



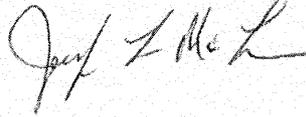
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN - 5 2019

OFFICE OF WATER

MEMORANDUM

SUBJECT: National Priorities for the Drinking Water State Revolving Fund Program

FROM: Jennifer L. McLain, Acting Director
Office of Ground Water and Drinking Water 

TO: Water Division Directors
Regions 1-10

Over the past two decades, the Drinking Water State Revolving Fund (DWSRF) has become one of the nation's most significant investments in public health protection. The program is approaching nearly \$40 billion in cumulative loans and other assistance agreements with communities to build, repair, and improve drinking water infrastructure. In addition, states have utilized over \$3 billion towards operator certification programs, water system capacity development, source water protection, and other activities supporting safe drinking water.

In collaboration with the states over the past few years, we virtually eliminated federal unliquidated obligations (ULO), increased the number of loans and fund outlays in many states, and significantly increased fund leveraging. These actions accelerated construction, created jobs, and most importantly, galvanized our resources to protect public health.

It is time to build on our momentum. While the program has many critical performance objectives, I ask that you work with our state partners to advance four specific national program priorities:

- 1. Achieve fullest utilization of funds through dynamic cash flow modeling.**
 - a. Model inflows and outflows of monies in federal capitalization grants, state match, principal repayments, interest earnings, and leveraged funds to maximize DWSRF resources available to water systems.
 - b. Continue maintenance of minimal federal ULOs.
 - c. Engage, as appropriate, in financial leveraging through the bond market and/or the Water Infrastructure Finance and Innovation Act (WIFIA) program to expand the reach of DWSRF program benefits.
- 2. Market DWSRF opportunities to water systems.**
 - a. Increase drinking water utility capital investment by working with state Public Water System Supervision (PWSS) programs, water industry and associations, and water systems of all sizes to understand water system needs and the opportunities available to address needs through the DWSRF.

- b. Convey that the DWSRF helps water systems both achieve and maintain compliance with the Safe Drinking Water Act (SDWA), as well as address other drinking water related threats to public health.
- 3. Employ both the DWSRF loan fund and set-asides as SDWA compliance tools.**
 - a. Work with state PWSS programs to prioritize loan and/or set-aside assistance to water systems out of compliance with the SDWA.
 - b. Ensure SDWA-compliant water systems have resources to *maintain* their compliance.
- 4. Safeguard the program's public trust through fiscal controls and accountability.**
 - a. Ensure that proper internal financial controls remain in place through regular reviews and audits. Ensure that these controls address a broad array of financial risks.
 - b. Communicate the program's financial integrity and public health results to the public.

Congress entrusted the EPA and our 51 state program partners with significant financial resources and programmatic flexibility to target those resources. We are accountable for the effective use of these resources and flexibilities. I request your personal leadership in establishing high performance expectations for each of these priorities. Please emphasize these issues in your discussions with your staff and in your Region's oversight of state programs.

Thank you for your ongoing cooperation and support. Questions may be directed to Anita Thompkins, Drinking Water Protection Division Director, at Thompkins.Anita@epa.gov.

cc: DWSRF Branch Chiefs, Regions 1-10
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