity/Managing Drinking Water State Revolving Fund Infrastructure Investment/Jobs Act Funding: U.S. EPA Office of Inspector General Report

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The United States Environmental Protection Agency (“EPA”) Office of Inspector General (“OIG”) issued a February 27th report titled:

Perspectives on Capacity: Managing Drinking Water State Revolving Fund Infrastructure Investment and Jobs Act Funding (“Report”)

See *Report* No. 24-E-0022.

OIG states that it produced this *Report* to identify:

1. Drinking Water State Revolving Fund agencies’ perspectives on their capacity to manage Infrastructure, Investment and Jobs Act funds (“IIJA”); and
2. Obstacles that Drinking Water State Revolving Fund agencies’ administrators believe limit their capacity to manage IIJA t funds.

The *Report* focuses on the Drinking Water State Revolving Fund (“DWSRF”).

Clean Water and Drinking Water State Revolving Funds (“SRFs”) are utilized to upgrade water, wastewater, and stormwater infrastructure. They are designed to provide low-interest, flexible loans for water infrastructure. Such funding is administered by the Arkansas Natural Resources Division in Arkansas which is a component of the Arkansas Department of Agriculture.

The IIJA has been described as providing the largest investment in drinking water and wastewater infrastructure in United States history. This will include the rehabilitation and updating the nation’s water infrastructure. IIJA water funding for water projects is channeled through the SRF programs for drinking water and wastewater.

OIG states that it used a survey to identify state agencies’ perspectives on their capacity to manage IIJA funds.

Capacity as utilized by OIG in the *Report* is described as having three relevant dimensions:

- Organizational

- Financial
- Human Capital

Therefore, it states that the absence of capacity within any of the three dimensions can adversely affect a state agency's ability to effectively manage federal grant funding. This would of course include IIJA funding.

OIG states that the responses to its survey included:

- Most state DWSRF administrators believe their agencies have the organizational capacity necessary to manage DWSRF IIJA funds awarded to their states.
- A few DWSRF administrators expressed concern related to financial capacity (citing concerns about meeting state financial matching requirements/identifying projects that were eligible for DWSRF IIJA funding).
- State DWSRF administrators cited difficulties identifying projects eligible for lead service line replacement funds.
- A few DWSRF administrators believe their agencies had sufficient staff and guidance to manage DWSRF IIJA funds.
- Workplace management and insufficient federal guidance were cited as common obstacles limiting the agencies' capacity to manage DWSRF IIJA funds.
- Insufficient guidance related to the Build America, By America Act provisions of the IIJA was cited.
- A few state DWSRF administrators cited the lack of coordination with EPA as an obstacle.

A copy of the *Report* can be downloaded [here](#).