

Highlights of GAO-[GAO-11-642T](#), testimony before the Committee on Transportation and Infrastructure, House of Representatives

## Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) included \$4 billion for the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (SRF) and \$2 billion for the agency's Drinking Water SRF.

This testimony is based on GAO's ongoing review of clean and drinking water projects. It provides preliminary observations on (1) the status and use of Recovery Act SRF program funds nationwide and in nine selected states, (2) jobs funded by the Recovery Act SRF programs and federal and state efforts to oversee the programs, and (3) challenges, if any, that states have faced in implementing Recovery Act requirements.

For this ongoing work, GAO is, among other things, obtaining and analyzing EPA nationwide data on the status of Recovery Act clean and drinking water funds and projects, as well as information from a nonprobability sample of nine states that it had not reviewed in previous bimonthly reports. These states represent all but one of EPA's 10 regions. GAO is also interviewing EPA and state officials about their experiences with the Recovery Act clean and drinking water funds.

View GAO-[GAO-11-642T](#) or key components. For more information, contact David C. Trimble at (202) 512-3841 or [trimbled@gao.gov](mailto:trimbled@gao.gov).

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## RECOVERY ACT

### Preliminary Observations on the Use of Funds for Clean and Drinking Water Projects

## What GAO Found

Nationwide, the 50 states have awarded and obligated the almost \$6 billion in Clean Water and Drinking Water SRF program funds provided under the Recovery Act and reported using the majority of these funds for sewage treatment infrastructure and drinking water treatment and distribution systems, according to EPA data. These funds supported more than 3,000 water quality infrastructure projects nationwide. Since the Recovery Act was passed, states have drawn down \$3.1 billion (79 percent) of the Clean Water SRF program funds and \$1.7 billion (83 percent) of the Drinking Water SRF program funds provided under the Recovery Act. States also met the act's requirements that at least (1) 20 percent of the funds provided be used to support "green" projects, such as those that promote energy or water efficiency, and (2) 50 percent of the funds provide additional subsidies in the form of loans for which the principal is forgiven, loans for which the repayment is less than the principal (negative interest loans), or grants. In the nine states GAO reviewed, Recovery Act funds have paid for 419 infrastructure projects that help to address major water quality problems, although state officials said that in some cases, Recovery Act requirements changed their priorities for ranking projects or the projects selected. For example, because some projects could not meet the act's requirement to have funds under contract by February 17, 2010, some states provided Recovery Act funds to lower-ranked projects. Some states provided funding to these priority projects in other ways, such as through state grants or non-Recovery Act SRF funds. In addition, although not required by the Recovery Act, the nine states used 24 percent of the funds they received to pay for projects in economically disadvantaged communities, the majority of which was provided as additional subsidies.

States reported that the Recovery Act SRF programs funded an increasing amount of full-time equivalent (FTE) positions from the quarter ending December 2009 through the quarter ending June 2010, from 6,000 FTEs to 15,000 FTEs, declining to 6,000 FTEs for the quarter ending in March 2011 as projects were completed. EPA and the states are overseeing Recovery Act projects and funds using EPA's oversight plan, updated in June 2010 in response to recommendations GAO made to specify procedures for oversight.

The fiscal year 2010 and 2011 appropriations for the SRF programs continue the green project and additional subsidy requirements. State officials GAO interviewed identified challenges in implementing these requirements for the Clean and Drinking Water SRF programs, including:

- *Encouraging green projects.* Officials in some states said that the goal of supporting green projects is important but that the percent of funds specifically dedicated to green funds (20 percent) was difficult to achieve.
- *Providing subsidies.* Officials in several of the nine states noted that when monies are not repaid into revolving funds to generate future revenue for these funds, the SRF program purpose changes from primarily providing loans for investments in water infrastructure to providing grants.