

Clean Water State Revolving Fund Program: U.S. Government Accountability Office Report Addresses Grant Formula



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The United States Government Accountability Office (“GAO”) issued a July 2024 report titled:

Clean Water: Revolving Fund Grant Formula Could Better Reflect Infrastructure Needs, and EPA Could Improve Needs Estimate (“Report”).

See GAO-24-106251.

GAO was asked by the United States Senate Committee on Environment and Public Works to review options for the Clean Water State Revolving Fund (“SFR”) program’s allotment formula.

The SRF is a federal-state-local partnership providing funding for water related infrastructure projects. It is designed to provide low-interest, flexible loans for water infrastructure. Such funding is administered by the Arkansas Department of Agriculture’s Natural Resources Division in the State of Arkansas.

GAO states that the Report:

- Describes the current formula and how states distribute funds.
- Discusses a panel of experts convened by GAO agreeing on a new formula that was developed and examines the effects on allotments.
- Examines EPA’s estimate of states’ needs.

GAO undertook a review of the current SFR grant formula in which the United States Environmental Protection Agency (“EPA”) allots a fixed percentage of annual appropriations to each state. It found that from 2019 through 2023, the annual grants averaged from \$6 million to \$208 million for the various states.

1987 amendments to the Clean Water Act had specified the percentage of SRF appropriations that a state receives (i.e., an “allotment”). Such percentages provide a minimum share of 0.5 percent to each state.

The GAO Report opines that some state officials and experts (including academics) have expressed concern that current allotments do not:

...reflect significant changes in clean water needs that have occurred since the program’s establishment or help address gaps between needs and communities’ ability to pay.

The panel of experts that GAO convened are stated to have formulated a different formula that emphasizes:

- Clean water needs.
- Population.
- Economic burden.

The formula described in the Report uses what is characterized as a multi-step formula development process to:

...consider how these and other variables align with program goals, including water quality and affordability.

The GAO Report recommendations include:

- Congress should consider revising the allotment formula to clearly align with the program's goals in requiring EPA to periodically calculate allotment percentage using the most recent data.
- EPA's Administrators should ensure that the Director of the Office of Wastewater Management provides guidance to states to submit estimates of large communities' centralized clean water infrastructure needs for minimum time frames, such as 5 years.
- The Administrator of EPA should ensure that the Director of Office of Wastewater Management works with states that did not report any needs in one or more of the non-centralized clean water infrastructure need categories to use cost-estimating tools and state-specific approaches to assess these needs for the next Clean Watersheds Needs Survey.

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