



Summary of the Report: Revolving Fund Grant Formula Could Better Reflect Infrastructure Needs, and EPA Could Improve Needs Estimate **Government Accountability Office, July 2024**

Purpose

The Government Accountability Office released the report, [Revolving Fund Grant Formula Could Better Reflect Infrastructure Needs, and EPA Could Improve Needs Estimate](#) (July 2024) in response to a 2022 request by Senator Thomas Carper (DE), Chairman, and Shelley Moore-Capito (WV), Ranking Member, of the U.S. Senate Environment and Public Works Committee, to “review options for an allotment formula for the Clean Water SRF program grants.”

The request is widely considered to be a response to the Clean Water SRF Modernization Act of 2021 ([S. 3031](#)), sponsored by Senator Marco Rubio (FL) and cosponsored by Senators Richard Burr (NC), Mark Kelly (AZ), Rick Scott (FL). The legislation proposed replacing the current statutory allotment with a formula using the results of the Clean Watershed Needs Survey and population. The proposal was based on a model the Environmental Protection Agency’s [Review of the Allotment of the Clean Water State Revolving Funding Report to Congress](#).

About the Allotments for the SRFs

The allotment of federal funding for the Clean Water SRFs was established in the Clean Water Act and, except for minor adjustments, hasn’t changed since it was enacted in 1987. By comparison, the allotment formula for the Drinking Water SRF is updated every four years, on average, based on the results of a Drinking Water Needs Survey and Assessment.

Proposed Formula

The proposed formula is comprised of three variables.

- **Need:** Need comprises 60% of the formula. Need is based on the states’ share of estimated needs as determined by the most recent Clean Watershed Needs Survey.
- **Population:** Population comprises 20% of the formula. Population is the states’ share of the total population¹ based on the U.S. Census Bureau’s Decennial Census or American Community Survey.
- **Economic Burden:** Economic Burden comprises 20% of formula. Economic Burden is states’ share of population at or below 200 percent of the federal poverty threshold² based on the U.S. Census Bureau’s Decennial Census or American Community Survey.

¹ Total population includes population in 50 states, Puerto Rico and Washington, D.C.

² Poverty rate is determined for certain individuals (e.g., excluding children) and varies based on household sizes and other factors.

The proposed formula:

- Maintains a minimum allotment of .5 percent (½%) for each state.
- Limits the decrease in each state’s allotment percentage to 25 percent of the prior year’s allotment during a four-year implementation period.
- Limits the increase in each state’s allotment percentage to 200 percent of the prior year’s allotment during a four-year implementation period.
- Allows EPA and states to use a percentage of the annual capitalization grant to administer the Clean Watershed Needs Survey. (However, the panel didn’t recommend a specific percentage.)

The panel considered but didn’t include seven other variables. The first six were identified by GAO based on a review of literature. The seventh was suggested by a panelist.

- 1) Fiscal capacity or ability to pay, which is the ability of a state to raise revenue to meet its needs.
- 2) Effort, which is the amount of a state’s available resources spent on providing services or meeting needs under the Clean Water SRF program.
- 3) Cost, which is the variation in input prices across states for infrastructure construction.
- 4) Debt, which is the amount of outstanding borrowing by a state government.
- 5) Utilization, which is the extent to which a state uses its clean water SRF to fund projects.
- 6) Effectiveness, which is the extent to which a state is meeting Clean Water Act goals and requirements.
- 7) Impaired waterbodies, such as the number or percentage of waterways that are classified as severely impaired.

The panel recommended a four-year implementation period with EPA determining how often to update the allotment after implementation.

Impact of the Proposed Formula after 4 years using 2022 data

- The proposed allotment would maintain federal funding in four states: Delaware, Montana, Oregon and Wyoming.
- The proposed allotment would cut federal funding in 19 states.
- The proposed allotment would increase federal funding in 27 states, Puerto Rico, and Washington, D.C.

Cut 10% or less		Cut 11% - 25%		Cut 25% - 39%		Cut 40% or more	
3 States		4 States		6 States		6 States	
% change		% change		% change		% change	
Hawaii	-9%	Alaska	-18%	Indiana	-28%	Illinois	-53%
Mississippi	-2%	Tennessee	-18%	Maryland	-32%	Michigan	-45%
Rhode Island	-9%	Massachusetts	-20%	Minnesota	-32%	Missouri	-42%
		Texas	-14%	New Hampshire	-28%	New York	-40%
				New Jersey	-35%	Ohio	-47%
				Wisconsin	-33%	Pennsylvania	-42%

Increased 200% or more		Increased 100% - 199%		Increased 50% - 99%		Increased 1% - 49%	
3 States		3 States		5 States		18 States/Jurisdictions	
% change		% change		% change		% change	
Colorado	204%	Georgia	103%	Arizona	87%	Alabama	1%
Louisiana	200%	Utah	167%	Arkansas	81%	California	23%
New Mexico	260%	Virginia	150%	Florida	80%	Connecticut	16%
				Idaho	51%	Iowa	25%
				North Carolina	67%	Kansas	4%
						Kentucky	12%
						Maine	3%
						Nebraska	49%
						Nevada	29%
						North Dakota	24%
						Oklahoma	28%
						South Carolina	38%
						South Dakota	6%
						Vermont	14%
						Washington	44%
						West Virginia	5%
						Puerto Rico	4%
						Washington, D.C.	12%

Recommendations for the Clean Watershed Needs Survey

The GAO recommended that EPA improve the Clean Watershed Needs Survey by:

- Developing a statistical sampling of needs for small communities,
- Establishing a minimum timeframe for needs, such as five years, and
- Working with the nine states that didn't submit data on nonpoint source pollution to improve data collection. (Arizona, Colorado, Delaware, Hawaii, Idaho, Illinois, Mississippi, Nebraska, and South Dakota)

Expert Panel

The proposed formula was developed by a panel including three professors, one retired researcher, one technical assistance provider, one engineer and one lawyer/lobbyist.

Members:

- Dorothy Daley, Professor University of Kansas, School of Public Affairs and Administration
- John Morris Professor Auburn University, Department of Political Science
- Megan Mullin Professor University of California Los Angeles, Luskin School of Public Affairs Peter

- Claudia Copeland, Specialist in Resources and Environmental Policy (retired), Congressional Research Service (CRS)
- Heather Himmelberger, Director, Southwest Environmental Finance Center
- Shanaghan, Principal, The Cadmus Group and Senior Environmental Engineer (retired), Environmental Protection Agency
- Rebecca Hammer Senior Attorney and Deputy Director of Federal Water Policy, Natural Resources Defense Council (NRDC)