



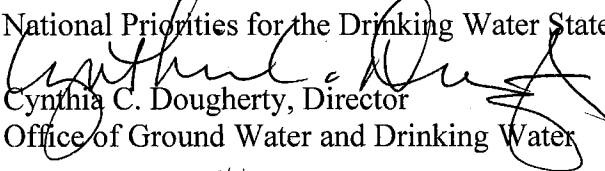
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 21 2006

OFFICE OF
WATER

MEMORANDUM

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

FROM: 
Cynthia C. Dougherty, Director
Office of Ground Water and Drinking Water

TO: Water Division Directors
Regions I-X

The Drinking Water State Revolving Fund (DWSRF) program is an essential tool for achieving the public health protection objectives of the Safe Drinking Water Act. While there are many critical performance measures and management elements to this program, I am asking that you work with your States to advance four national program priorities:

1. improving state program pace and the timely and efficient use of Federal capitalization grants,
2. enhancing coordination between regional and state DWSRF and Public Water Supply Supervision programs to focus on achieving the Agency's strategic "water safe to drink" sub-objective,
3. presentation of the state project priority list in a manner making clear the projects most likely to receive funding in the coming year, and
4. insuring conduct of and follow-up to audit review of state DWSRF programs.

In establishing and funding the DWSRF program, Congress and the Administration have entrusted us and the States 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 program priorities in your Region. Please emphasize these issues in your discussions with your staff and in your Region's oversight of state programs.

I am requesting that you provide immediate attention to the issue of State program pace and the timely and efficient use of Federal capitalization grants. As you know, during the recent round of budget hearings, the Deputy Administrator and Chief Financial Officer expressed concern about the magnitude of unliquidated obligations in the DWSRF Program. (Unliquidated obligations represent the difference between the amount obligated in the Federal capitalization grant award and the total amount of outlays against that obligation). From the national program perspective, about 30% of obligations remain unliquidated. However, Regional totals vary from 16% to 54%. State performance varies from 1% to 74%. Please assist us in identifying the best practices employed by States who maintain low unliquidated obligations. For States with large unliquidated obligations, please determine the underlying cause and work with the State to develop a plan to reduce such obligations. The DWSRF program should be managed to move appropriated funds as quickly as possible to high priority projects.

My staff and I stand ready to assist you in advancing the DWSRF Program's national priorities. Please contact me directly at 202-564-3750 or have your staff contact Charles Job, Chief of the Infrastructure Branch at 202-564-3941 or Peter Shanaghan, DWSRF Program Team Leader at 202-564-3848.

Thank you for your ongoing cooperation and support.

cc: DWSRF Branch Chiefs, Regions I-X
Drinking Water Branch Chiefs, Regions I-X
Steve Heare, OGWDW
Chuck Job, OGWDW
Peter Shanaghan, OGWDW
Jeffrey McPherson, OGWDW
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