

**U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA) & MAJOR PARTNERS'
LESSONS LEARNED FROM IMPLEMENTING EPA'S PORTION OF THE
AMERICAN RECOVERY AND REINVESTMENT ACT:
FACTORS AFFECTING IMPLEMENTATION AND PROGRAM SUCCESS**

FUNDS MANAGEMENT

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EXECUTIVE SUMMARY

PURPOSE

This study seeks to capture the lessons from the U.S. Environmental Protection Agency (EPA), states, tribes, localities and other fund recipients' management efforts related to the \$7.2 billion American Recovery and Reinvestment Act (ARRA) funds appropriated to EPA. The scale, scope and new requirements posed daunting management challenges to all of these stakeholders requiring new guidance, processes and systems. Although there is no proposal before Congress for another major investment similar to ARRA, EPA and its partners periodically face challenges managing substantial funding for many projects with new terms, requirements and conditions, such as for Hurricane Sandy, and have already used some of these lessons.

METHODOLOGY

Enacted in 2009, ARRA bolstered the economy, in part, by funding six EPA programs. These programs included drinking water and clean water infrastructure projects through the State Revolving Funds (SRFs) and environmental initiatives through Superfund, Diesel Emissions Reduction Act (DERA), Leaking Underground Storage Tank (LUST) and Brownfields programs. The EPA contracted with Science Applications International Corporation (SAIC), and their subcontractor Toeroek Associates, Inc., to review the activities and process for funds distribution, management, and reporting for each of the six programs that received ARRA funding. The objective of the review was to capture, verify and analyze the critical lessons learned and successful strategies related to ARRA funds management. To achieve this objective, the SAIC Team gathered information on three specific aspects: timely obligation and expenditure of funds; additional mandates of ARRA (Section 1512 reporting requirements, Section 1605 Buy American mandate, Section 1606 Davis-Bacon Prevailing Wage mandate and Green Project Reserve mandate); and grants management processes for the previously mentioned programs.

The data collection method used interviews with EPA staff and state focus groups, combined with additional information from literature, websites and databases. SAIC and Toeroek gathered the majority of the information from 47 EPA staff interviews and 12 state focus groups, which included 108 state personnel and 9 funding recipients or funding recipient consultants/contractors.

EPA distributed approximately 86 percent of its \$7.2 billion ARRA funding to individual states through capitalization grants based on an allocation calculation. This was approximately twice EPA's historical annual grants per fiscal year for the SRF drinking and clean water programs. Each state met the accelerated, first ever imposed deadline of its kind, by surmounting difficult barriers and addressing unforeseen challenges. All funds were obligated without any re-obligation within the 1-year timeframe; more than 90percent of the funds were expended within the three-year or specific programmatic deadlines.

FINDINGS

In this study, the SAIC team discerned several important aspects of ARRA funds management processes. Following the Executive Summary, the full report presents the findings in three major categories: Challenges, Successful Approaches, and Recommendations.

The report addresses:

- Changes in policies, processes and procedures, and evolution and response to those changes.
- Factors that helped or hindered, as well as the challenges affecting different outcomes among the programs, Regions, states and projects.
- Successful approaches to addressing conflicts and implementing the ARRA-funded programs

CHALLENGES AND SUCCESSFUL APPROACHES

Based on the perspectives from all stakeholders, below are summaries of the major challenges described and some successful approaches used.

- **Scale** - Overall, the additional workload from the sheer magnitude of the ARRA funding amounts, coupled with the work associated with the four mandates, produced serious demands on EPA and state staff. Everyone from EPA to states to local vendors worked above and beyond usual schedules to meet ARRA goals. EPA Regions and states who overcame their initial reluctance to hire new staff with ARRA Management and Oversight funds fared better in handling the additional workload than EPA Regions and states who did not hire additional staff. Early and frequent communication among stakeholders, with regularly-scheduled meetings and webinars that began before ARRA was even passed helped to form solid working relationships. The enhanced communication and collaboration between EPA, states and funding recipients were critical factors in navigating this intense period. Innovative, streamlined management approaches were developed out of necessity, but remain today as permanent program improvements. The ARRA 1512 reporting requirements helped states prepare for requirements of the Federal Funding Accountability and Transparency Act.
- **Regional and State Variation** - During ARRA implementation, it became clear that there were 51 distinct SRF programs; any changes made at the national level affected these 51 programs differently. Existing, established processes and procedures served as a good foundation on which to incorporate ARRA requirements. Modifying existing processes made the changes easier to implement. The fast-paced nature of ARRA implementation encouraged federal, state, and local organizations to 'flatten out their management process' by eliminating unnecessary reviews at multiple levels, allowing for simultaneous rather than sequential reviews, and providing information and updates to everyone at the same time, ideally through web postings, to eliminate the time required for information to trickle down from one level to the next. Some improvements have been incorporated; some remain as future goals. For example, some states have shortened the period from application submission to contract award.
- **Additional Requirements** - The four additional mandates that came with ARRA funding – Davis-Bacon labor requirements, Buy American stipulations for iron, steel and manufactured goods, Section 1512 reporting on expenditures, and the designation of 20 percent of ARRA funds for 'green' projects – created extensive challenges for EPA, states and funding recipients. The provisions were complex, guidance was often changing, and the workload associated with the mandates alone was significant. Some states opted to designate specialists to remain up to date on the mandates and process the necessary paperwork. EPA Headquarters (HQ) and Regions endeavored to provide training and guidance to work through complex issues.

- **Inexperienced Funding Recipients** - Many states widened their customary range of grant recipients to include new communities in an effort to ‘spread the wealth.’ These new funding recipients faced difficulties with the unfamiliar program requirements and the accelerated schedules and the sizes of the awards. Communities without sufficient management experience, especially small towns with little or no town staff, turned to their state program offices for assistance. The towns were very appreciative of the new activity in their communities; in some instances, ARRA funding kept businesses from going bankrupt or laying off personnel. State offices admitted though that their personnel were overextended in managing projects for entities without sufficient staff or experience.
- **Conflicting Goals** - The fundamental ARRA goal to inject money quickly into the economy sometimes conflicted with EPA’s goal to fund projects that would yield the greatest environmental benefit. The need to find ‘shovel-ready’ projects meant that sometimes higher priority projects were passed over in favor of other projects that were ready to implement. Despite this conflict, ARRA funds enabled the completion of beneficial projects that would never have been done otherwise. ARRA funded projects that yielded environmental and public health benefits. The requirement to include ‘green’ projects encouraged engineers to add water and energy efficiency technologies into their drinking water and clean water projects.

RECOMMENDATIONS

The numerous discussions with stakeholders in the funds management processes generated recommendations for going forward. Recommendations in the following summary are not listed in any priority order and are presented as guideposts for EPA and states’ existing programs and any new initiatives for the existing programs.

- **Think strategically about information that will be needed in the future.** Involve all stakeholders (multi-disciplinary and multi-organizational) in assessing what information will be needed to measure outcomes or results. Identify and agree on specific monitoring data needs prior to implementation; collect the necessary data to track incremental milestones that measure the progress or status of activities.
- **Work as a team to achieve process efficiencies.** Collaborate with all stakeholders through working groups to develop plans, policies and guidance prior to and throughout implementation. Attempt full transparency in communication; share information with everyone simultaneously to avoid unnecessary delays as information slowly spreads. Communicate with one voice to avoid conflicting messages from different federal agencies. Create short-term working groups focused on specific issues or processes.
- **Follow a strategy with clearly defined goals; eliminate conflicting goals.** Clarify primary and secondary goals so that states do not have to wrestle with tough choices. Consider incorporating new requirements as incentives or goals instead of mandatory requirements where possible. Provide for flexibility at the state and local level to allow for adjustments to the local situation. Delegate the decisions to the local level as much as possible because the local situation will dictate what or how to apply requirements. Simplify requirements to enable quick implementation and better compliance. Target oversight to ensure that states with historical program or financial management issues receive attention early in the process.

- **Use effective tools and processes.** Develop and maintain a website to provide one central place for updated policies and guidance; remove obsolete guidance to avoid confusion. Use the website to disseminate successful approaches developed by stakeholders. Provide reasonable deadlines and establish internal indicators to alert managers of potential problems/delays. Provide sufficient resources to handle the increased workload. Dedicate experienced staff to the effort; reassign staff from other program areas. Make temporary hires and use contractors.

Some of the lessons learned from ARRA implementation have already been applied by EPA managers in their regular programs and in response to funding for Hurricane Sandy recovery. Experience with ARRA provided managers insight on what questions to ask. The lessons about early and frequent communications among all stakeholders led EPA to create a communications network that enables questions to be posed and discussed. The Hurricane Sandy Task Force crafted guidance and policy to make guidance clearer initially and reduce the need for re-work. This included specifying clear financial deadlines and clarifying crucial definitions.

SECTION 1. INTRODUCTION

In February of 2009, Congress passed ARRA, aimed primarily at making new jobs and saving old ones, stimulating economic activity and long-term growth, and fostering accountability and transparency in government spending. Of the \$787 billion authorized in the Recovery Act, EPA was given \$7.2 billion. EPA distributed the majority of its ARRA funds to states in grants and contracts to support clean water and drinking water projects, diesel emissions reductions, leaking underground storage tank cleanups, Brownfields development, and Superfund cleanups. This was a massive undertaking for EPA. The administration of the funds, which were to be injected into the economy at an unprecedented pace, required that EPA develop or revise policies, processes and automated information systems. In the fall of 2011, EPA tasked SAIC, and its subcontractor Toeroek Associates, to design and conduct a study to examine several components of EPA's implementation of ARRA. The SAIC Team studied three management topics - **Cost Estimating** processes, **Funds Management** processes, and **Systems** enhancement and development. The Team also looked at three topics geared more towards outcomes than management processes. These include the **Green Project Reserve** initiative, the use of ARRA funds to spur **Innovative Technologies**, and the use of ARRA funds to **Leverage Local Economic Benefits**. After completion of the research phase, the SAIC Team produced a series of six reports, each covering one of the six topics noted above. The Team also prepared a separate overarching summary report with an Executive Summary, containing highlights of each of the six reports, as well as a description of the goals and methodology for the entire study.

1.1 PURPOSE/OBJECTIVES OF THIS STUDY

This report, one of six, covers funds distribution and management processes. The study effort focused on three particular aspects of EPA's ARRA funds management:

- Timely obligation and expenditure of funds.
- Additional mandates of ARRA: Section 1512 reporting requirements, Section 1605 Buy American mandate, Section 1606 Davis-Bacon Prevailing Wage mandate, and the Green Project Reserve (GPR) for State Revolving Funds (SRF) programs.
- Several grants management topics.

The primary objective of this task was to capture, verify and analyze the critical lessons learned and successful approaches related to ARRA funds management.

This report presents the SAIC Team's findings. The report is presented in the following sections:

- **Section 1 Introduction**
- **Section 2 Methodology**
- **Section 3 Investigations of Specific Funds Management Topics**
 - Timely Obligation
 - Buy American Mandate
 - Davis-Bacon Mandate
 - Section 1512 Reporting

- Green Project Reserve
- White House and Congressional Notification
- Workload Sharing
- Open Grant Findings
- Oversight Monitoring
- Process Efficiencies
- **Section 4 Recommendations to EPA**

For most of the topics in Section 3, the report includes:

- Background,
- Findings from the EPA Perspective, and
- Findings from the State/Funding Recipient Perspective.

Each section of Findings covers Major Challenges, Successful Approaches, and Recommendations, such that the cycle of challenges, successful approaches, and recommendations is repeated many times to cover all of the topics in the study.

1.1.1 ADDITIONAL ARRA MANDATES

As noted above, one of the primary objectives of this study was to review the implementation of additional mandates included in the ARRA statute. Table 1 provides a list and description of the mandates included in this study. EPA also had additional reporting responsibilities to the Recovery Act Transparency Board; these reporting requirements were not included in the scope of this study.

TABLE 1. ARRA MANDATES

MANDATE	DESCRIPTION
Buy American mandate (Section 1605)	Projects funded by ARRA for construction, alteration, maintenance or repair of a public building or public works must use American-made iron, steel, and manufactured goods, with some exemptions (US Congress, 2009).
Davis-Bacon Act mandate (Section 1606)	All laborers and mechanics employed by contractors and subcontractors working on projects funded directly by or assisted in whole or in part by ARRA must be paid wages at rates not less than those prevailing for corresponding work on similar projects. The prevailing local rates are established by the Secretary of Labor (US Congress, 2009).
Reporting requirements (Section 1512)	ARRA funding recipients must submit quarterly reports detailing status of funds use. (US Congress, 2009).
Green Project Reserve	Title VII, Interior, Environment, and Related Agencies, State and Tribal Assistance Grants specified that 20 percent of the ARRA funds for CWSRF and DWSRF programs were to be awarded to projects that address green infrastructure, water and/or energy conservation and efficiency, or other environmentally innovative activities. (US Congress, 2009).

Since ARRA, Congress has made the Davis-Bacon a permanent requirement for the SRF programs. With regard to the Green Project Reserve mandate, Congress has applied this to some appropriations for EPA, but not all. Congress has not incorporated Buy American or 1512 Reporting into any appropriations since ARRA. According to EPA, due to the challenges with 1512 Reporting and Buy American, Congress has

currently steered away from making these particular requirements permanent. However, the information for each of these mandates is still determined to be useful since these additional requirements may be added to appropriations bills in the future.

1.1.2 SELECTION OF GRANTS MANAGEMENT PROCESS TOPICS FOR THE STUDY

The awarding of ARRA funds required EPA grants management staff to modify their existing processes or develop new processes to manage the increased workload, additional ARRA mandates, and new or shorter deadlines. EPA wanted to compile the major lessons learned and process efficiencies from the improvements instituted particularly in the development and use of Model Funding Recommendations and the White House and Congressional notification of pending awards. Since the grants management process covers all aspects of the award and management of thousands of grants and cooperative agreements and many modifications were made during ARRA implementation, the SAIC Team focused on the Model Funding Recommendations, the White House and Congressional notification of ARRA awards, and three existing tools (Workload Sharing, Open Grant Findings and Partial and Conditional Awards) that were available to improve the grants management process during this period of intense activity. In addition, the SAIC Team included Oversight Monitoring at EPA’s suggestion. These six specific topics are described below in Table 2.

The Model Funding Recommendations and Partial and Conditional Awards were identified as Successful Approaches and are discussed in Section 3.1. White House and Congressional Notification of ARRA Awards, Workload Sharing, Open Grant Findings, and Oversight Monitoring are discussed below in Sections 3.6 through 3.9, respectively.

TABLE 2. SPECIFIC GRANT MANAGEMENT PROCESSES SELECTED FOR STUDY

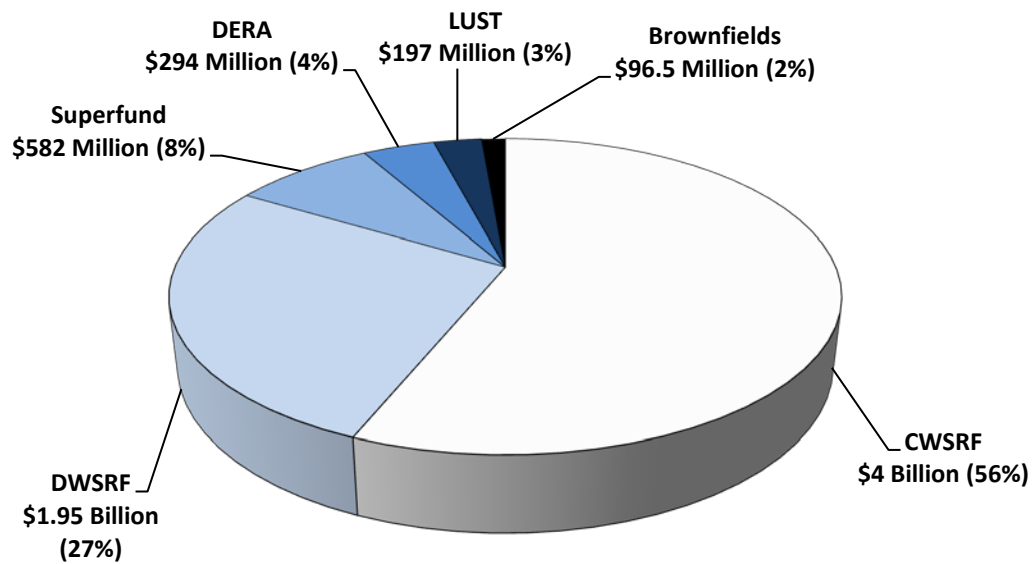
PROCESS	DESCRIPTION
Model Funding Recommendations	OGD approved model funding recommendations that were loaded into IGMS. Program offices copied these funding recommendations for individual grants.
White House and Congressional Notification of ARRA Awards	EPA defined all ARRA grants as “significant” and was required to notify the White House and Congress prior to awards.
Workload Sharing	EPA prepared temporary delegations of authority to allow workload sharing between EPA Regions and between EPA Regions and EPA Headquarters (HQ).
Open Grant Findings	Awards can be made to funding recipients with audit findings that have not been resolved at the time of the award. (EPA continued to address audit issues after award.)
Partial and Conditional Awards	<p>Partial award. Used when applicant submitted partially complete work plan containing activities/projects that could be timely initiated, and all other application requirements met. Requires submission of remainder of work plan by specified time.</p> <p>Conditional award. Used when application had basic skeleton of a work plan but needed additional time to develop full work plan, and all other application requirements met. Requires submission of full work plan by specified time. Recipient cannot draw down grant funds until full work plan submitted and approved.</p>
Oversight Monitoring	EPA increased its oversight monitoring of state programs and projects during ARRA.

1.2 BACKGROUND

ARRA's \$7.2 billion to EPA was the largest single investment of dollars in EPA's history and is almost twice EPA's historical annual grants awards of approximately \$4 billion each fiscal year (EPA, Final ARRA Plans 2010). Figure 1 shows the breakdown of ARRA funding received by each of the six EPA programs.

The SAIC Team primarily focused on Clean Water State Revolving Funds (CWSRFs) and Drinking Water State Revolving Funds (DWSRFs) because of the larger funding amounts that were allocated to them. The SAIC Team evaluated the Superfund, Brownfields, Leaking Underground Storage Tanks (LUST) and Diesel Emissions Reduction Act (DERA) programs, but to a lesser degree.

FIGURE 1. ARRA FUNDING BY EPA PROGRAM



Source: EPA, 2010a

1.2.1 TYPES OF FUNDING MECHANISMS

EPA distributed ARRA funds using eight different funding mechanisms: revolving loan funds, cooperative agreements, formula grants (with a matching fund requirement), competitive grants, contracts, interagency agreements, Tribal agreements/grants, and management and oversight (M&O) funds. Each funding mechanism had its own programmatic, technical and legal requirements.

In this study, the SAIC Team included projects funded through the first five funding mechanisms listed above because they were used for the largest proportion of EPA ARRA dollars. The SAIC Team did not review EPA management and oversight (M&O) funds, interagency agreements and Tribal agreements/grants. Relatively few dollars were distributed through interagency agreements and Tribal agreements. EPA used management and oversight funds for non-project specific ARRA tasks. See Table 3 Offices, Programs, and Funding Mechanisms Evaluated.

TABLE 3. OFFICES, PROGRAMS AND FUNDING MECHANISMS EVALUATED

OFFICE OF WATER		OFFICE OF SOLID WASTE AND EMERGENCY RESPONSE			OFFICE OF AIR AND RADIATION
CWSRF	DWSRF	SUPERFUND	BROWNFIELDS	LUST	DERA
Revolving Loan Funds		Contracts and Cooperative Agreements	Competitive Grants	Cooperative Agreements	Formula Grants and Competitive Grants

1.3 STUDY QUESTIONS

The SAIC Team developed questions to frame and guide this study. Table 4, Study Questions, presents the overarching questions and the more detailed questions associated with the evaluation questions. The findings are presented in Section 3 of this report.

TABLE 4. FUNDS MANAGEMENT STUDY QUESTIONS

OVERARCHING STUDY QUESTIONS	DETAILED STUDY QUESTIONS	EXAMPLE INTERVIEW/FOCUS GROUP TOPICS
<p>Policies, processes and procedures What funds management policies, processes and procedures helped/hindered ARRA implementation efforts, and why? <i>The goal is to identify why policies, processes and procedures helped or hindered ARRA implementation efforts and to identify factors that influenced the outcomes.</i></p>	<p>Changed Process. How did changes made to policies, processes and procedures affect the grants management process, and why?</p>	<ul style="list-style-type: none"> • Changes to policies, processes and procedures. Changes in the areas of workload sharing, awards to funding recipients with open grant findings, use of partial and conditional awards, use of pre-loaded model funding recommendations in the Integrated Grants Management System (IGMS), quarterly monitoring, and White House/Congressional notification. • Timely obligation of funds by EPA and states to funding recipients. • Timely expenditure of funds by funding recipients. • ARRA mandates. Buy American, Davis-Bacon, reporting requirements and Green Project Reserve.
	<p>Evolution of policies, processes and procedures. Why and how did the ARRA policies, processes and procedures evolve over the course of implementation?</p>	
	<p>Response to change. What was the response to changes that helped/hindered implementation?</p>	
<p>Factors that helped/hindered What factors helped and/or hindered implementation of policies, processes and procedures, and why? <i>The goal is to identify how and why factors influenced the outcomes and the challenges that were encountered in implementation.</i></p>	<p>Different Outcomes. What factors contributed to different outcomes among programs, regions, states and projects?</p>	<ul style="list-style-type: none"> • Implementation. Factors influencing implementation of policies, processes and procedures: <ul style="list-style-type: none"> - Program differences. - Regional differences. - State differences. • Meeting deadlines for obligation and expenditure of funds. Factors influencing meeting deadlines for timely obligation and expenditure of funds, and why <ul style="list-style-type: none"> - Schedules: delays or changes to schedules. - Project Selection: results of project selection process modifications vs. traditional selection process. - Funding Mechanisms (e.g., grants,
	<p>Challenges. What factors created challenges to implementation of policies, processes and procedures?</p>	

OVERARCHING STUDY QUESTIONS	DETAILED STUDY QUESTIONS	EXAMPLE INTERVIEW/FOCUS GROUP TOPICS
		<p>contracts): challenges, barriers, and/or benefits with existing funding mechanisms for ARRA funds management (i.e., maximized contract values forced re-solicitation on an earlier schedule).</p> <ul style="list-style-type: none"> • Additional mandates. Factors influencing implementing Buy American, Davis-Bacon, Green Project Reserve and reporting requirements, and why: <ul style="list-style-type: none"> - Funding recipient project factors such as type, size, location, new or existing project. - Different types and frequencies of reports. • Capacity/resource needs. How capacity/resource needs and issues associated with the ARRA workload were addressed.
<p>Successful Approaches to Challenges How were challenges to implementation of policies, processes and procedures overcome? <i>The goal is to identify what approaches proved useful in overcoming barriers/obstacles in implementation.</i></p>	<p>Addressing challenges. How were challenges associated with new/changed policies, processes and procedures identified and addressed (e.g., conflicting policies, processes and procedures; evolving needs; and requirements)?</p> <hr/> <p>Different responses to challenges. How did response to challenges vary across programs, regions, states and projects, and why?</p>	<ul style="list-style-type: none"> • Timing and evolution. Timing and evolution of policies, processes, and procedures. • Barriers to funding certifications. Barriers to certifying the projects met ARRA requirements for timely obligation and expenditure of funds. • Barriers to Buy American certification and waivers. • Reporting and Quarterly monitoring. Frequency, completeness, accuracy and improvements over time. • Green Project Reserve. Barriers to identifying shovel-ready green projects.

SECTION 2. METHODOLOGY

2.1 DATA GATHERING

The review method primarily used interviews and focus groups, combined with additional information from literature, websites and databases to address the study questions. The majority of the information was gathered from 47 EPA staff interviews and 12 state focus groups which also included ten funding recipients or funding recipient consultants/contractors. It should be noted that EPA's previous ARRA studies did not systematically involve conversations with funding recipients but only with EPA staff. Other than the formal agency audits (e.g., from OIG), this is the only study that provides feedback from two levels of funding recipients, the State level and local/municipality level.

The SAIC Team implemented the study methodology in the following three steps, which are described in more detail below:

- Reviewed and analyzed information and documents from EPA managers, EPA websites and EPA databases.
- Interviewed a select number of EPA personnel.
- Conducted focus groups of selected states, which included funding recipients.

The SAIC Team used these data collection methods across the focus areas: timely obligation and expenditure, additional ARRA mandates and grants management processes.

2.1.1 STEP 1: REVIEW AND ANALYZE INFORMATION AND DOCUMENTS

The SAIC Team started the study by reviewing the background literature pertaining to the study areas for each of the EPA programs -- CWSRF, DWSRF, Superfund, Brownfields, LUST and DERA. The SAIC Team also reviewed background literature pertaining to specific projects under these programs. This background material included program descriptions, guidance documents, policy documents, publications and database descriptions.

The SAIC Team reviewed and analyzed information and data from the following sources:

- **Existing studies:** EPA's ARRA implementation activities have been reviewed within EPA by OIG and by outside agencies such as the U.S. Government Accountability Office (GAO). In addition, the EPA Office of Water, the Environmental Center at Syracuse University, the IBM Center for the Business of Government, and the U.S. Department of Energy also prepared reports on ARRA implementation. The SAIC Team reviewed these reports and extracted relevant information as a resource of background material on improvements, lessons learned and successful approaches prior to conducting interviews and focus groups. The report excerpts are compiled in a separate deliverable for the Office of the Chief Financial Officer (OCFO). While these studies provided helpful background and context for SAIC's study, they did not contribute to SAIC's analysis of data or development of conclusions. During ARRA implementation, many of the OIG reports provided the impetus to make changes in implementation processes and policies. SAIC's study assesses the response to these changes by EPA and state programs.

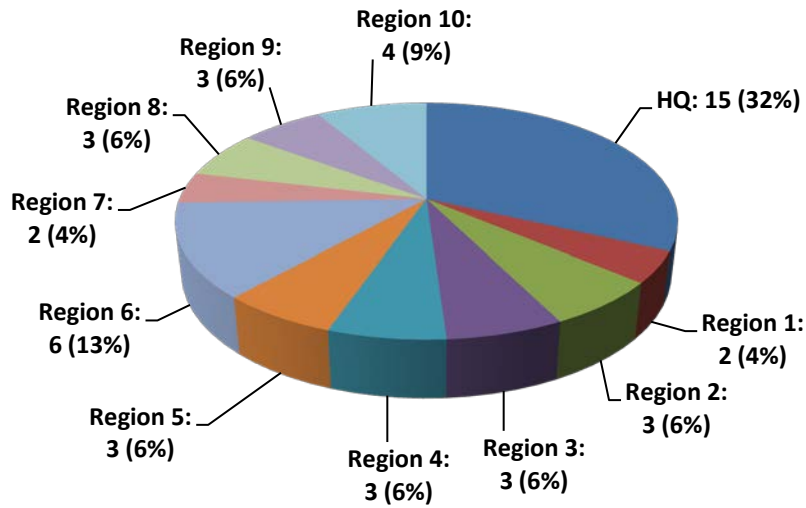
- **EPA ARRA policies and guidance:** The SAIC Team reviewed many ARRA documents including, but not limited to: policy documents; rules and regulations reported in the Federal Register; EPA Memoranda regarding implementation of policy and guidance; EPA ARRA guidance factsheets; PowerPoint presentations developed by EPA HQ offices and webinar presentations.
- **EPA and state websites:** The SAIC Team searched and reviewed documents posted on EPA and state websites that address ARRA implementation strategies or approaches or lessons learned.
- **EPA databases** (federalreporting.gov, CWSRF Benefits Reporting System (CBR), DWSRF Project and Benefits Reporting System (PBR)): The SAIC Team analyzed data downloaded from EPA databases to identify patterns, funding amounts and award dates among EPA Regions and states for criteria to select states for focus groups.

2.1.1.2 STEP 2: INTERVIEW EPA PERSONNEL

Information resides with EPA personnel who implemented the changes and have knowledge of what worked, where problems occurred and what improvements were seen. The SAIC Team first developed a list of key EPA personnel to interview, striving to represent all EPA Regional, program and Headquarters (HQ) staff including EPA subject matter experts (SMEs). Participation was voluntary and some staff were not available for interviews due to scheduling difficulties. From the EPA HQ interviewees, the SAIC Team developed an understanding of the intended processes, procedures and policies developed and executed from the EPA HQ offices for ARRA. Prior to an interview, the SAIC Team provided the interviewee with the interview topic summary to aid in preparation. The interviews were approximately one hour in length. During a few EPA interviews, an EPA OCFO representative was present. The interviewees were specifically asked and agreed to the OCFO representative's presence.

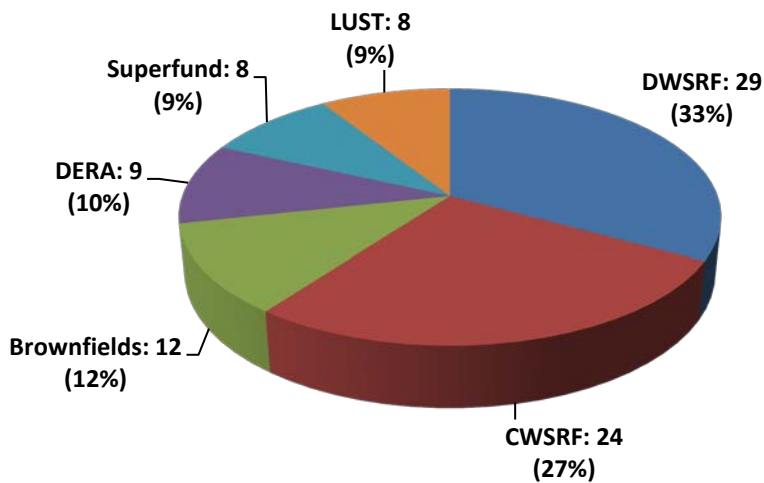
In all, the SAIC Team interviewed 47 EPA personnel spanning all ten EPA Regions, Headquarters, and all six EPA Programs. Of the 47 interviewees, 15 participants were from EPA HQ, while 32 participants were from the Regions. Figure 2 shows the specific numbers and percentage of interviews in each Region and HQ. It was the SAIC Team's intent to interview close to an equal amount from each Region, and in particular include at least one staff from grants management (note: percentages do not add up to 100 because of rounding). Oftentimes invited EPA staff brought along other EPA staff to participate; thus representation is not equally distributed across the Regions, but the additional participants enriched the conversation.

FIGURE 2. EPA INTERVIEWS BY REGION AND HEADQUARTERS



While there were 47 EPA interviewees in total, these individuals often represented multiple EPA programs. For instance, a Regional grant specialist handled grants for all EPA programs, and many HQ personnel often worked with more than one program. In these cases, the SAIC Team counted such individuals as representing both programs, so the total number of programs represented exceeds the 47 total interviews. As shown in Figure 3 below, the two SRF programs were represented by 60 percent of EPA interviews, while LUST and Superfund program representatives were interviewed the least.

FIGURE 3. EPA INTERVIEWS BY PROGRAM



2.1.3 STEP 3: CONDUCT STATE FOCUS GROUPS

The SAIC Team utilized a focus group approach with states and funding recipients to obtain information on lessons learned and successful approaches. Conversations with state and funding recipients revealed what factors in on-the-ground project implementation affected their ability to comply with the mandates and spend funds expeditiously. Focus group sessions were facilitated discussions that allowed participants to engage in these topics without adhering to a specific set of questions. The format encouraged participants to volunteer information about their experiences with ARRA implementation. The SAIC Team conducted focus group discussions in 12 states based on the pre-determined selection criteria shown below. The SAIC Team gathered information about candidate states from EPA databases and websites.

- At least one state in each Region¹.
- States with a large number of ARRA projects.
- States that included Superfund-managed ARRA projects.
- States that obligated funds expeditiously.
- States that applied for Buy American waivers.
- States that obligated funds slower than others and nearest to the deadline.
- States that received larger amounts of funding.

This report also includes information on funds management gathered from focus groups conducted as part of two related SAIC ARRA studies, one addressing ARRA Cost Estimating processes and one addressing the secondary benefits of the Green Project Reserve projects.

The SAIC Team discovered that the experiences and lessons learned revealed during the Cost Estimating and Green Project Reserve focus groups were interrelated with the funds management process and decided it was appropriate to include them in this Funds Management report. It is important to note that the participants from the five Cost Estimating and Green Project Reserve focus groups were all from the CWSRF and DWSRF programs and did not include any Superfund, LUST, DERA, or Brownfields projects.

In all, 108 state personnel and 10 funding recipients participated in the 12 focus groups listed in Table 5 below and also provided the SAIC Team with additional funding and project information details in Appendix 1. The level of EPA program representation at the 12 focus groups varied widely, with 96 out of 118 participants coming from the SRFs, 9 from LUST, 6 from DERA, 5 from Brownfields and only 2 participants from the Superfund program. Table 5 and Figure 4 below show the breakdown of focus group participants by EPA program. Funding recipients, shown in parentheses in the table, are municipal, utility, or private contractor staff. The participation for each focus group varied, ranging from 4 participants in North Carolina to 14 in New York.

¹ Due to scheduling and availability conflicts or the lack of ARRA staff still available, the SAIC Team was only able to reach states in eight of the ten EPA Regions (i.e., Regions 1,2,3,4,6,7,8 and 10).

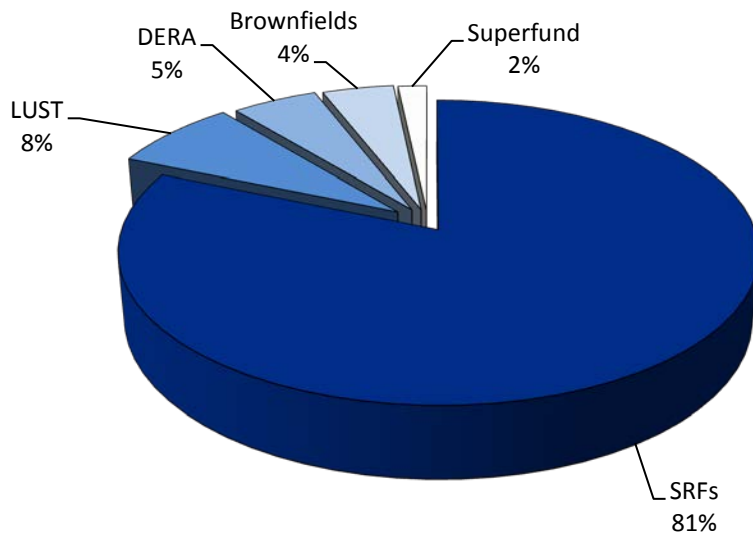
**TABLE 5. FOCUS GROUP PARTICIPANTS BY EPA PROGRAM
(FUNDING RECIPIENTS LISTED IN PARENTHESES)**

STATE	SRFS	LUST	BROWNFIELDS	DERA	SUPERFUND	TOTAL
Colorado	2		1	1	1	5
Iowa	8 (1)					9
Louisiana	4					4
Missouri	7	2	1	2		12
Montana	8 (2)					10
New Hampshire	6 (4)	1	1	1	1	14
New York	14					14
North Carolina	3 (1)					4
Oklahoma	11* (1)					12
Texas	11			1		12
Virginia	4	3	1	1		9
Washington	9	2 (1)	1			13
Total	96	9	5	6	2	118

*One participant provided feedback over the phone.

The focus group participant pool also largely reflected the amount of funding that each EPA program received. For instance, 81 percent of participants were from the SRF programs and just under 85 percent of EPA ARRA funding went to the SRFs. The SAIC Team found that most states were not very involved with the Superfund ARRA projects, as these were largely managed by EPA, which likely explains the small number of state focus group participants who managed ARRA Superfund projects.

FIGURE 4. FOCUS GROUP PARTICIPANTS BY EPA PROGRAM



2.2 STUDY LIMITATIONS

The following limitations are noted with regard to this study:

Lack of an Information Collection Request (ICR) specific to this evaluation. The SAIC Team's collection of data from sources outside of EPA (such as state staff and funding recipients) was limited because there was no Information Collection Request (ICR) for this study. The SAIC Team addressed this limitation through state focus groups where a large number of state participants discussed their ARRA experience. The findings in this study, therefore, are based on responses from focus groups and are not necessarily representative of the entire population of states with ARRA projects.

Uncertainty introduced in the collection of subjective information. The interview and focus group process introduces uncertainty through the collection of subjective information provided by individuals relaying recollections/memories of activities conducted three years ago. The SAIC Team minimized the impact of the variability of individual responses on the overall data collection and analysis effort by conducting a large number of interviews and focus groups, and compiling and aggregating similar responses to identify patterns and themes.

Limited state perspectives on Superfund awards. In the 12 state focus groups, only 2 of the 118 participants represented the Superfund program and these individuals indicated that EPA (and not the state) managed the ARRA-funded Superfund sites. Please note that while state perspectives on Superfund were limited, the SAIC Team interviewed eight EPA Superfund staff.

Limited funding recipient perspectives. In the 12 state focus groups, only 10 of the 118 participants represented funding recipients (e.g. municipal staff, contractors). Funding recipients were invited by state representatives if they were local in proximity to the state focus group discussion and were available.

Lack of review by interviewee and focus group participants. This report summarizes the results of interviews and group discussions in the focus groups. The interviewers took notes but did not tape record the meetings. The findings in this report are based on comments from the participants but may not be the exact or actual words used by the participants. The findings represent the compilation, aggregation and summarization of one or multiple comments. Additionally, nothing in this report represents the official views of the agencies or organizations with which the participants are affiliated. While the SAIC Team contacted some states to seek clarifications on specific points after focus group meetings, there was no comprehensive review of the report findings by all focus group participants. The degree to which the report matches comments heard in focus groups or interviews cannot be quantitatively or qualitatively measured.

SECTION 3. INVESTIGATIONS OF SPECIFIC FUNDS MANAGEMENT TOPICS

Table 6 summarizes big picture findings for each evaluation question. The big picture findings are based on information gathered from interviews with 47 EPA headquarters and Regional staff and focus groups with representatives from 12 states. The sections of the report following the table include a thorough discussion of the findings.

After the Table 6 presentation of big picture findings, the text discussion is organized by specific funds management topics:

- Timely Obligation/Expenditure of Funds.
- Buy American Mandate.
- Davis-Bacon Mandate.
- Section 1512 Reporting.
- Green Project Reserve.
- White House and Congressional Notification.
- Workload Sharing.
- Open Grant Findings.
- Oversight Monitoring.
- Process Efficiencies.

For most of the ten topics in Section 3, the report includes:

- Background
- Findings from the EPA Perspective (Major Challenges, Successful Approaches, and Recommendations)
- Findings from the State/Recipient Perspective (Major Challenges, Successful Approaches, and Recommendations)

All sections are organized similarly but there are some variations depending on the specific topic. As noted in the list of topics above, Section 3 includes recommendations throughout from EPA and state participants in the study. Section 4 presents a big picture list of recommendations that SAIC developed based on the many discussions with those participating in the study. These recommendations may be helpful in addressing some of the major challenges identified by stakeholders participating in this study.

TABLE 6. FUNDS MANAGEMENT EVALUATION QUESTIONS WITH BIG PICTURE FINDINGS

OVERARCHING EVALUATION QUESTION – POLICES, PROCESSES AND PROCEDURES	
<p>Policies, processes and procedures What funds management policies, processes and procedures helped/ hindered ARRA implementation efforts, and why? <i>The goal is to identify why policies, processes and procedures helped or hindered ARRA implementation efforts and to identify factors that influenced the outcomes.</i></p>	
DETAILED EVALUATION QUESTIONS	BIG PICTURE FINDINGS
<p>Changed Process. How did <i>initial</i>* changes made to policies, processes and procedures affect the grants management process, and why?</p> <p><i>*Initial was added to this original detailed evaluation question to clarify that the researchers investigated the earliest changes.</i></p>	<ul style="list-style-type: none"> • The existing processes and procedures served as a good foundation. These served as a base in which to incorporate and implement the ARRA requirements as they were proven effective over years of implementation. Modifying existing processes made the changes easier to incorporate/implement. • Planning and development of overall strategy kept efforts focused on the goals. EPA and state management conducted planning sessions that developed ARRA implementation strategies that guided the overall activities and kept the focus on the goals. • Early and frequent communication ensured quick information exchange. Pre-ARRA coordination meetings jumpstarted identification of shovel-ready projects. Early (and frequent) communication among EPA HQ/Regions, states and funding recipients prior to ARRA being signed and throughout implementation helped to ensure quick information exchange to each entity regarding guidance and policy development and changes. • Regular collaboration between EPA and states promoted sharing of lessons learned and rapid adjustments. Regular collaboration through multi-group conference calls and working groups with EPA and state participants ensured transfer of lessons learned, early resolution of issues and faster development of workable solutions. • Early EPA webinars and distribution of guidance provided for upfront planning and easy and instant access. EPA teams provided ARRA guidance early and updated it as necessary for implementation. Online trainings/webinars ensured EPA and state staff nationwide had access to the new and often changing ARRA requirements; however, not all state staff heard about these in a timely manner. • New and modified databases were crucial to implementation efforts. New and modified databases were developed to manage the information and track implementation efforts.
<p>Evolution of policies, processes and procedures. Why and how did the ARRA policies, processes and procedures evolve over the course of implementation?</p>	<ul style="list-style-type: none"> • Guidance evolved throughout implementation. EPA issued revised guidance to address issues and questions from states and funding recipients. OIG reports also prompted EPA to revise processes. • New templates streamlined workloads. EPA and state staff developed templates and checklists to achieve greater streamlining of processes thus creating efficiencies. • New tracking systems improved data capture. EPA and state staff modified existing or developed new tracking systems to capture the more detailed project status information required by ARRA.

<p>Response to change. What was the response to changes that helped/hindered implementation?</p>	<ul style="list-style-type: none"> • EPA and state feedback resulted in better guidance and more efficient processes. • Rewriting of contracts to incorporate changed language/policy hindered obligation and expenditure of funds. • EPA’s changing of guidance on Davis-Bacon, Buy American, and Green Project criteria caused delays and more work for EPA and state staff. • ARRA requirements forced some states to re-prioritize SRF project lists. States follow a standardized process for project selection that ultimately ranks projects in priority based on public benefit. However, some states re-prioritized their lists and some projects that were shovel-ready were funded over priority (public health) projects.
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OVERARCHING EVALUATION QUESTION – FACTORS THAT HELPED/HINDERED

Factors that helped/hindered

What factors helped and/or hindered implementation of policies, processes and procedures, and why?
The goal is to identify how and why factors influenced the outcomes and the challenges that were encountered in implementation.

DETAILED EVALUATION QUESTIONS	BIG PICTURE FINDINGS
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<p>Different Outcomes. What factors contributed to different outcomes among programs, regions, states, and projects?</p>	<ul style="list-style-type: none"> • Superfund program adapted easily to ARRA deadlines and requirements. Superfund faced fewer and smaller challenges in implementing ARRA than the other EPA programs because of its existing ready-to-proceed projects waiting for funding; existing large-capacity contracts with experienced contractors that could rapidly ramp up; Davis-Bacon requirement processes already in place; and no purchase of goods subject to Buy American. • SRF Programs met greater challenges with one year obligation and additional mandates. Both the DWSRF and CWSRF programs were most impacted by the challenges of ARRA implementation. For these programs, the additional mandates, in particular Buy American and Davis-Bacon requirements, were new to the programs. • Existence of inventory of shovel-ready projects in some states limited challenges. States that had a sufficient existing inventory of shovel-ready projects that could use all of the ARRA funds were less impacted. • Intra-agency collaboration assisted in expediting implementation. EPA and states that were able to collaborate with the Department of Labor reduced delays associated with Davis-Bacon. • Assigning experienced and knowledgeable staff led to greater efficiencies. Departments or offices who assigned seasoned staff with relevant knowledge experienced greater efficiencies. States that designated subject matter experts for specific tasks (e.g., Davis-Bacon specialist) navigated through new requirements more efficiently. • New funding recipients required more EPA and state assistance on projects. Many small communities or new funding recipients unfamiliar with EPA program requirements, unaccustomed to managing projects and/or without qualified staff resulted in some states and EPA providing more staff assistance with project management.
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DETAILED EVALUATION QUESTIONS	BIG PICTURE FINDINGS
<p>Different Outcomes. What factors contributed to different outcomes among programs, regions, states, and projects? (continued)</p>	<ul style="list-style-type: none"> • States varied processes for funding projects lead to different programmatic consequences. States that directed the funds to a few projects experienced less workload burden than those that funded many projects. Some states distributed the funds to as many local communities as possible while others focused the funds on fewer but larger projects. Both approaches yielded different programmatic consequences. • The type of project determined the degree of challenge that the funding recipient faced in meeting ARRA requirements. The large complex construction projects were subject to the new ARRA mandates of Buy American and Davis-Bacon whereas site cleanup projects typically did not trigger these particular requirements.
<p>Challenges. What factors created challenges to implementation of policies, processes and procedures?</p>	<ul style="list-style-type: none"> • New ARRA mandates created the greatest challenges for states and EPA. The greatest challenges experienced by EPA, states, and funding recipients were related to the four new mandates applied to all projects, in particular in the SRF programs. • Changes to guidance caused more work and delays. EPA and state staff struggled to keep up with changes or new interpretations of policy and guidance regarding the mandates thus resulting in delays. • Lack of sufficient existing shovel-ready projects resulted in award delays. To meet the eligibility criteria, EPA and states solicited or re-solicited for project applications resulting in extra work and delays in awarding funds. • The large increase in funding coupled with the short obligation deadline strained states' capacity levels. Many states received more than double or triple their usual SRF annual funding allocations at a time when staffing was constrained by recessionary budgets and the normal timeframe for obligation was reduced. • States/funding recipients expedited processes only to end up waiting for EPA decisions. The pre-ARRA planning invigorated states to expedite processes to meet tight deadlines, but they ended up waiting for EPA decisions, such as Buy American waiver approvals, GPR business case approvals or Brownfields project approvals. • Additional ARRA oversight strained EPA and state resources. The amount of extra oversight was a resource burden to the states and EPA in that time spent in reporting on progress, providing information to auditors/inspectors and responding to audits did not always add value to the process. However, in a few instances, oversight clarified some grant policies and procedures.

OVERARCHING EVALUATION QUESTION – SUCCESSFUL APPROACHES TO CHALLENGES

Successful Approaches to Challenges

How were challenges to implementation of policies, processes and procedures overcome?

The goal is to identify what approaches/strategies proved useful in overcoming barriers/obstacles in implementation.

DETAILED EVALUATION QUESTIONS	BIG PICTURE FINDINGS
<p>Addressing challenges. How were challenges associated with new/changed policies, processes and procedures identified and addressed (e.g., conflicting policies, processes and procedures; evolving needs; and requirements)?</p>	<ul style="list-style-type: none"> • To ensure all ARRA funding was awarded, first time SFR applicants were sought. To find projects, states promoted the SRF programs that pulled in new localities ('clients') who were previously unaware of the potential benefits of SRF for their communities. • To ensure all ARRA funds were obligated within their state, waiting lists of eligible projects were developed. To ensure that all ARRA funds would be obligated and expended, some states maintained a waiting list of projects that could receive the ARRA funds if funded projects did not use all the estimated ARRA funds. • Rapid and frequent communication by EPA increased its level of responsiveness to the needs and queries of the states and funding recipients. • To meet the workload and short obligation deadlines, everyone from EPA to states to local vendors worked above and beyond usual schedules to meet ARRA goals. The additional workload at all levels was handled primarily through round the clock manpower and sheer dedication to the success of the program. Some EPA offices and states dedicated senior personnel to ARRA implementation, making ARRA projects the chief priority. • The workload and short obligation deadlines necessitated EPA and states develop program efficiencies and successful approaches. The ARRA implementation challenges forced EPA and some states to assess existing programs, develop more efficient processes, alter staffing and workloads and reprioritize activities. New processes and practical new ideas were developed within many of the EPA and state programs. • To meet implementation challenges, EPA simplified or streamlined some aspects of the ARRA requirements to ease burdens on states and funding recipients. EPA implemented 'fixes' such as a national waiver to address a specific product for Buy American and a standardized template for GPR business case applications.
<p>Different responses to challenges. How did response to challenges vary across programs, regions, states and projects, and why?</p>	<ul style="list-style-type: none"> • Some states modified project selection criteria and approaches. Some states used existing inventory of projects and reprioritized adding in new criteria to meet ARRA requirements, while others solicited a broader range of localities, as well as seeking new innovative projects for Green Project Reserve requirements. • States varied the timing of contract awards. Some states made determinations, decisions and awards using EPA's initial policies and guidance, then were frustrated when policies and guidance changed causing more work to incorporate latest modifications. Other states waited to award funds nearer the deadline to incorporate latest policies and guidance thereby avoiding much of the re-work. • EPA and states used a variety of approaches to address the increased workload. EPA and many states were reluctant to hire new staff. The various approaches to the workload issue included altering project prioritization, dedicating experienced staff to ARRA, assigning one point of contact, using contractors, and in some cases, making new hires. • States used varied approaches to meet Green Project Reserve requirements. Some states required business cases for all GPR projects even though they were not required for the CWSRF program.

3.1 TIMELY OBLIGATION/EXPENDITURE OF FUNDS

3.1.1 BACKGROUND

Congress intended for ARRA to quickly stimulate economic activity and therefore placed a 4- or 18-month deadline on the EPA programs for obligation of funds. The varying obligation deadlines are described in Table 7 below for each program. For some programs, such as Superfund, this was the first time a deadline was imposed for obligation of funds. For the CWSRF and DWSRF programs, this shortened their historical timeframe from two years to one year. The SRF programs encountered the largest timely obligation burden, as they were responsible for obligating approximately 85 percent of all EPA ARRA funding (EPA, 2010a).²

TABLE 7. ARRA OBLIGATION DEADLINES FOR EPA PROGRAMS

PROGRAM	OBLIGATION DEADLINES
SRF (CWSRF & DWSRF)	Projects had to meet the ‘timely obligation of funds’ mandate, which was defined as being ‘ under contract ’ or ‘ under construction ’ by February 17, 2010 , one year after ARRA was signed into law. If a state was unable to ensure that all project funds were either under contract or under construction by February 17, 2010, funds were to be reallocated to states that <i>could</i> quickly commit the funds to projects ready to proceed. All states were able to meet the deadline and all CWSRF and DWSRF projects were put under contract by the February 17, 2010 deadline so that no funds had to be reallocated to other states (EPA, 2011).
Superfund	Methods of financial awards included contracts, interagency agreements and cooperative agreements. All funds had to be obligated by September 30, 2010.
DERA	The obligation deadline varied depending on the source of the funding (e.g. State Clean Diesel Grant Program, National Clean Diesel Program, Emerging Technologies Program, etc.) but all awards needed to be made by June 2009 (EPA, 2010a).
LUST	States were required to obligate 35% and spend 15% of their ARRA grant awards within 9 months of the grant award date (by November 17, 2009) (EPA-OIG, 2010).
Brownfields	ARRA-funded Brownfields cooperative agreements had to demonstrate they had made sufficient progress within one year of receiving ARRA funds (by Summer 2010) . EPA defined sufficient progress to be “reasonable expectations of the progress that the typical recipient would make in one year.” Documentation of sufficient progress was to be made in quarterly reports, due starting July 30, 2010, with brief statements backed up with relevant data confirming how they met criteria for the funding mechanisms used in the Brownfields Program ³ .

² The CWSRF and DWSRF SRF programs received approximately \$6 billion (CW \$4 billion and DW \$2 billion) or 83 percent out of the entire \$7.2 billion in EPA ARRA funding allocations. Brownfields received approximately \$100 million; LUST received approximately \$200 million; DERA received approximately \$300 million; and Superfund received approximately \$600 million (See Figure 1).

³ Per Guidance, EPA had to determine by September 1, 2010, if any funding recipients were not making adequate progress and take appropriate action under 40 CFR 30.61 and/or 30.62 or 40 CFR 31.43 to enforce the sufficient progress term and condition.

For ARRA, SRFs used their normal process for obligating funds for the CWSRF and DWSRF programs. This included state agencies establishing the ranking and prioritization of projects that would receive funding. The states' lists of projects typically went through a public review process and were then submitted to the EPA Region and EPA HQ. EPA then obligated funds to the states through assistance agreements and states provided funding through the loan program to the projects on the list. For ARRA, some states had to re-prioritize their lists based on shovel-ready criteria.

In the Superfund and Brownfields programs, for ARRA, EPA Regions essentially coordinated with EPA HQ who led the obligation, funds distribution and site selection process. For Superfund, the EPA Regions proposed shovel-ready projects to HQ, which finalized the list of Superfund sites to receive ARRA funding. For Brownfields and DERA programs, EPA HQ administered national grant solicitations and chose projects that fit the requirements of ARRA.

Finally, in the LUST program, state agency representatives worked to compile a list of projects for EPA Regions to award ARRA funds.

As noted above, each EPA program followed a different process for selecting projects and obligating funds. It is important to note, in particular for the CWSRF and DWSRF programs, that the states each had their own way of administering their programs as they were managing them, relatively independently of EPA for more than 20 years. ARRA required some changes in processes and procedures, with both positive and negative consequences. EPA and the state perspectives on the consequences are discussed below in the Findings sections.

TIMELY EXPENDITURES

During data collection relating to funds expenditure deadlines, the SAIC Team found that both EPA and state general understanding of when ARRA funds needed to be spent differed. Some participants were unaware of any expenditure deadlines, while others were under the impression that all funds had to be spent by September 2012. Mid-way through the ARRA process, the Office of Management and Budget (OMB) announced an expenditure deadline of September 30, 2013; states that did not expect to meet this deadline were required to submit a request for an extension by September 2012. The majority of participants in all EPA programs stated that they had already spent more than 90 percent of their funds, and some have applied for an extension request for their remaining funds. A small amount of funds have been returned to the United States Treasury, in particular from the Superfund program mainly due to reduced costs from expedited schedules.

3.1.2 FINDINGS – EPA PERSPECTIVE – TIMELY OBLIGATION/EXPENDITURE OF FUNDS

MAJOR CHALLENGES – EPA PERSPECTIVE

The following provides an overview of the major challenges the SAIC Team heard consistently. Appendix 2 lists additional challenges specifically mentioned by an EPA interviewee but not reflected in this section.

Completing a large volume of work in a short timeframe: The interviewees noted the main challenge for EPA Regions was the sheer volume of work necessary to obligate the ARRA funds, often with no extra

staffing resources. Not only did most staff have to work extra hours, but their non-ARRA base projects usually were second priority after the ARRA projects. However, the bulk of the workload seemed to have fallen on the state agencies, according to EPA Regions. Lastly, interviewees reported that some programs such as Brownfields and LUST were not accustomed to having tight funding deadlines, so the obligation requirements were often onerous for these programs.

Distributing ARRA information as quickly as possible to states: EPA staff interviewees indicated that Regions were stressed and 'under the gun' to complete the ARRA obligations. It was critical to get ARRA information out as quickly as possible to state recipients. All the administrative details were counted against the one-year clock. Interviewees noted the states had to set up schedules for public review, final lists and systems checks to reach their milestones. The EPA Regional staff commented that HQ was responsive in sending guidance out quickly, and likewise the Regions distributed the information quickly through emails and conference calls.

Tracking financial progress: Regional staff reported that the need to continuously check in with grantees on the progress of obligation was resource intensive. At the same time, EPA Regional staff had to respond to HQ when there was no apparent progress. This project status inaccuracy was due to a HQ status tracking system that was not designed to capture smaller milestones of progress, such as obtaining the environmental permit, approval of engineering plans and other phases prior to award that were occurring at the state level.

Identifying shovel-ready projects: EPA interviewees spoke of the emphasis on selecting 'shovel-ready' projects for ARRA awards across all programs, with the presumption that these projects could begin to use ARRA funds quickly. However, many EPA Regions interviewed found that truly shovel-ready projects rarely existed for programs like the SRFs for which construction was required and Brownfields. EPA HQ encouraged Regional interviewees to spread the ARRA awards around more equally and fund entirely new projects in areas with no previous federal grant experience, rather than existing projects that were actually shovel-ready. It was noted that the goals of funding shovel-ready projects and funding new projects were at odds with each other.

Managing inexperienced Brownfields contractors: HQ selected the projects from previous recent competitive processes and selected the projects that rated highest for ARRA, but not all of the funding recipients were experienced EPA Brownfields recipients. This presented challenges with regards to meeting schedules and mandates as these new contractors had to become familiar with the general Brownfields EPA federal contracting process, while accommodating the expedited processes and new conditions. The EPA Regions indicated that they had to provide more assistance to these new funding recipients.

Educating states on LUST project eligibility: Normally federal funds in the base grants were used for state staff salaries in the LUST program, but the ARRA funds were initially allocated for site cleanups only. States were not familiar with site eligibility criteria, and EPA had to spend extra resources to identify appropriate sites. For example, the site had to be abandoned or the owner had to demonstrate bankruptcy to be eligible for ARRA funds.

Showing sufficient progress for expenditures: EPA interviewees noted that it was difficult for funding recipients, and for the Regions, to demonstrate to EPA HQ sufficient progress in expending project funds quickly. For example, it is difficult to demonstrate quick progress on a completely new Brownfields project; it generally takes two to three years in normal situations. An already established Brownfields

program could have shown progress much more easily in six months, but most projects were new. An EPA DERA staff member explained that invoices are not submitted and paid until all the work is completed so few expenditures were seen in the first and second quarters. One Region reported that in an SRF program, a state identified and awarded projects early but then encountered a three-month delay while the contracts were amended to incorporate modified conditions for the Davis-Bacon requirements. Other factors that impacted expenditure rates for all the programs included construction stoppage in winter months from November to March in some areas and failure of contractors to submit invoices regularly.

Meeting ARRA mandates slowed award process: Regional interviewees noted that their states had shovel-ready projects before or shortly after ARRA was signed, but awards could not be made until EPA had developed policies and guidance on the mandates for Buy American, Davis-Bacon, Green Project Reserve and 1512 reporting. For the LUST program, the Davis-Bacon and Buy American mandates did not apply to most of the projects, but waiting for EPA guidance to finalize the associated contract requirements slowed the process for awarding and expending the funds.

Losing shovel-ready status while waiting for award: Regional interviewees commented on feedback from states that the delays in EPA approval or waiting for EPA policies and guidance on the mandates for Buy American, Davis-Bacon, Green Project Reserve, and 1512 reporting meant that they lost some shovel-ready projects that could not wait months for the funding. The Brownfields program experienced delays in obligation because EPA had to amend contracts to incorporate new mandates as guidance continued to change; therefore some project assessments and plans had to be updated. These formerly shovel-ready projects lost their shovel-ready status.

Contending with unanticipated economic barriers to Brownfields projects: HQ placed most of the Brownfields funds in the Revolving Loan Fund (RLF) assuming that the RLF had the biggest potential for new jobs. According to EPA interviewees, the Brownfields program expenditure rate was the lowest of the programs and attributed this to the lack of interest in site cleanup because the lackluster economy reduced the demand for re-development.

Meeting deadlines while waiting for pending approvals or decisions: Despite the push to obligate funds as quickly as possible, EPA Regions recounted that they often had to wait on decisions from EPA HQ. For example, EPA Regions were required to notify HQ of each ARRA pending award and had a five-day waiting period before making the award. However, a few EPA Region interviewees commented that they experienced up to a two-week delay in notifications from HQ that they could proceed. In addition, in several instances, EPA Regions had to delay their approval of Brownfields projects when OMB released revised Davis-Bacon guidance; Regions could resume their review and approval only after states revised their contract language to reflect the new guidance.

MAJOR CHALLENGES – EPA
TIMELY OBLIGATION/EXPENDITURE OF FUNDS
Completing a large volume of work in a short timeframe
Distributing ARRA information as quickly as possible to recipients
Tracking financial progress
Identifying shovel-ready projects
Managing Inexperienced Brownfields contractors
Educating states on LUST project eligibility
Showing sufficient progress for expenditures
Meeting ARRA mandates slowed award process
Losing shovel-ready status while waiting for award
Contending with unanticipated economic barriers to Brownfields projects
Meeting deadlines while waiting for pending approvals or decisions

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

The following successful approaches are a summary of those the SAIC Team heard consistently among the participants. Appendix 2 lists additional successful approaches specifically mentioned by a participant as efficient or useful that were not captured in this section.

Existing inventory of projects: By taking projects from the previous year’s competition, one Region was able to have potential project recipients lined up for the DERA program. Superfund used its existing National Priorities List to fund existing projects that were shovel-ready and new projects that were waiting for funding. The Brownfields program used a recent competition to identify projects since typically the program has more projects than funds.

Conditional and partial awards: Some Regions found conditional or partial awards useful to obligate the funds, while they were continuing to work through issues with the states. Other Regions preferred to delay the award until the issues were resolved. A few Regions indicated they do not use conditional or partial awards; they do not consider these types of awards to be efficient because the staff must continue following up on the unresolved issues. One Region favored the use of partial funding when everything was complete except the state’s GPR list. So the partial award was set at 80 percent and the Region awarded the remaining 20% when the state had identified GPR projects for the 20 percent. Another Region preferred conditional awards that enabled the Region to obligate all of the funds but prevented the state from drawing down the money until conditions were met.

New tracking tools: A few EPA Regions commented on the development of new tracking systems to help organize and track the progress of awards. These systems allowed EPA Regional offices to monitor recipient milestone completion dates and to ‘connect’ the EPA Project Officer with the projects themselves for the first time in a new, efficient way, which in turn helped obligate funds quickly.

Successful Approach Focus: Region 6 – New Tracking Tools

Existing EPA project status tracking systems were unable to capture milestones that occurred prior to award obligation, which inspired Region 6 staff to develop an internal tracking system and procedures for monitoring ARRA project status. This new system tracked the projected dates for loan closings, contracts executed and construction starts, allowing project officers to identify changes in project schedules, recognize milestone dates at which point projects should be entered into the national database, and make determinations as to when contingency plans should be initiated. In addition, this new tracking system identified several issues that states and funding recipients were dealing with that may not have otherwise been communicated to Region 6 and EPA Headquarters.

Model funding recommendations: Model funding recommendations were loaded into EPA's Integrated Grants Management System (IGMS). EPA Project Officers used these pre-populated forms with built-in template language to process grants. The use of templates had been in practice in some Regions but was further developed and used throughout EPA for ARRA. The benefits noted by EPA staff included consistency, efficiency and reduction in errors because of the use of standard language. Another tool mentioned by DERA staff was a Project Officer tool kit. The tool kit was essentially a large checklist of procedures to follow in making an award. It was a comprehensive tool and included links to references on issues such as Buy American and Davis-Bacon.

Increased communication with states: According to many EPA interviewees early communication started during the fall/winter of 2008, prior to ARRA being signed. The early distribution of information that funneled through to the state levels allowed the states to initiate planning for ARRA and start identifying shovel-ready projects. EPA Regional interviewees spoke of weekly meetings during the obligation period to discuss funds distribution and almost daily communication with the states to answer questions as they arose. According to EPA interviewees, initiating an open communication channel between EPA and the states from the start of ARRA implementation was crucial in discussing and resolving delays in the timely obligation of funds. Most EPA Regions reported that the increased communication and collaboration with their states improved the Region-state relationship and provided the Regions with a better understanding of how the states operated their programs. A few EPA interviewees reported a temporary strain between EPA HQ and EPA Regions or states because of the constant requests for reports or data.

Retroactive date for cost reimbursements: EPA established the October 1, 2008, date (before ARRA was signed) to enable costs incurred from that date to be reimbursed. This allowed projects already in the pipeline to continue forward rather than be stalled until ARRA was signed.

'Assembly line' to process grants: The DERA HQ office created an 'assembly line' approach to implement ARRA and assigned different people different responsibilities, based on each person's skills in order to process grants quickly, without disrupting normal operations.

SUCCESSFUL APPROACHES - EPA
TIMELY OBLIGATION/EXPENDITURE OF FUNDS
Existing inventory of projects
Conditional and partial awards
New tracking tools
Model funding recommendations
Increased communication with states
Retroactive date for cost reimbursements
'Assembly line' to process grants

RECOMMENDATIONS – EPA PERSPECTIVE

The following recommendations are a summary of those the SAIC Team heard consistently among the EPA interviewees. Appendix 2 lists additional recommendations reported by EPA but not reflected in this section.

Focus awards towards experienced grantees or existing projects: While the idea of distributing the funding as equally as possible may be a favored political strategy, the reality of trying to find shovel-ready projects in a pool of applicants that have never worked with federal grants before was extremely difficult, particularly for the CWSRF, DWSRF and Brownfields programs. Thus, the participants recommended providing grants to recipients that have experience with federal applications or to existing projects that can handle additional funding. For example, the Superfund program had almost no issues with meeting the obligation deadlines, as half of its projects were ongoing. New Superfund projects were shovel-ready due to preexisting records of decisions (RODs) and/or because contracts and contractors were already in place. For the Superfund program, additional funding expedited remediation schedules without disrupting the project.

Provide more realistic deadlines for 'shovel-ready': While the majority of participants appreciated the concept of the obligation deadlines as it forced programs to ensure reasonable productivity, most felt that the obligation deadlines were unreasonable. For SRF construction-based projects, the participants recommended allowing timeframes that ensure new projects are able to accommodate environmental reviews, public hearings, land acquisitions and design. Many EPA interviewees commented that they were able to accommodate the majority of these important phases within a two-year time period.

Finalize guidance upfront: According to some interviewees, one of the reasons for delays in funds obligation and expenditure was the need to rewrite contracts based on new guidance from EPA HQ and OMB. The actual shovel-ready projects were essentially hurt the most by the late guidance, as they had to scramble to change their grant terms with projects already in process and some near completion. It would have been easier for EPA Regions to obligate funds in a timely manner if they had received finalized guidance prior to the start of the one-year award period.

Develop a more detailed tracking system: As mentioned in the Challenges section, EPA Regional staff had to constantly check in on the progress of award obligations at the state level, as EPA HQ was continually requesting status updates from the Regions. EPA interviewees from one EPA program office lamented the

lack of a more detailed funds obligation tracking system, with interim milestones in the obligation process at the local level. Tracking progress with interim milestones could have averted the frequent follow-up activities that impacted staff daily workloads.

RECOMMENDATIONS - EPA
TIMELY OBLIGATION/EXPENDITURE OF FUNDS
Focus awards towards experienced grantees or existing projects
Provide more realistic deadlines for 'shovel-ready'
Finalize guidance upfront
Develop a more detailed tracking system

3.1.3 FINDINGS – STATE/FUNDING RECIPIENT PERSPECTIVES – TIMELY OBLIGATION/EXPENDITURE OF FUNDS

MAJOR CHALLENGES – STATE/FUNDING RECIPIENT PERSPECTIVE

The following provides an overview of the challenges SAIC heard consistently from state focus group participants. Appendix 3 provides additional challenges state/recipient stakeholders reported but that are not reflected in this section.

Finding truly shovel-ready projects: Most state respondents mentioned that finding enough projects that would be shovel-ready by the obligation deadline (and that would use all of the funds) was a challenge. Any type of construction or remediation project for EPA programs such as the SRFs, LUST, and Brownfields required extensive planning, preparation of engineering designs, environmental reviews to meet state and federal regulations, land acquisitions, resolution of property easement issues, and public hearings. For these reasons, regular base program project funds were rarely obligated within one year. For instance, the planning phase for CWSRF and DWSRF projects normally lasted two years, with some up to five years or more; Brownfields projects could take up to five years or longer. Local governments are reluctant to commit resources to planning and engineering a major capital project prior to guaranteed funding. Additionally, some projects that would have been more beneficial in terms of environmental and human health impacts were not shovel-ready.

Delays due to additional ARRA mandates: Some states had to develop new contracts to include the mandate requirements. Other states had to seek legislative changes to provide state agencies with the authority to award subsidies instead of loans. The Buy American mandate required additional approval processes on top of the requirements, delaying it further. In addition, shovel-ready projects required design specification changes to meet the Buy American mandate. For the Davis-Bacon requirement, the government did not have wage determinations for all geographic areas in which funding recipients were located. A state participant commented on the effect of ARRA mandates, “Implementing ARRA mandates is like adding more gas in the tank (the ARRA funds), reducing the speed limit (adding more requirements), and then telling me I need to reduce my travel time by two-thirds!”

Impediments to obligation caused by existing regulatory requirements: In addition to ARRA mandates such as Buy American and Davis-Bacon, some focus group participants noted that they faced several other

regulatory requirements that impeded timely obligation of funds. For instance, some Brownfields projects could not move forward before addressing Section 106 of the National Historic Preservation Act, and many LUST and SRF projects were subject to public comment periods that took weeks or months to complete. LUST projects at private property sites required additional time for addressing legal ownership issues before the projects could be deemed shovel-ready.

Inexperienced funding recipients: Many states expressed a preference to distribute the ARRA awards across the state as equitably as possible, recommending that awards be made to communities that had never before received federal grants. However, due to the complexity of the federal grant process, and ARRA grants in particular, state staff across all EPA program areas had to guide inexperienced recipients through the entire process from application to construction. Without the resources or experience to manage such projects, sometimes small rural projects faced considerable challenges in meeting the obligation deadline.

Changes to project selection process: States making changes to their project selection process encountered delays because of these changes. A few states did not have sufficient inventory of projects to use all the funds provided so they had to solicit new projects that often were not 'shovel-ready.' Many states that elected to distribute the ARRA funds to as many communities as possible received unexpectedly large number of applications that required time to review and process.

Identifying 'green' projects delayed obligation: The state focus group participants noted that the DWSRF program was most affected by the requirement to use 20 percent of their ARRA funds on 'green' projects because this requirement was often at odds with the program's mission of addressing public health as a priority. The challenge for both CWSRF and DWSRF programs was made more difficult by a lack of consistent guidance on which types of projects could be considered green. For example, EPA hired consultants to assist CWSRF and DWSRF projects on site in one state. Sometimes these consultants informed the SRF program that a certain project met the Green Project Reserve qualifications, while EPA staff would later decide otherwise, creating delays in funds obligation. In addition, one state commented that waiting for the EPA Regional approval of their green projects caused delays in issuing the awards.

Waiting for EPA approval: Delays in awarding grants due to waiting for EPA HQ project approval occurred more often in the Brownfields and LUST programs than other EPA programs.

Increase in number of applications and bids: This challenge applied to both the states and the funding recipients. The states were receiving a much larger than normal number of applications (one state received 10 times more than average) and the funding recipients were receiving a huge increase in the number of bids for the construction work. This significant increase in applications made meeting the timely obligation mandate much more difficult, as most states and funding recipients did not hire additional staff to handle the extra workload.

MAJOR CHALLENGES - STATES/FUNDING RECIPIENTS
TIMELY OBLIGATION/EXPENDITURE OF FUNDS
Finding truly shovel-ready projects
Delays due to additional ARRA mandates
Impediments to obligation caused by existing regulatory requirements
Inexperienced funding recipients
Changes to project selection process
Identifying 'green' projects delayed obligation
Waiting for EPA approval
Increase in number of applications and bids

SUCCESSFUL APPROACHES – STATE/FUNDING RECIPIENT PERSPECTIVES

The following successful approaches are a summary of those the SAIC Team heard consistently among the focus group participants. Appendix 3 provides additional successful approaches state/recipient stakeholders reported but that are not reflected in this section.

Established efficiencies for base SRF programs: To make their respective programs more efficient, many state participants found new ways to reduce the time it took to obligate funds. Examples include switching to electronic applications, and developing new forms, checklists, and tracking databases. One state mentioned the use of red flags on the ARRA project files to denote priority and another state used green paper to denote ARRA projects for expedited review and approval. One state now conducts some environmental and plan reviews concurrently instead of sequentially to save time in the review process. For example, allowing the project to proceed with plans and specifications or other application activities while the environmental review is being conducted.

Successful Approach Focus: North Carolina 'Revamped' SRF Program Processes

North Carolina used ARRA as an opportunity to 'revamp' its SRF program process, which included developing more efficient application processes, forms and checklists. In addition, the State implemented an outreach program through professional organizations and firms to promote the SRF program and to solicit projects. The North Carolina SRF program acknowledged that under their previous system, projects often required multiple years of preparation prior to funds obligation. As a result of improving its processes during ARRA, North Carolina was able to shorten the obligation time from years to months for the majority of their projects.

Collaborated with Governors' Office: Some states worked closely with their Governors' Office during the project selection process for their SRF programs. Some Governors' offices suggested the SRFs spread the ARRA funds out to as many communities as possible per the spirit of the Recovery Act. This collaborative effort allowed for some expansion into economically disadvantaged areas, as was a common goal for Governors, while still meeting the priorities of SRF programs.

Screened projects on readiness to proceed: To address the challenge of finding shovel-ready projects, some SRF programs conducted a survey of projects on their readiness to proceed. One state developed a spreadsheet containing the milestones of readiness for each project to help track the progress towards the demanding timeline. This allowed them to track the status of each project and move forward with those most ready to proceed. Additionally, some states made the decision that they would not make a commitment to any project until the funding recipient could prove that they had an executed construction contract. Also, one state reduced the number of applications to review in detail by first screening for readiness to proceed. Only those applicants demonstrating shovel-readiness received further review.

Coordinated and communicated early and often: The state participants remarked that strengthened relationships and collaborative efforts were key factors in meeting the timely obligation deadlines across all EPA program areas. Additional opportunities for training and teleconferences created more of a 'hands on' approach in assisting funding recipients in completing their application or reporting packages. State focus group respondents noted a closer working relationship with the EPA was established through periodic meetings, conference calls, conferences and training events that addressed issues and questions from funding recipients. All of the state focus group participants commented on their EPA Regions' quick responsiveness to their questions and issues. However, a few commented that ARRA projects and issues continued for several years after ARRA but EPA's attention to these issues did not appear to be a priority.

Successful Approach Focus: Texas Coordinated Task Force

As soon as they heard about ARRA, the Texas SRF programs put together a task force of engineers, financial analysts and attorneys, and developed a plan to tackle ARRA's short obligation deadline. The State decided to use their most experienced existing staff on ARRA projects and hired new temporary staff to cover their base program. This experienced ARRA SRF team was able to focus on the additional ARRA requirements and time constraints in a very efficient manner.

Identified 'rehabilitation' or upgrade-type projects and making provisional awards: One state pursued rehabilitation projects, as these did not require environmental review or significant design input because they were primarily replacing pipes. In order to assure that they expended all ARRA funds, the state also made provisional awards. If extra money became available for whatever reason, this state awarded that money to projects on their provisional award list.

Developed a back-up list of ARRA projects: Many SRF programs received far more project proposals during their solicitation than they could possibly fund. However, many projects were completed under budget due to an extremely competitive bidding environment in the economic recession. In anticipation

of some projects not achieving shovel-ready status by the obligation deadline or coming in lower than expected, one state prepared a back-up list of projects to meet ARRA's complex requirements in the event that funds became available. This allowed one state to redistribute funds quickly to the next project on the back-up list, and eliminated the need for EPA to re-obligate any unused funds.

Distributing ARRA funds as subsidies: Many states created an incentive program to assist in meeting the obligation deadlines. One state indicated that by providing all ARRA funds as a subsidy, the state did not have to conduct credit reviews, thus saving time and resources. In addition some states decided to award 100 percent principal forgiveness to the first projects to get under contract as a way to provide an incentive for funding recipients to proceed more quickly.

Reserving obligation until guidance was finalized: Some states lined up their DERA and LUST projects and awarded the contracts once they received final guidance from HQ. This practice prevented the need for numerous contract amendments.

SUCCESSFUL APPROACHES - STATES/FUNDING RECIPIENTS
TIMELY OBLIGATION/EXPENDITURE OF FUNDS
Established new efficiencies for base SRF programs
Collaborated with Governor's Office
Screened projects on readiness to proceed
Coordinated and communicated early and often
Identified 'rehabilitation' or upgrade-type projects and making provisional awards
Developed a back-up list of ARRA projects
Distributing ARRA funds as subsidies
Reserved obligation until guidance was finalized

RECOMMENDATIONS – STATE/FUNDING RECIPIENT PERSPECTIVES

The following recommendations are a summary of those the SAIC Team heard consistently among the focus group participants. Appendix 3 lists additional recommendations reported by focus group participants but not reflected in this section.

Establish reasonable obligation deadline: While the states understood that ARRA funds were meant to stimulate the economy, the obligation deadline was seen as arbitrary and 'insane' when coupled with reduced state staff levels due to years of budget reductions, the large increase in funds (and projects), and the additional new and complicated mandates. A few states questioned whether it would have been better for the economy to have a longer sustained stimulus by allowing the funds to be obligated over two years rather than one year. One state with a limited number of prime contractors saw the bids increase over time as these few contractors were 'in demand' and could bid higher on the later projects. The state felt this cost increase would not have happened if the projects were spread over two years.

Provide EPA guidance on funds distribution: Many states struggled with how to allocate ARRA funds with regards to providing part or whole as a subsidy versus the loan. The states stated that they would have appreciated guidance on the amounts for principal forgiveness. Some states provided 100 percent

principal forgiveness funding, while some states allocated it differently. Table 8 shows principal forgiveness policies for the focus group states. States could have benefited from knowing what other states were doing.

TABLE 8. SRF SUBSIDY GIVEN IN FOCUS GROUP STATES

STATE	PRINCIPAL FORGIVENESS ALLOCATION	MAXIMUM CAP ON TOTAL ARRA FUNDS/PROJECTS (IF APPLICABLE)
Colorado	50% of ARRA funding as principal forgiveness (both SRFs).	Maximum principal forgiveness of \$2 million per project (both SRFs).
Iowa	50% of their ARRA funding as principal forgiveness (both SRFs).	Maximum principal forgiveness of \$2 million per project, or \$1 million for GPR eligible projects (both SRFs).
Louisiana	100% of funds as principal forgiveness (CW), 30% per project (DW).	No cap (CW), \$1 million maximum per project (DW).
Missouri	Slightly more than 50% of ARRA funding as principal forgiveness.	Each project could receive 50% of project cost as principal forgiveness up to \$3 million (CW)/\$2 million (DW), while disadvantaged communities received 75% of their project cost as principal forgiveness up to \$3 million (CW)/\$2 million (DW).
Montana	\$750,000 per project (both SRFs).	\$750,000 maximum per project (both SRFs).
New Hampshire	100% of ARRA funds as principal forgiveness, with 50% of each project being funded by ARRA, while the other 50% as principal forgiveness with base program funds (both SRFs).	No cap.
New York	Most projects received 50% principal forgiveness.	No cap.
North Carolina	Approximately 50% of ARRA funding as principal forgiveness (CW).	Maximum principal forgiveness of \$3 million per project (CW + DW consolidation projects), and \$1.5 million per project (DW non-consolidation projects).
Oklahoma	30% per project (both SRFs).	\$2.5 million maximum per project (both SRFs)
Texas	50% of projects received 100% principal forgiveness, 50% received low interest loans (both SRFs).	No cap.
Virginia	100% of funds as principal forgiveness (CW), most projects received 50% (DW).	No cap.
Washington	60% of ARRA funding as principal forgiveness, 50% to financial hardship projects, and 10% to GPR projects (CW). 55% of ARRA funding as principal forgiveness (DW).	Maximum principal forgiveness for financial hardship projects was calculated based on medium household income. For GPR projects, the maximum was 50% of project cost (CW). No cap for projects that received principal forgiveness (DW).

Source: Focus Group Participants

Lessen statutory mandates for faster obligation: States and funding recipients indicated that the Buy American, Davis-Bacon, and Green Project Reserve mandates slowed down the funds obligation process. Every state and every program agreed that the best way to get money obligated in the least amount of time would be to reduce the contracting requirements, rather than including additional requirements.

Some states recommended assessing the mandates to determine if they could be made voluntary, as incentives to achieve certain goals.

Provide flexibility and decision-making authority to the states: As one state participant explained, the success of the existing SRF program over the past two decades is due to the flexibility and independence the state has in implementing the program. With ARRA states had less flexibility; had to wait for EPA approval and decisions and many EPA ARRA processes conflicted with the states' existing processes. Flexibility is important because it allows each state to tailor the program to the needs of its local communities.

Finalize guidance before rolling out program: All states recommended that in order to obligate funds as quickly as possible, guidance must not change after the process has begun. Changes in guidance required adjustments to contract language, causing delays in obligation. If another ARRA-like spending measure is implemented in the future, EPA and OMB should finalize all aspects of program guidance before initiating the program.

Grandfather decisions if policy/guidance must change: All state participants commented on the frustration with extra workloads and delays caused by the changing nature of the guidance on meeting ARRA's additional requirements. New interpretations of guidance delayed the initiation or completion of projects, especially if contracts were already signed or construction had already begun. While most states understood that EPA was doing its best to convey new guidance published by OMB, they felt that work already completed and contracts finalized prior to the publication of new guidance should be grandfathered to avoid time-consuming contract modifications.

Manage expectations of potential additional funds: Several states commented on their disappointment in not receiving additional funds after they identified additional projects at EPA's suggestion. The states were encouraged by their EPA Regions to identify additional projects that could be funded should other states not meet their obligation deadlines. The EPA Regions, aware of the requirement to re-obligate the funds, wanted to have projects lined up for the re-obligated funds.

Consider advising states to alter their loan program to shorten the period of time when funds are unobligated or unspent: Since ARRA one state has changed its loan program to reduce its unobligated funds time period by separating out the planning and design stage from the construction stage. Now there is a two-step funding process in which the state provides a smaller loan for the planning and design phase of the project and then when the project is ready to proceed with construction, the state issues the larger construction loan. Another state had a similar program in existence prior to ARRA. This may be a helpful approach for other states.

RECOMMENDATIONS - STATES/FUNDING RECIPIENTS
TIMELY OBLIGATION/EXPENDITURE OF FUNDS
Establish reasonable obligation deadline
Provide EPA guidance on funds distribution
Lessen statutory mandates for faster obligation or use mandates as incentives
Provide flexibility and decision-making authority to the states
Finalize guidance before rolling out program
Grandfather decisions if policy/guidance must change
Manage expectations of potential additional funds
Consider advising states to alter their loan program to shorten the period of unobligated or unspent funds

3.1.4 SUMMARY – TIMELY OBLIGATION/EXPENDITURE OF FUNDS

EPA and states were remarkably successful in obligating and encouraging expenditure of funds to meet demanding ARRA schedules, despite many challenges. Identifying 'shovel-ready' projects was difficult in some states. Some states maintained back-up lists of shovel-ready projects to have ready substitutes if necessary. Bringing aboard new funding recipients unfamiliar with SRF processes required additional guidance and oversight. Adjusting to tight obligation deadlines and evolving guidance on funding deadlines and other ARRA mandates were problems mentioned by numerous study participants. States streamlined their program application and approval processes to expedite awards. States recommended that deadlines be made more reasonable, with guidance finalized before the obligation effort began. Because some of the ARRA mandates slowed down the funding process, states recommended assessing the mandates to determine if they were necessary or if they could be made voluntary, as incentives to achieve certain goals.

3.2 BUY AMERICAN MANDATE

3.2.1 BACKGROUND

Section 1605 of ARRA, commonly known as the 'Buy American' provision, requires the use of American iron, steel, and manufactured goods for the construction, alteration, maintenance, or repair of a public building or public work. Buy American allows for certain exceptions, where 1) using American-made goods would be inconsistent with the public interest, 2) American-made goods are not produced in the United States in sufficient and reasonably available quantities, or 3) using American-made goods would increase the overall cost of the project by more than 25 percent. EPA released guidance on how projects were to comply with Buy American and how to apply for a waiver if necessary (OMB, 2009a).

SUBSTANTIAL TRANSFORMATION

While determining whether a raw material was made in the United States was rather straightforward, determining whether a manufactured good is American-made was much more complicated. A

manufactured good consists of a combination of multiple raw materials, which may or may not have all been American-made. OMB's guidance for verifying whether a manufactured good was American-made required determining whether the good had undergone 'substantial transformation' within the United States. EPA released a nine-page guide on the determination of 'substantial transformation.' The guidance states that a manufactured good that contains foreign-made materials can still be eligible under Buy American if the good has been substantially transformed in the United States into "a new and different manufactured good distinct from the materials from which it was transformed." The guidance document offers some examples and outlines the responsibility of the recipients to make substantial transformation determinations (EPA, 2009a).

USE OF "DE MINIMIS" COMPONENTS

To assist the SRF programs in meeting the Buy American requirements, EPA issued a national waiver for SRF projects allowing the use of non-American iron, steel, and manufactured goods when they occur as *de minimis* incidental components in ARRA-funded projects where such components cumulatively comprise no more than a total of five percent of the total cost of materials used in and incorporated into a project. In this case, incidental was defined as miscellaneous in character, low cost individually and typically procured in bulk. EPA issued this waiver after ARRA had already been enacted, as initial feedback made it clear that such a waiver was practical (EPA, 2009b).

BUY AMERICAN AND INTERNATIONAL TRADE AGREEMENTS

The Recovery Act provides that Buy American requirements "be applied in a manner consistent with U.S. obligations under international agreements," meaning that Buy American did not need to be applied when an entity (country, state, city) was party to an international agreement for projects with a total cost of \$7,443,000 or more (OMB, 2009a). OMB's official guidance published in the Federal Register (FR) included 12 pages of information on each state's trade agreement applicability, including the World Trade Organization Government Procurement Agreement, North American Free Trade Agreement (NAFTA) and several other free trade agreements that the United States has in place with other countries. However, because the CWSRF and DWSRF programs are not direct procurement programs, international trade agreements did not apply, except for seven individual cities that entered into their own agreements.

BUY AMERICAN WAIVER PROCESS

EPA established a multistep waiver approval process for projects needing a waiver for any of the three reasons listed above. This approval process, outlined in Figure 5 below, is a sequential review process that starts when the funding recipient submits a waiver application to their EPA Regional office for a completeness review. The EPA Regional office sends the complete waiver to an EPA HQ contractor for a technical review. A technical review report is sent back to the EPA Region and if a waiver can be granted, the EPA Region prepares the draft FR waiver notice. The draft FR waiver notice then goes sequentially to EPA HQ, the Office of General Counsel (OGC), the EPA Grants Office, and then to the Office of Administration and Resource Management (OARM). Then it is returned to the Region for FR publication. EPA set a goal of two weeks from receipt of a completed waiver package to complete this waiver process.

Because Buy American only applies to iron, steel, and manufactured goods, this mandate affected certain EPA programs significantly more than others. For instance, the CWSRF and DWSRF projects almost always

required the use of manufactured goods for projects like the construction of wastewater/water treatment plants, pipe replacements and sewer system upgrades. Brownfields and LUST programs mostly dealt with remediation projects, though manufactured goods were needed in small quantities, so a few of these projects needed to abide by the Buy American mandate. During the data collection process, the SAIC Team did not hear of any situations where Superfund and DERA projects were subject to Buy American requirements. Table 9 below indicates the likelihood of the Buy American mandate applicability to proposed projects in each EPA program. The SAIC Team reviewed all 92 Buy American waiver approvals (out of approximately 100 applications in total of the approximately 3,000 projects as of the end of 2012), from both the CWSRF and DWSRF programs and discerned no general pattern with regard to type, size, or location of projects most likely to request a waiver.

FIGURE 5. BUY AMERICAN WAIVER PROCESS

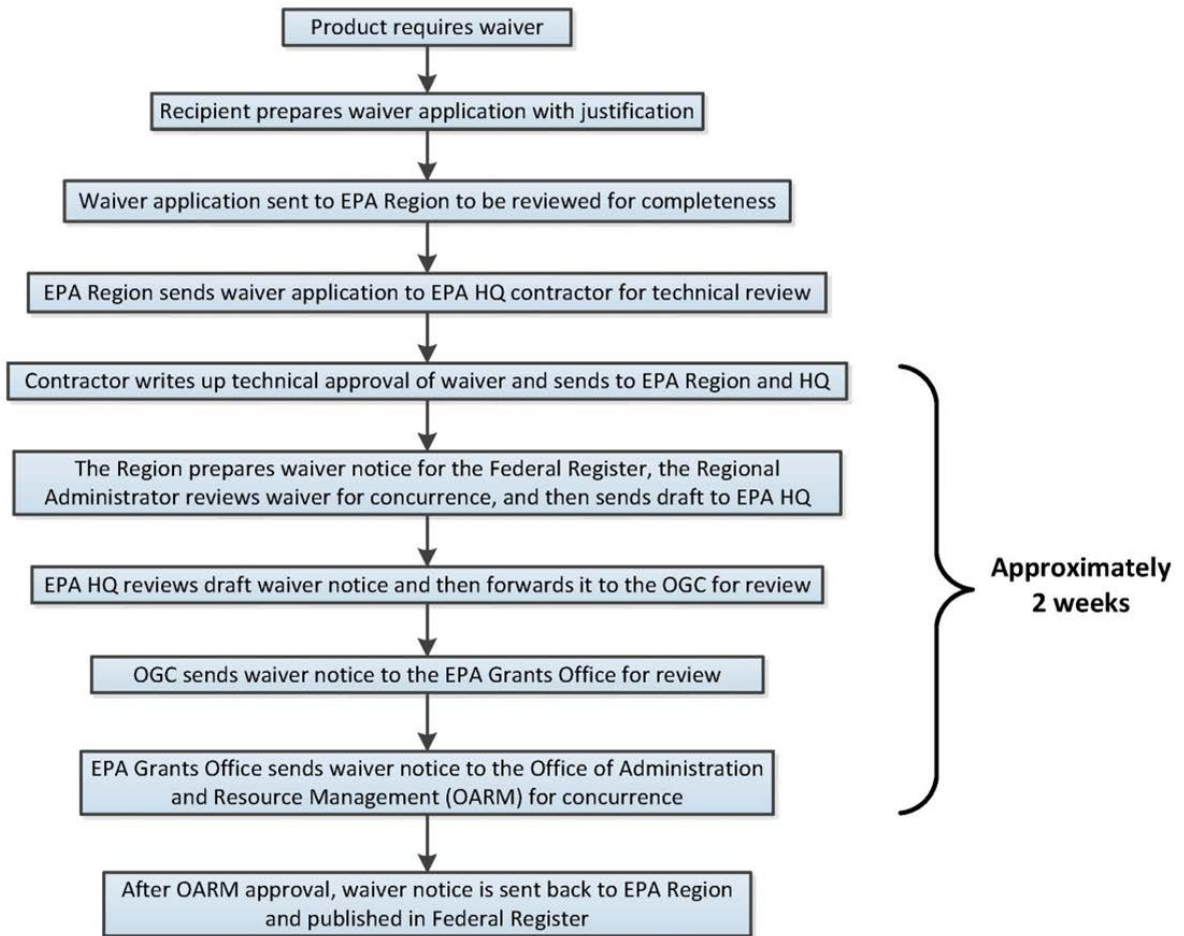


TABLE 9. PROGRAMS MOST LIKELY TO TRIGGER BUY AMERICAN MANDATE

PROGRAM	LIKELIHOOD OF APPLICABILITY OF BUY AMERICAN MANDATE
CWSRF/DWSRF	Very High
Superfund	Low
DERA	Low
LUST	Low
Brownfields	Low

3.2.2 FINDINGS – EPA PERSPECTIVE – BUY AMERICAN MANDATE

MAJOR CHALLENGES – EPA PERSPECTIVE

The following provides an overview of the major challenges the SAIC Team heard consistently. Appendix 2 lists additional challenges reported by the Regions but not reflected in this section.

Developing new processes and guidance for a new complex requirement: Buy American was challenging for both EPA and funding recipients because (1) significant research was required for someone proposing a project that used steel, iron, or manufactured materials; (2) EPA had to develop a waiver process because it did not have one in place; and (3) EPA had to define/interpret ARRA terminology such as ‘substantial transformation’ and ‘percent of composition.’ In addition some EPA staff commented on the challenge of drafting and issuing the guidance in a timely manner as it required so much research and legal analysis.

Ensuring consistent interpretation of guidance: Most EPA Regional staff commented that the biggest difficulty in implementing the Buy American mandate was interpreting the guidance consistently for all programs and stakeholders. For example, states and funding recipients had to use judgment in interpreting what constituted ‘substantial transformation,’ which could lead to inconsistent decisions. Although the process was set up to approve/disapprove waiver requests, there were instances in which a funding recipient had expected approval, only to have the waiver request rejected at the EPA HQ level some time later. At the same time, OIG made Buy American-related decisions during their audits that conflicted with EPA Regional staff and/or HQ staff decisions. This increased confusion and further delayed the completion of SRF projects.

Developing guidance for each EPA program: While the Buy American mandate applied largely to CWSRF and DWSRF projects, there were a few instances in which the mandate applied to LUST and Brownfields projects. These other EPA programs were not as involved as the SRF programs in the guidance updates and discussion meetings.

MAJOR CHALLENGES - EPA
BUY AMERICAN
Developing new process and guidance for a new complex requirement
Ensuring consistent interpretation of guidance
Developing guidance tailored to each EPA program

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

The following successful approaches are a summary of those the SAIC Team heard consistently among EPA participants. Appendix 2 provides additional successful approaches reported by EPA but not reflected in this section.

Buy American Working Group: EPA HQ organized a 'Buy American Working Group' consisting of Regional staff that met regularly to share information related to complying with the Buy American mandate. Many EPA interviewees stated that these calls were very helpful, as they allowed different Regions to collaborate and 'hash out' the most challenging issues.

National waiver for a product common to several projects: In monitoring waivers received by the funding recipients for several projects, EPA HQ recognized that at least eight waivers dealt with a small motor of low horsepower that was not available in United States. EPA grouped these waivers together to issue one national waiver.

Successful Approach Focus: EPA Headquarters – Waiver Tracking System

EPA HQ designed and updated a weekly tracking spreadsheet table to identify delays and to monitor projects requiring waivers. This table was updated and used by various contractors working at EPA and was distributed through its own email inbox. Whenever a project's waiver status was updated, the system automatically sent a new email so all recipients knew there were updates. This was especially helpful because staff/contractors moved in and out of the process. Additionally, EPA staff could use this tracking sheet when making decisions on requests, in particular if a product previously received a waiver.

Traveling to states and project sites to assist funding recipients: EPA Regional staff used the M&O funds to travel to state offices and project sites to provide guidance on the Buy American provisions. Many EPA interviewees commented on the usefulness of this face-to-face communication in meeting the unique demands of ARRA-funded projects. Interviewees stated that the meetings limited possible non-compliance and strengthened relationships between EPA and the states, further improving the collaborative work effort throughout ARRA implementation.

SUCCESSFUL APPROACHES - EPA
BUY AMERICAN
Buy American Working Group
National waiver for a product common to several projects
Waiver Tracking System
Traveling to states and project sites to assist funding recipients

RECOMMENDATIONS – EPA PERSPECTIVE

The following key recommendations are a summary of those the SAIC Team heard consistently among the participants. Appendix 2 provides additional recommendations reported by EPA but not reflected in this section.

Clearly defined guidance: Several Regions recommended a clearly defined set of guidelines for interpreting Buy American issues enabling all stakeholders (e.g., OIG, EPA Regions, EPA HQ, contractors and funding recipients) to make consistent decisions, resulting in less confusion and projects moving more quickly.

Streamlined waiver review process: The Buy American waiver review process involved multiple reviews at several hierarchical levels and sometimes took longer to complete than EPA’s two-week goal. . One EPA program interviewee recommended that the waiver review process be streamlined to allow for a much faster waiver process. This would not only reduce the effort required to produce a waiver, but would also assist the SRF programs in completing their projects in a timelier manner.

Ability for Regions to view waiver request information in all Regions: The Regions noted that it would have been useful to have access to all the waiver requests. HQ researched each product to ensure no U.S. product was available; if they found a U.S. supply, they communicated this information to the specific Region. Such information would have helped staff in other Regions, who were receiving and/or assisting the states with similar Buy American waiver requests.

RECOMMENDATIONS - EPA
BUY AMERICAN
Clearly defined guidance
Streamlined waiver review process
Ability for Regions to view waiver request information in all Regions

3.2.3 FINDINGS – STATE/FUNDING RECIPIENT PERSPECTIVES – BUY AMERICAN MANDATE

MAJOR CHALLENGES – STATE/FUNDING RECIPIENT PERSPECTIVES

The following provides an overview of the major challenges SAIC heard consistently from state focus group participants. Appendix 3 provides additional challenges reported by states and funding recipients but not reflected in this section.

Implementing Buy American without guidance: Every state focus group expressed frustration with trying to understand the guidance for the Buy American mandate. First, the guidance did not come out until three months after the CWSRF and DWSRF programs had started the funds obligation process. Without a proper understanding of the Buy American requirements, contractors found it difficult to produce final design specifications and issue requests for bids. Once guidance was released, several project design specifications and contracts that had already been signed needed to be changed.

Interpreting the guidance: EPA provided webinars and training sessions through a contractor, but several aspects of Buy American such as ‘substantial transformation’ were not clearly defined during these trainings. The webinar presenters did not appear to understand the terms completely and could not answer questions. In October 2009, EPA released a nine-page explanation on determining whether substantial transformation had occurred in a manufactured good. In the explanation, EPA states that the responsibility of determining whether substantial transformation had occurred was placed solely on the CWSRF and DWSRF funding recipients, and that EPA would not make any determinations. Placing the burden of such a complicated determination directly on recipients resulted in a variety of interpretations with recipients not fully understanding the concept.

Responding to inconsistent interpretations by EPA: State participants commented that contractors/consultants hired by EPA to provide on-site assistance to SRF projects approved products as compliant under Buy American, only to have the product later rejected in an EPA HQ review process. In other instances, the Regional EPA office made determinations that were different than that of compliance review contractors and EPA HQ. As the SAIC Team was holding focus groups, some states were still undergoing or had recently completed OIG compliance reviews in which OIG identified non-compliance with Buy American in instances that had been previously approved by EPA HQ.

Understanding international trade agreements applicability: All focus group state participants did not understand initially how the requirements were affected by adherence to international trade agreements. While OMB published a six-page table in the FR that attempted to define whether states and local municipalities were subject to certain international trade agreements, the information was so confusing that participants simply adhered to the Buy American rules in order to avoid non-compliance. Many focus group participants acknowledged that they understood after rounds of interpretation from EPA and experts post-ARRA. Several focus group participants also stated that EPA Regional staff were unable to answer questions related to trade agreements.

Additionally, participants near the U.S. border with Canada had long-term relationships with Canadian manufacturers that were impacted by the sudden change in policy. On February 16, 2010, the United States reached an agreement with Canada that allowed Canadian-made goods to qualify under Buy American for ARRA-funded projects. However, this agreement came one day before the end of the SRF

award obligation deadline, and thus had little impact on the majority of projects in which all funds were already obligated.

Losing clients: Many states reported that some project applicants walked away from the ARRA funding opportunity or indicated they would not return due to the burdens of this mandate. They stated that compliance with Buy American (and Davis-Bacon) added costs to the projects and many former clients turned to the private market for low interest loans. It is important to note that this sentiment was not universal, as some states also experienced increased interest in their loan program, especially when principal forgiveness was involved.

Experiencing a strain on limited resources: The states and funding recipients were challenged by the paperwork required by EPA to prove a product’s conformance with the Buy American mandate, including vendor certifications, steel mill logs and waiver requests. In order to meet these requirements, the states often consulted several different types of staff, including engineers, lawyers and finance experts within EPA and their own organizations. EPA initially committed to a two-week turnaround for waiver determination, but state participants remembered situations taking months for a determination. In addition, a few state participants noted that other federal agencies did not require as much paperwork as EPA with regard to the burden of proof required for a product’s Buy American eligibility. This fact was evident in several CWSRF and DWSRF projects that were funded jointly by EPA and the United States Department of Agriculture’s Rural Development Agency or other federal agencies funded by ARRA.

Dealing with negative consequences of decision to purchase American products only: Some states and funding recipients found the Buy American waiver process or determining whether a product met the definition of substantial transformation or *de minimis* was simply too resource intensive. As a result, these states and funding recipients made every effort to only purchase American-made products, even if foreign alternatives were less expensive or of better quality. Several states mentioned that contractors at times used a substandard American-made product in place of a higher quality foreign-made product due to the restrictive Buy American requirements. A few states commented on the negative long-term impacts having already received notices from funding recipients of certain products failing or needing maintenance due to the lower quality. One state reported at least one product failure and replacement of parts. In these cases, the product was not cheap enough to fall under *de minimis* waiver, did not readily fall under the realm of any of the other waiver categories, or the time and cost required for submitting a waiver was prohibitive. However, as shown in the “Leveraging Funds Report”, many recipients took the opposite perspective and used Buy American requirements as an economic opportunity, such as opening U.S. supply houses of products.

MAJOR CHALLENGES - STATE/FUNDING RECIPIENT
BUY AMERICAN
Implementing Buy American without guidance
Interpreting the guidance
Responding to inconsistent interpretations by EPA
Understanding international trade agreements applicability
Losing clients
Experiencing a strain on limited resources
Dealing with negative consequences of decision to purchase American products only

SUCCESSFUL APPROACHES - STATE/FUNDING RECIPIENT PERSPECTIVES

Overall, state participants did not highlight any major successful approaches at the state and recipient level as related to the Buy American mandate but did identify at least one approach used to ensure implementation.

Exclude the purchase of electronics with ARRA funds: Some funding recipients, after being unable to find American-made electronic equipment that worked for a project, modified the project so that the electronic, foreign-made equipment was excluded from the ARRA project design and was purchased separately at a later date, after the ARRA project was completed. This allowed the contractor to save the time and resources needed to apply for a waiver and complete the job on time.

SUCCESSFUL APPROACHES - STATE/FUNDING RECIPIENT
BUY AMERICAN
Exclude the purchase of electronics with ARRA funds

RECOMMENDATIONS – STATE/FUNDING RECIPIENT PERSPECTIVES

The following recommendations are a summary of those the SAIC Team heard consistently among the focus group participants. Appendix 3 lists additional recommendations reported by focus group participants but not reflected in this section.

Make Buy American apply to iron, steel and other major materials only: A recommendation echoed in several states was to have Buy American only apply to major construction materials such as iron, steel and cement, since these materials are readily available in the United States, and make up the bulk of a construction project. High technology products that were difficult to find in the United States, such as pumps, computers and gauges were usually just a small percentage of the material input for a project, but often cost more than the *de minimis* threshold of 5 percent, and were therefore subject to the Buy American requirements.

Develop a pre-approved list of products: Almost every state recommended that EPA maintain a website with a list of pre-approved Buy American products. Such a site would save time and resources, as well as assist funding recipients with estimating project costs.

Increase *de minimis* waiver threshold to minimum 10 percent: Several focus group participants commented on the usefulness of the *de minimis* waiver but recommended that the threshold for requesting a *de minimis* waiver should have been higher than 5 percent of the project cost, perhaps at least 10 percent of the project cost. Many electronic goods were not available in the United States but represented more than 5 percent of the project cost. A higher *de minimis* threshold would allow projects to proceed without the time-consuming waiver request process.

Waiver for product not project: The Buy American rules applied to only a specific project, not universally to the product itself. As a result, even if one funding recipient received a waiver for one project's products, another funding recipient using that same product would still need to apply for a separate waiver. A few focus group participants recommended that Buy American waivers be applied for products themselves and not be project-specific. HQ realized this early on, but explained that a product-specific

waiver was not always possible, because of the nature of the statutory exemptions. For example, one statutory exception allows the use of non-American goods if using American-made goods would increase the overall cost of the project by more than 25 percent. Twenty-five percent of one project may be a very different figure from 25 percent of another project; therefore, a blanket product exemption would not necessarily comply with the statutory exemptions. The use of the more expensive American-made product in one project may result in a 25 percent increase in project costs, but in another project, the use of the American product may not trigger the 25 percent exemption threshold.

Make Buy American a goal not a requirement: Some focus group participants stated that they understood Congress including Buy American as a way to promote American jobs, but they felt that it should have been a goal and not a requirement. The participants noted many instances in which the Buy American requirements were so resource intensive and time consuming that projects were delayed simply to meet the requirement.

RECOMMENDATIONS- STATE/FUNDING RECIPIENT
BUY AMERICAN
Make Buy American apply to iron, steel and other major materials only
Develop a pre-approved list of products
Increase <i>de minimis</i> waiver threshold to minimum 10%
Waiver for product not project
Make Buy American a goal not a requirement

3.2.4 SUMMARY – BUY AMERICAN MANDATE

While support for the concept of buying American-made products was strong, many participants in the study noted that the process to comply with the Buy American mandate was very complicated and time-consuming. In addition, changing guidance added to the frustration. Some states chose to buy only American-made products, even if they were of lower quality or more expensive, to avoid the potential time delays associated with the waiver process. States made several suggestions on possible improvements, such as excluding ‘manufactured goods,’ excluding electronic items, maintaining a website with an approved projects list, and making Buy American a goal rather than a mandate.

3.3 DAVIS-BACON MANDATE

3.3.1 BACKGROUND

Section 1606 of ARRA, the Davis-Bacon Act mandate, applies to federally-funded projects in excess of \$2,000 that involve construction, alteration or repair of public buildings. Agencies must include this provision in federal contracts, requiring that contractors or sub-contractors are paid no less than the local prevailing wages and fringe benefits to laborers and mechanics working on the projects. Because each state had a different state prevailing wage law, there were differences in challenges and outcomes for each state.

Prior to ARRA, only two EPA programs – Brownfields and Superfund – applied Davis-Bacon requirements. The CWSRF, DWSRF, LUST and DERA programs did not have Davis-Bacon requirements built into their appropriations until ARRA. Table 10 below provides a summary of Davis-Bacon Act applicability. While DERA is subject to Davis-Bacon, most DERA projects did not trigger the requirements because they did not involve construction.

TABLE 10. APPLICABILITY OF THE DAVIS-BACON ACT TO EPA PROGRAMS

EPA PROGRAM	APPLICABILITY TO PROJECTS
SRFs	Projects that involve construction, alteration or repair of public buildings.
LUST	Projects that involve installation of piping to connect businesses or households to public water supply systems. Soil excavation when undertaken in conjunction with the installation of such public water lines. Soil excavation or concrete pouring that occurs in conjunction with tank removal or concrete replacement.
Brownfields	Projects that involve sites contaminated with hazardous substances and require construction, alteration or repair activity including: <ul style="list-style-type: none"> • Excavation and removal of hazardous substances; • Construction of caps, barriers, and structures which house treatment equipment; • Installation of piping to connect households or businesses to public water systems; and/or • Soil excavation or concrete pouring that occurs in conjunction with tank removal or concrete replacement.
Superfund	Infrequent, but whenever construction is required.
DERA	Infrequent, but whenever construction is required.

Source: EPA Interim Davis-Bacon Guidance, Undated. [Note: This is the most recent guidance published on EPA’s website.]

ARRA AUDITING REQUIREMENTS

The ARRA mandate also required auditing of Davis-Bacon documentation and information. EPA and state staff were responsible for auditing documentation to ensure that funding recipients paid prevailing wages to laborers and mechanics. Documentation review consisted of comparing worker pay stubs to the Department of Labor (DOL) wage lists via an on-line wage determination query tool called Wage Determinations OnLine website at wdol.gov. Users entered their location, construction type or wage determination (WD) number, and the website provided the prevailing wage for a certain job type in a certain county. Each state has its own unique set of hundreds of WD numbers for each type of labor, but there are only four construction types under Davis-Bacon: Building, Heavy, Highway and Residential. The website did not allow the user to search by labor category, only by county and construction type, so a user was required to scroll through the database if they were not already familiar with the numbers system. In instances where wdol.gov did not have a wage determination for a specific locale, EPA instructed recipients to contact DOL for additional assistance.

After making wage determinations, contractors and subcontractors were required to post the wage determinations at the work site along with a DOL Davis-Bacon poster in a prominent and accessible location. States needed to retain weekly certified payrolls from all contractors employing laborers and mechanics identified by DBA as requiring a prevailing wage for at least three years. States also needed to

periodically review the contractors' certified payrolls and interview workers to ensure payroll accuracy. States were required to immediately report any violations to the EPA DBA coordinator (EPA, Undated). Table 11 below displays a summary of each involved party's responsibilities related to the DBA requirements.

TABLE 11. DAVIS-BACON ACT RESPONSIBILITIES BY PARTY

PARTY	RESPONSIBILITY
DOL	Maintain on-line wage determination website Troubleshoot wage determination issues
EPA	Provide guidance to funding recipients Receive reports of Davis-Bacon violations
States/Primary Recipients	Provide guidance to funding recipients and contractors Ensure Davis-Bacon requirements are written into award and construction contracts Obtain wage determinations from wdol.gov Retain weekly certified payrolls records for three years Periodically review payroll records Interview workers for payroll record accuracy Report Davis-Bacon violations to EPA
Funding Recipients/ Contractors	Ensure workers are being paid correct prevailing wages as determined by the DOL wdol.gov website Retain certified payroll records Participate in interviews Post wage determinations and DOL Davis-Bacon poster in prominent location at job site

Source: EPA, Undated. [Note: This is the most recent guidance published on EPA's website.]

3.3.2 FINDINGS – EPA PERSPECTIVE – DAVIS-BACON MANDATE

MAJOR CHALLENGES – EPA PERSPECTIVE

The following provides an overview of the major challenges the SAIC Team heard consistently or were specifically mentioned by interview participants. Appendix 2 lists additional challenges reported by the participants but not reflected in this section.

Developing new processes and guidance for a new complex requirement: EPA interviewees noted that Davis-Bacon was a new requirement for the CWSRF, DWSRF, LUST and DERA programs that required new guidance and policy from EPA. Many EPA interviewees indicated that the task of providing guidance on all of the additional requirements was one of the bigger challenges of ARRA. Much of the guidance came from EPA HQ. The LUST and DERA program interviewees indicated that, because of the nature of project work performed (e.g., no construction, alteration or repair), Davis-Bacon did not present the challenges that their colleagues in the CWSRF and DWSRF programs encountered. Participants from the CWSRF and DWSRF programs commented that the Davis-Bacon requirements were difficult to apply because of the diversity and complexity of the project work performed. EPA interviewees expressed frustration with regards to understanding existing Davis-Bacon regulations from the DOL that had never been applied to the SRF, DERA, and LUST programs, as well as with responding to the states/funding recipients' questions.

One interviewee commented that interpretations of Davis-Bacon seemed counter-intuitive. For example, it might apply to Superfund sites for excavation activities, but might not apply to a LUST site excavation unless concrete was removed. In addition, interviewees observed confusion and project delay when trying to determine whether it applied to LUST projects that had cleanup components, which might trigger the requirements.

Interpreting Davis-Bacon guidance from HQ to states: EPA respondents found it challenging to interpret new complicated policy from OMB and DOL to states that were also new to this provision. Interviewees mentioned that EPA Project Officers were not always experienced with Davis-Bacon requirements and had to work with the DOL on specific issues; furthermore, the DOL had no previous guidance on how Davis-Bacon applied to CWSRF and DWSRF projects. States and funding recipients were not always available for webinars, and on-line documents were complex and confusing to some state employees.

Coordinating with Department of Labor: EPA interviewees reported that coordinating with a separate federal agency to obtain key information such as wage rates was complicated and difficult at times. Regions (and states) differed with their experiences, but the majority of respondents encountered difficulties in obtaining information in the timely manner needed to meet their ARRA obligation deadlines. Some Regional interviewees had positive experiences. In one Region the DOL regional office provided training to funding recipients. One interviewee noted that a DOL staff member assisted the LUST program with DB labor categories for individual projects. Another interviewee mentioned feedback from states that on-site ARRA project visits by DOL were very helpful in explaining Davis-Bacon requirements and appropriate documentation.

Waiting for labor categories and wage determinations for mostly rural areas: EPA interviewees noted that the DOL did not have all labor categories available on their websites. EPA, states and funding recipients had to wait for the DOL to provide labor categories and wages information, which caused delays, primarily in rural areas. The DOL websites still do not list every location.

MAJOR CHALLENGES - EPA
DAVIS-BACON
Developing new processes and guidance for a new complex requirement
Interpreting Davis-Bacon guidance from HQ to states
Coordinating with Department of Labor
Waiting for missing labor categories and wage determinations for mostly rural areas

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

The following successful approaches are a summary of those the SAIC Team heard consistently among the EPA interviewees. Appendix 2 provides additional successful approaches reported from the EPA interviews but reflected in this section.

Re-directing staff for Davis-Bacon specific tasks: EPA delegated staff for specific ARRA responsibilities. Each Regional office usually assigned one person dedicated to Davis-Bacon issues. This provided states with a point of contact for specific questions and concerns related to Davis-Bacon.

Early training by HQ: EPA contractors provided training to EPA, states, funding recipients and contractors on how to modify their processes to incorporate Davis-Bacon requirements.

Successful Approach Focus: SRF Region 4 – On-site Visits

EPA Region 4 used ARRA M&O funding to conduct on-site project visits to assist recipients in meeting DBA requirements. During on-site visits, DBA documentation was reviewed and concerns were discussed. EPA staff were able to establish and/or build closer relationships with their states and funding recipients, which provided a platform for more open communication and better understanding of DBA issues.

Checklists for state recipients: Checklists from the DOL and EPA were tangible tools that states could work with to implement Davis-Bacon requirements. EPA Regional staff used these checklists during on-site visits with states to clarify Davis-Bacon issues and guidance. States were thus equipped to perform their own funding recipient site visits after receiving instruction during EPA Regional visits.

Productive relationship with Department of Labor: Interviewees from one Region reported that they did not have much experience with Davis-Bacon requirements (similar to many other Regions), but they developed a productive relationship with a contact at the DOL who provided extremely helpful and timely assistance in dealing with Davis-Bacon questions. The EPA HQ Davis-Bacon contact was so busy with other requests that responses could take time, so the strong relationship with DOL was an excellent resource.

SUCCESSFUL APPROACHES - EPA
DAVIS-BACON
Re-directing staff for Davis-Bacon specific tasks
Early training by HQ
On-site visits and checklists for state recipients
Productive relationship with Department of Labor

RECOMMENDATIONS – EPA PERSPECTIVE

The following key recommendations are a summary of those the SAIC Team heard consistently among the EPA interviewees. Appendix 2 provides additional recommendations reported by EPA but not reflected in this section.

Provide better guidance and Davis-Bacon procedures from HQ: Almost every EPA interviewee recommended that guidance be simplified for Davis-Bacon for EPA projects. EPA Regions were expected to implement and interpret the policy and guidance independently on a regulation that they were not overly familiar with and in an expeditious fashion. Efficiencies could be gained if EPA HQ could coordinate early in the process with DOL to identify potential issues and data gaps (e.g., rural wage rates) and provide a single, consistent set of guidelines, rather than Regions, states and funding recipients contacting DOL for information.

Ensure labor categories/wages available: EPA interviewees agreed that the federal government should provide more labor classifications and wage rate determinations for all localities. In rural areas, where many localities received new funding, the DOL website did not include all the labor classifications. EPA interviewees reported that the missing information caused delays in contract completion.

Release guidance prior to implementation: Several EPA Regional interviewees recommended that EPA release any guidance prior to implementation. Many staff commented that they did not receive guidance on Davis-Bacon implementation from HQ until several states had already signed some ARRA award contracts. (Many states signed contracts very early, then received notice about the new Davis-Bacon requirement and lost two to three months of execution while amending contracts.)

Provide appropriate level of EPA oversight for Davis-Bacon: Some EPA Regions stated that fewer resources would have been expended if HQ had lessened its oversight of Davis-Bacon implementation. Davis-Bacon requirements were already being implemented in some EPA programs (Superfund and Brownfields), but the level of oversight for ARRA projects was significantly increased.

RECOMMENDATIONS - EPA
DAVIS-BACON
Provide better guidance and Davis-Bacon procedures from HQ
Ensure labor categories/wages available
Release guidance prior to implementation
Provide appropriate level of EPA oversight for Davis-Bacon

3.3.3 FINDINGS – STATE/FUNDING RECIPIENT PERSPECTIVES – DAVIS-BACON MANDATE

MAJOR CHALLENGES – STATE/FUNDING RECIPIENT PERSPECTIVES

The following provides an overview of the major challenges SAIC heard consistently from state focus group participants. Appendix 3 provides additional challenges states and funding recipients reported but not reflected in this section.

Applying the federal wage rate classifications: State agency staff participating in focus groups said they experienced challenges with the federal labor classifications and wage rate determinations. Funding recipients stressed that the federal government’s wage rate database was incomplete and did not include many of the labor positions needed for SRF projects. Consequently, time and effort was spent determining which labor category was correct, and caused delays in issuing bids and finalizing contracts. Contractors could not bid on a project until they received the government’s labor classification and wage rates. Federal agencies responsible for assisting funding recipients determine wage rates and labor positions were seen as uncooperative and unresponsive. One state focus group commented that almost every project had to go to the DOL for wage determination. For one project, the state waited up to one month to obtain a wage determination for a painter working two days on-site at the project.

Collecting information: State and funding recipient focus group participants stated that Davis-Bacon was a new process and document collection proved burdensome. Issues included collecting certified payroll information from contractors and classifying labor categories. Participants added that the tasks were particularly difficult when either labor categories were not yet available from DOL or when the state could not find a classification that fit the labor category. The large project funding levels and time constraints in ARRA added to the difficulties. Those who had never worked with Davis-Bacon before found deciphering the language confusing. Interviewing contractors and trying to retrieve the correct information was time consuming. In addition, ensuring certified payrolls were correct and conducting interviews as part of oversight caused further delays and frustration.

Managing changing guidance: Almost all focus group states said that inconsistent guidance was a major challenge to the timely obligation of funds and Davis-Bacon compliance. Some states tried to identify and plan SRF projects as far in advance as possible. However, the changing Davis Bacon guidance disrupted planning and affected priority ranking for projects if Davis-Bacon issues were not resolved. Guidance also came in after projects were awarded grants, which resulted in contract modifications after funding obligations. For example, one state needed to modify contracts because of changes in guidance and at one point had to issue a change order across all contracts due to a guidance change. Each state consistently reported that more work was created due to changing guidance.

Issuing/managing contract amendments: One state focus group participant (and an EPA interviewee) commented that states had existing contractors for cleanup of LUST sites. However, these contracts did not contain the DB requirements and the states could not just amend the contracts. The states had to issue new requests for proposals, reviews the bids and issue new contracts; this process took time and resources.

Losing clients: As was the case with the Buy American provision, many states indicated that some project applicants declined ARRA funding opportunities or said they did not want additional ARRA projects, due to the burdens of the Davis-Bacon mandate. They cited added costs from Davis-Bacon compliance efforts. They reported that many former clients turned to the private market for low interest loans. Some states, however, also experienced *increased* interest in their loan program. They attribute the increased interest to their marketing efforts to find shovel-ready projects, to include as many communities as possible, and/or to the principal forgiveness offered.

Adjusting state process to meet federal guidelines: Many states were using their own fair labor wage standards. Once ARRA was enacted, these states were forced to adjust their process to meet federal Davis-Bacon requirements. In states with state wage rates higher than the federal wage rates, the extra work to meet the Davis-Bacon mandate was seen as wasted effort.

MAJOR CHALLENGES - STATE/FUNDING RECIPIENT MAJOR CHALLENGES
DAVIS-BACON
Applying the federal wage rate classifications
Collecting information
Managing changing guidance
Issuing/managing contract amendments
Losing clients
Adjusting state process to meet federal guidelines
Accommodating oversight

SUCCESSFUL APPROACHES – STATE/FUNDING RECIPIENT PERSPECTIVES

The following successful approaches are a summary of those the SAIC Team heard consistently among focus group participants. Appendix 3 provides additional successful approaches reported by the participants but not reflected in this section.

Addition of a Davis-Bacon specialist: A few states either hired temporary staff or re-assigned existing staff as a 'specialist' to help specifically with implementing Davis-Bacon. These 'specialists' were given specialized tasks, such as managing EPA audits or reporting. They were able to focus their efforts on additional guidance and/or lessons learned from HQ as well as establish relationships with DOL and work solely on the queries from their funding recipients. Some participants noted that if they had known the amount of time and difficulty associated with implementing the Davis-Bacon requirements, they would have budgeted for a dedicated staff person.

Successful Approach Focus: New Hampshire – Additional Coordination with EPA

Better communication and coordination helped New Hampshire Department of Environmental Services programs address Davis-Bacon challenges. For the first year of ARRA implementation, weekly meetings allowed New Hampshire staff to speak with the EPA and with their counterparts in other states to discuss questions and concerns. In addition, New Hampshire hired a person to work primarily on Davis-Bacon issues. The specialist made sure all documentation and restitutions were correct, and that all interviews were being conducted. This allowed the remaining staff to focus on other duties. The Davis-Bacon specialist became the point of contact for all Davis-Bacon questions and concerns.

Communication helped states understand Davis-Bacon requirements: State participants noted that communication with funding recipients was a key factor for any successes related to Davis-Bacon requirements. Municipalities familiar with Davis-Bacon used existing Department of Labor documents from other state agencies (such as the Department of Transportation) they had previously received prior to ARRA, and worked with the DOL state representatives in the State Labor Offices. Interviewing funding recipients for documentation was a new concept for some state staff, but direct communication was a success. If EPA guidance was not adequate, investing time and resources to prepare for contract

document compilations was helpful. Additionally, state respondents commented they appreciated EPA Regional staff who maintained continued communication or made an effort to check in regularly regarding Davis-Bacon issues.

SUCCESSFUL APPROACHES - STATE/FUNDING RECIPIENT
DAVIS-BACON
Addition of a Davis-Bacon specialist
Additional coordination with EPA
Communication helped states understand Davis-Bacon requirements

RECOMMENDATIONS – STATE/FUNDING RECIPIENT PERSPECTIVES

The following recommendations are a summary of those the SAIC Team heard consistently among focus group participants. Appendix 3 provides additional recommendations reported by focus group participants but not reflected in this section.

Improve guidance consistency and clarity: The most frequent recommendation from state and funding recipient focus group participants was to improve guidance consistency and reduce confusing Davis-Bacon language. Some states and funding recipients were familiar with the requirements; however, all states and funding recipients complained about the onerous and confusing Davis-Bacon process. State focus group participants recommended clarifying all definitions, labor categories and jobs definitions. The DOL categories and databases need more clarity as well. In addition, rate determinations should include more positions, especially in rural areas. There were times when states had positions such as paving operators and flaggers that were not covered in labor categories, and it delayed construction to wait for confirmation. State focus group participants stated that streamlining this process would cut down on delays and confusion.

Allow Davis-Bacon waivers for states with higher prevailing wages or when Davis-Bacon will not result in significant wage increases: Many states suggested that there should be waivers for states with current prevailing wages equal to or greater than federal Davis-Bacon wages. States voiced their opinion that the Davis-Bacon did not result in higher wages or that the benefits of a slightly higher wage rate did not justify the money spent to document and verify that the requirements were being met.

Use prime contractors as points of contact: One state indicated that they would have preferred to use the prime contractor on a construction project as the point of contact for all project subcontractors for Davis-Bacon documentation. When dealing with large construction projects that involve multiple construction tasks and multiple subcontractors, using a prime contractor for all document collection would have been efficient. For example, prime contractors have more command of labor laws than subcontractors and are available for the duration of the project. Subcontractors could complete their work and leave before the state site inspection occurs.

RECOMMENDATIONS - STATE/FUNDING RECIPIENT
DAVIS-BACON
Improve guidance consistency and clarity
Allow waivers for states with higher prevailing wages or when Davis-Bacon will not result in significant wage increases
Use prime contractors as points of contact

3.3.4 SUMMARY – DAVIS-BACON MANDATE

The Davis-Bacon mandate was new to most EPA programs and states, although some states had their own fair labor wage standards. Guidance on the new mandate was confusing and sometimes counter-intuitive. The involvement of another federal agency, the Department of Labor, added to the difficulty in securing consistent guidance in a timely manner. Some EPA Regional offices and some states found it helpful to appoint Davis-Bacon specialists who could focus on the complexities of the requirements. On-site training on the application of Davis-Bacon, with checklists to add consistency to the process, was helpful. Trained state contacts could then help funding recipients with their Davis-Bacon requirements. Recommendations included issuing consistent guidance earlier and filling missing labor categories prior to implementation, particularly for rural areas.

3.4 SECTION 1512 REPORTING

3.4.1 BACKGROUND

Section 1512 of ARRA, also known as the “Jobs Accountability Act,” required that each ‘prime recipient’⁴ or ‘sub-recipient’⁵ (referred to as ‘funding recipients’ elsewhere in this report) that received ARRA funds submit a report detailing the use of the funds on the projects funded by the Recovery Act. These reports were published on www.Recovery.gov for the purpose of transparency. Specifically, Section 1512 required recipients to report data, categorized into four areas as shown below, into a nationwide data collection system at the website www.FederalReporting.gov that was aimed at “reducing the information reporting burden on recipients by simplifying reporting instructions and providing a user-friendly mechanism for submitting required data.” (OMB, 2009b)

- The total amount of ARRA funds received;
- The total amount of ARRA funds that have already been spent or obligated to projects and activities;
- A detailed list of all projects and activities funded by name to include:

⁴Prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans, or cooperative agreements, such as states.

⁵Sub-recipients are defined as non-Federal entities that are awarded Recovery funding from the prime recipient such as a local government.

- Description;
- Completion status; and
- Estimates on jobs created or retained;
- Details on sub-awards or sub-grants and other payments.

While the above list appears concise, OMB's guidance and instructions for entering this data into www.FederalReporting.gov were more complicated. Each prime recipient (or sub-recipient if delegated by prime recipient) was required to enter data on each project by the tenth day after each calendar quarter. Vendors, as defined as a dealer, distributor, merchant or other seller providing goods or services that are required for the conduct of the federal program were not subject to the reporting requirements, but the prime and/or sub-recipients were required to report on the activities of the vendors used.

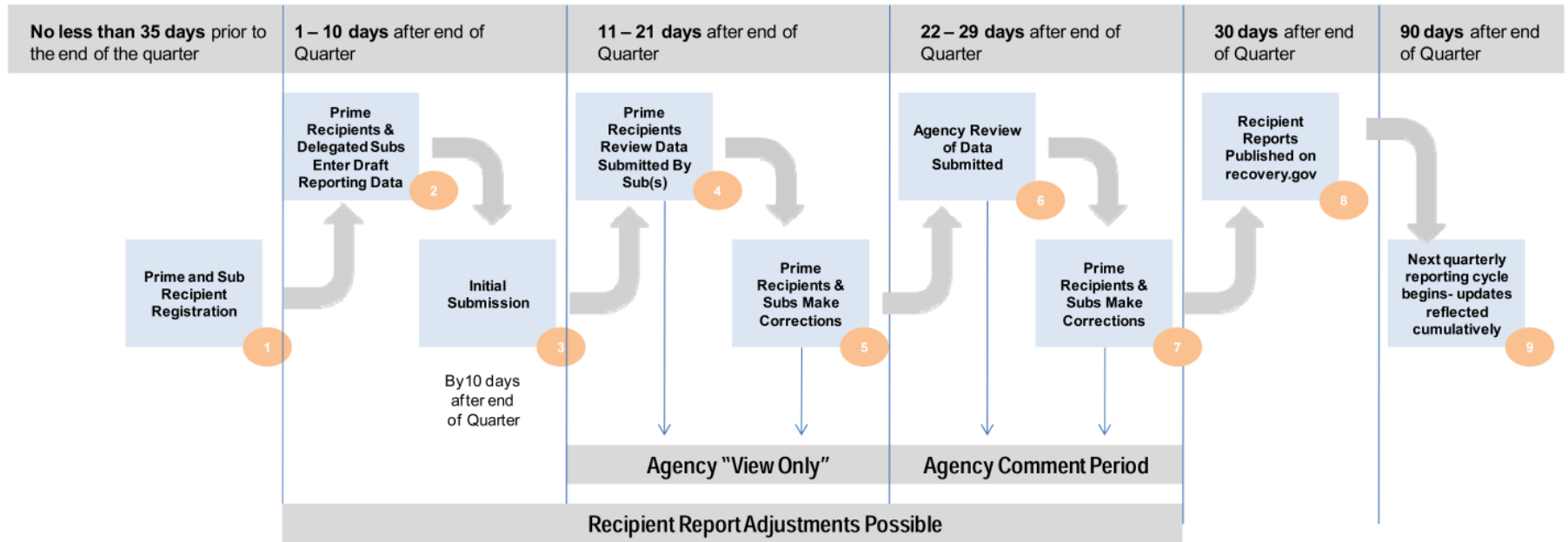
Each prime and sub-recipient were required to complete more than 30 data fields including narratives on job creation, project descriptions, infrastructure expenditure, and rationales. While most of these data elements were relatively straightforward and familiar, the 'number of jobs created' field was new; guidance from OMB on the method of calculating this number changed throughout ARRA implementation. The method for calculating the number of jobs revolved around determining the number of 'full-time equivalents,' or, 'FTEs,' which is calculated as total hours worked in a job created or retained divided by the number of hours in a full-time schedule. The definition of 'a job created or retained' by ARRA was often challenging to interpret itself, and OMB's 2009 guidance alone consisted of five pages to explain the calculation.

Section 1512 required that federal agencies, such as EPA, provide guidance to recipients on how to meet the reporting requirements in a user-friendly manner. EPA Regions were also expected to review the recipient-submitted reports to assure proper compliance. OMB set up the aforementioned website, www.FederalReporting.gov, for use by all recipients and agencies to submit, review and track the quarterly reports required by Section 1512. Registration for and use of the website was mandatory for all prime recipients (and sub-recipients if delegated reporting by prime recipient) and EPA Regions.

In most cases, states entered data in www.FederalReporting.gov on behalf of their sub-recipients so that data could be consistent and accurate, but a few states delegated reporting to the sub-recipients. According to OMB's reporting guidance, the state-level prime recipients were ultimately responsible for assuring that reporting was completed each quarter. In many states, the state-level prime recipients submitted the data directly to the State Governors' offices for reporting entry into www.FederalReporting.gov or entered the data themselves and provided their reports to the Governor's office. Many Governors' offices took responsibility for ARRA 1512 reporting. The states were responsible for reviewing and submitting their funding recipients' data to EPA within 20 days after the end of each quarter. EPA then had 10 days to review the reporting data and send it back to the states for corrections if necessary. The data were then published on www.Recovery.gov 30 days after the end of each quarter. Figure 6 below, published in OMB's reporting guidance memo dated June 22, 2009, shows the reporting process. All EPA programs needed to report on their projects quarterly.

FIGURE 6. RECIPIENT REPORTING TIMELINE

Recipient Reporting Timeline



Source: OMB, 2009b

3.4.2 FINDINGS – EPA PERSPECTIVE – SECTION 1512 REPORTING

This section presents the major challenges, successful approaches, and recommendations from EPA interviews related to the 1512 reporting mandate. As the majority of the reporting burden fell upon states and funding (or sub-) recipients, EPA Regional staff had limited comments about the challenges and successful approaches they experienced themselves. EPA HQ (and sometimes the Regions) performed a review of funding recipient data for completeness and errors and notified states if changes were needed. Interviewees acknowledged that the reporting timeline was extremely tight and burdensome on states and funding recipients.

MAJOR CHALLENGES – EPA PERSPECTIVE

The following provides an overview of the major challenges the SAIC Team heard consistently. Appendix 2 lists additional challenges reported by EPA interviewees but not reflected in this section.

Quickly communicating changes to guidance: The interviewees stated that while EPA Regions did not have to perform any 1512 reporting themselves, they were required to communicate guidance received from EPA HQ and OMB, which was modified multiple times during ARRA implementation. Each time the guidance changed, Regions needed to communicate HQ’s guidance to states in a format that was easy to understand, which was difficult because the new guidance came ten days before the quarterly reports were due. Ten days was insufficient time to discuss the new guidance with states.

Reviewing duplicative data/reporting: The interviewees noted that most data were being obtained by existing program reporting requirements and entered into existing EPA databases. As a result, EPA not only needed to review reporting data that states had entered into www.FederalReporting.gov they also needed to review their existing databases such as CWSRF Benefits Reporting (CBR), DWSRF Project and Benefits Reporting System (PBR), and the Brownfields Assessment, Cleanup and Redevelopment Exchange System (ACRES). Some EPA interviewees while acknowledging the benefits of transparency expressed concern that the general public was not necessarily interested in the details of the financial information the website provided. Their perception was that the general public was likely not reviewing 90 percent of the reporting data that was required of funding recipients and states. One interviewee noted that when the reporting was finally posted on the internet, it was already outdated.

MAJOR CHALLENGES - EPA
1512 REPORTING
Quickly communicating changes to guidance
Reviewing duplicative data/reporting

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

Checklists for review of 1512 reports: A few EPA interviewees mentioned using checklists for review of 1512 reports enabled the reviews to be concise, consistent and complete.

Existing system to meet ARRA reporting: Region 2 used its ‘Quick Reports System,’ a web-based database that extracts data from IGMS to help with its baseline monitoring. The database system was already in place prior to ARRA. Region 2 was able to deploy this system for ARRA-funded projects.

SUCCESSFUL APPROACHES - EPA
1512 REPORTING
Checklists for review of 1512 reports
Existing system to meet ARRA reporting

RECOMMENDATIONS - EPA PERSPECTIVE

EPA interviewees mentioned no specific recommendations, other than feedback from their states or funding recipients, and this feedback is captured below in the State and Funding Recipient Perspectives section.

3.4.3 FINDINGS – STATE/FUNDING RECIPIENT PERSPECTIVES – SECTION 1512 REPORTING

MAJOR CHALLENGES – STATE/FUNDING RECIPIENTS PERSPECTIVES

The following provides an overview of the major challenges SAIC heard consistently from state focus group participants. Appendix 3 provides additional challenges states and funding recipients reported but not reflected in this section.

Different reporting requirements for multiple agencies: The state focus group participants stated that the most difficult challenge was the need to fulfill 1512 reporting requirements in addition to reporting to various other agencies including each State Governor’s Office and their respective EPA program base reporting system. LUST focus group participants stated that EPA required monthly in addition to quarterly reporting. States noted that these different reporting mechanisms were often redundant and time consuming, but that the requirements were always slightly different, so the same report could not simply be submitted to each agency.

Guidance on jobs calculation changed and was unclear: Another challenge for states was that OMB’s guidance for the ‘number of jobs created’ calculation arrived several months after projects started. As a result, most states were very confused about the job calculation for the first quarterly report. Once guidance came from EPA, it changed multiple times as OMB attempted to improve the job calculation. Each time the guidance changed, the states needed to learn the new method, and then pass that information onto their funding recipients.

Reporting timeline unreasonably tight: Recipients needed to compile their quarterly reports by the tenth day after the end of each calendar quarter. This resulted in a hectic rush for states attempting to compile the reporting data from their recipients every three months. Most states required their funding recipients to report directly to them, and then the states would complete the report template on Federalreporting.gov. However, there were always a small number of contractors and subcontractors who submitted their jobs data late. Furthermore, when some of the ten-day report compilation period included two full weekends, states ended up working overtime and on weekends to complete their reports each quarter.

Websites www.FederalReporting.gov and www.Recovery.gov not user-friendly: Many focus group participants commented that www.FederalReporting.gov was difficult to use. For instance, if a recipient submitted a report and there were errors, the website would reject the report due to the errors, but it did not highlight the relevant fields that contained the errors. As a result, recipients would need to comb through the entire report to find the error, which was time-consuming. Other participants noted that ARRA’s public website, www.Recovery.gov, was very hard to navigate, as some recipients had trouble finding their own project reports on the website. These participants also questioned the utility of www.Recovery.gov to the general public.

Duplication of data entry for ARRA reporting in multiple EPA databases: Most focus group participants noted that the data they were required to enter into www.FederalReporting.gov was being obtained through existing program reporting requirements and entered into other existing EPA databases, such as CBR, PBRF and ACRES. The participants felt they were doing double and triple entry on a regular basis when they were already stretched for time and resources.

MAJOR CHALLENGES - STATE/FUNDING RECIPIENT
1512 REPORTING
Different reporting requirements for multiple agencies
Guidance on jobs calculation changed and was unclear
Reporting timeline unreasonably tight
Websites www.FederalReporting.gov and www.Recovery.gov not user-friendly
Duplication of data entry for ARRA reporting in multiple EPA databases

SUCCESSFUL APPROACHES - STATE/FUNDING RECIPIENT PERSPECTIVES

The following successful approaches are a summary of those the SAIC Team heard consistently among focus group participants. Appendix 3 provides additional successful approaches from participants but not reflected in this section.

Tying reporting requirements to disbursements: Many states struggled to get all of their funding recipients to submit their jobs data in time. Some states had more success in this area because they included a clause in their contracts that tied the reporting requirements to disbursements. If a funding recipient failed to submit its quarterly reporting data, the state delayed reimbursement. These states found this method to be very effective in ensuring timely reporting data from funding recipients.

Successful Approach Focus: Washington Used a Dedicated Reporting Coordinator

The State of Washington employed a full time Reporting Coordinator for their CWSRF program to manage the reporting requirements for ARRA. In addition to the 1512 reporting, the Reporting Coordinator handled the reporting requirements related to EPA’s CBR reporting system for the CWSRF base program, the Washington Department of Ecology’s monthly fiscal reports, and the Federal Transportation and Infrastructure Committee’s ARRA reporting. The Washington state focus group participant believed having a single reporting coordinator responsible for all reporting ensured consistent accurate data across all reporting systems, thus avoiding time-consuming corrections.

Spending the ARRA funds first: Many state focus group participants noted that their projects had funding from multiple sources, not just ARRA. However, the 1512 reporting requirements applied only to ARRA funds, so some states decided to expend all of their ARRA funds as quickly as possible, which allowed them to stop their ARRA quarterly reporting sooner.

Developing new tools for reporting: Several state focus group participants stated that they developed new internal tools to assist with the 1512 reporting process. Texas, for example, hired a contractor to analyze OMB’s reporting guidance and developed a user-friendly handbook for state and funding recipient staff use. In addition, Virginia created a jobs reporting form that they distributed to funding recipients, creating a simplified and uniform way for funding recipients to submit their jobs reporting data.

Improving existing databases or creating new databases: According to a state focus group participant the state’s DERA program developed a better database to track bus engines because of ARRA’s reporting requirements; this database is now being used in the base program.

SUCCESSFUL APPROACHES - STATE/FUNDING RECIPIENT
1512 REPORTING
Tying reporting requirements to disbursements
Using a dedicated reporting coordinator
Spending the ARRA funds first
Developing new tools for reporting
Improving existing databases or creating new databases

RECOMMENDATIONS – STATE/FUNDING RECIPIENT PERSPECTIVES

The following recommendations are a summary of those the SAIC Team heard consistently among focus group participants. Appendix 3 provides additional recommendations reported by focus group participants but not reflected in this section.

Revise ‘job’ definition to more accurately reflect reality: The majority of focus group states noted that they felt the calculation for determining the number of jobs created often resulted in a lower number

than was realized. For example, jobs were not counted for work on ARRA projects with multiple funding sources. These projects likely would never have gotten off the ground without the ARRA funding, yet a portion of the jobs created was not being captured by the reporting system. Focus group participants recommended that OMB revise their calculation to more accurately count the number of jobs created by ARRA.

Allow a more reasonable time table for reporting: Every focus group participant whose job included 1512 reporting requirements recommended that the deadline to submit recipient quarterly reports be longer than ten days. A longer deadline would allow states to complete their quarterly reports in a reasonable manner without rushing for ten days every three months.

Reassess data required: Focus group participants recommended that the government (OMB and EPA) examine the required data and determine if these data could have been obtained from existing reports.

RECOMMENDATIONS - STATE/FUNDING RECIPIENT
1512 REPORTING
Revise 'job' definition to more accurately reflect reality
Allow a more reasonable time table for reporting
Reassess data required

3.4.4 SUMMARY – SECTION 1512 REPORTING

State representatives and funding recipients noted that many of the 1512 reporting requirements were duplicative of existing reporting requirements. Guidance on the specific requirements, such as the calculation of jobs created, was delayed and also changed during the course of ARRA implementation. The tight deadline for gathering information from all the funding recipients was stressful for state offices. Many state representatives believed that much of the reported data recorded on recovery.org was not reviewed by the public, so had limited utility. Many states acknowledged however that while they did not appreciate the time-consuming nature of the 1512 reporting requirements the experience made them much better prepared to deal with the requirements of the Federal Funding Accountability and Transparency Act (FFATA). New awards are subject to the FFATA, and the ARRA reporting process provided good training for future statutory transparency requirements. States improved and/or created better reporting tools and databases. They recommended that EPA re-examine the jobs definition and calculation, extend deadlines for reporting, and re-assess data requirements and data systems to eliminate duplicative work.

3.5 GREEN PROJECT RESERVE

3.5.1 BACKGROUND

ARRA required that at least 20 percent of each state's CWSRF and DWSRF capitalization grants be used to fund projects that address green infrastructure, water efficiency, energy efficiency or other environmentally innovative activities. EPA refers to this requirement as the Green Project Reserve. Under the Green Project Reserve, either entire projects or identifiable components of larger projects could be considered for inclusion. This Green Project Reserve mandate was new to the CWSRF and DWSRF programs.

The Office of Water provided guidance on the Green Project Reserve GPR on March 2, 2009, as part of a broader guidance document for the entire SRF programs and this included definitions to identify projects as shown in Table 12 below.

TABLE 12. 'GREEN' DEFINITIONS PER EPA GUIDANCE

TERM	DEFINITION
Water Efficiency	The use of improved technologies and practices to deliver equal or better services with less water.
Energy Efficiency	The use of improved technologies and practices to reduce the energy consumption of water quality projects, including projects to reduce energy consumption or produce clean energy used by a treatment works.
Green Infrastructure	Practices at multiple scales that manage and treat stormwater and that maintain and restore natural hydrology by infiltrating, evapotranspiring, and capturing and using stormwater. On a regional scale, green infrastructure is the preservation and restoration of natural landscape features, such as forests, floodplains, and wetlands, coupled with policies such as infill and redevelopment that reduce overall imperviousness in a watershed.
Innovation	Projects that demonstrate new and/or innovative approaches to managing water resources in a more sustainable way, including projects that achieve pollution prevention or pollutant removal with reduced costs and projects that foster adaptation of water protection programs and practices to address climate change.

Source: EPA, 2009c

The guidance was subsequently revised four times over the next year. Some types of projects required states to write up a justification as to why the project could be counted as 'green' towards the 20 percent GPR requirement. This justification was referred to as a 'business case.' Other projects qualified towards the 20 percent GPR requirement because they were entirely and explicitly framed as a green infrastructure or a water or energy efficiency project. These 'categorically' qualified projects did not require the submission of a business case justification for the SRF program, and minimized submissions for the DWSRF program. The small exceptions for the DWSRF program as detailed in EPA's guidance as green projects include the installation of water meters, gray water recycling systems, leak detection equipment and energy efficient retrofits to pumps. See Table 13 below for a more complete list of types of projects eligible to meet the GPR requirements, as published in the final guidance on January 4, 2010, approximately one month prior to the obligation deadline.

TABLE 13. EXAMPLES OF TYPES OF PROJECTS THAT QUALIFIED FOR GPR

WATER EFFICIENCY	ENERGY EFFICIENCY	GREEN INFRASTRUCTURE	INNOVATION
Water meter installation Water fixture replacement Gray water recycling Rain water collection	Pump efficiency upgrades Clean power production for treatment systems Leak detection equipment Distribution line replacement or rehabilitation (may require business case)	Implementation of 'Green Streets,' sustainable stormwater management that also contributes to community redevelopment Downspout disconnection to remove stormwater from combined sewers Wet weather management system for parking areas Hydro modification to restore riparian buffers	Wetland restoration Decentralized wastewater treatment to replace failing existing systems Water reuse projects that reduce energy use Projects that use water balance approaches to preserve site hydrology

Source: EPA, 2009c

In addition, managers of other types of traditional projects that had green benefits could develop a business case to seek qualification as 'green' for a project or project component. These projects needed to demonstrate substantial benefits or savings compared to the existing equipment, and these savings needed to be a substantial part of the rationale detailed in the business case. Documentation typically referenced a preliminary engineering report or other planning document that clearly identified the GPR benefits, and clearly estimated the cost, energy or water savings from the project. EPA Regions became the main point of contact and determined whether a project or component met requirements. Table 14 below shows the final state GPR distribution for each SRF program for the states included in this study.

TABLE 14. FINAL STATE GPR DISTRIBUTION FOR SRF PROGRAMS

STATE	FINAL CWSRF DISTRIBUTION % TO GPR PROJECTS	FINAL DWSRF DISTRIBUTION % TO GPR PROJECTS
Colorado	26%	29%
Iowa	22%	23%
Louisiana	20%	25%
Missouri	38%	34%
Montana	28%	49%
New Hampshire	33%	23%
New York	37%	34%
North Carolina	21%	20%
Oklahoma	26%	23%
Texas	27%	20%
Virginia	21%	38%
Washington	28%	33%

Sources: EPA, 2010b; EPA, 2010c

GPR requirements continued post ARRA for the regular base SRF programs into the 2010, 2011 and 2012 funding appropriations. Post-ARRA, EPA further amended the ARRA GPR guidance for use in the base programs and has issued revised guidance every year since. See Table 15 below for a summary of GPR percentage requirements by SRF program.

TABLE 15. PERCENTAGE REQUIREMENT FOR SRF PROJECTS FOR ARRA AND POST-ARRA

YEAR	CWSRF GRP REQUIREMENT	DWSRF GRP REQUIREMENT	APPROVAL AND/OR BUSINESS CASE REQUIREMENTS
ARRA	20%	20%	CWSRF: No Business Case required if 'categorical.' DWSRF: No Business Case required if met 'categorical' exemptions. A business case required EPA Region approval for all projects.
2010	20%	20%	CWSRF: No Business Case required if 'categorical.' DWSRF: No Business Case required if met 'categorical' exemptions. Business Case posted on website. Regions to review.
2011	20%	20%	CWSRF: No Business Case required if 'categorical.' DWSRF: No Business Case required if met 'categorical' exemptions. Business Case posted on website. Regions to review.
2012	10%	States' Discretion	CWSRF: No Business Case required if 'categorical.' DWSRF: n/a
2013	10%	States' Discretion	CWSRF: No Business Case required if 'categorical.' DWSRF: n/a
Hurricane Sandy Supplemental	None	None	n/a

3.5.2 FINDINGS – EPA PERSPECTIVE – GREEN PROJECT RESERVE

MAJOR CHALLENGES – EPA PERSPECTIVE

The following provides an overview of the major challenges the SAIC Team heard consistently or were specifically mentioned by an EPA interviewee.

Developing guidance for a new requirement: As noted with the other mandates, GPR was a new requirement requiring policy and guidance development for the SRF programs. EPA acknowledged that the GPR guidance for the DWSRF program was given a back seat to developing the Buy American guidance, due to balancing the resources available. HQ and EPA Region interviewees indicated that GPR guidance for both the CWSRF and DWSRF programs was an evolving process during the obligation period, and that HQ chose to change guidance in response to specific instances arising during implementation. For example, the DWSRF initially provided a method for determining energy efficiency, but realized it was not practical and then switched to the CWSRF method.

Providing and interpreting new guidance when it arrived late: EPA Regions stated that policies were difficult to interpret and apply to each of the CWSRF and DWSRF programs, specifically the energy and water efficiency definitions (e.g., defining energy and water savings). It appears that the DWSRF program struggled more than the CWSRF program. There were no benchmarks or precedence in the program for what 'green' meant, which made it difficult initially for EPA to assist the states with their implementation questions. Additionally, guidance came late in the process, and the states had already submitted their green project lists. Some projects did not fit the criteria in the latest guidance, and EPA Region had to reject the projects.

Altering DWSRF program priorities to accommodate GPR mandate: Several EPA staff mentioned it was more difficult to identify 'green' shovel-ready projects for the DWSRF program than the CWSRF program. Historically, the CWSRF program had emphasized water and energy efficiency projects due to a decade or more of growing attention to energy self-sustaining facilities because tertiary treatment was energy intensive. Also, CWSRF had green infrastructure initiatives in place, such as low impact development to keep stormwater on site. However, DWSRF did not historically have this emphasis within its program as the priority has always been public health. EPA staff admitted it was slow in assisting its stakeholders to shift their thinking with regards to incorporating non-priority projects (e.g., fixing leaking pipes) or in helping the states think innovatively to ensure these types of projects were incorporated into the needs ranking criteria used by DWSRF. Leaking pipes were always a concern, but it was difficult to obtain local funding support. Therefore these projects never ranked high under DWSRF's public health needs ranking criteria. Every water facility has leaking pipes so once states received approval from EPA to consider pipe replacement as an energy efficient green project that could easily be shovel-ready, they identified sufficient projects for the 20 percent GPR.

Addressing shifting decisions regarding water metering as acceptable project: EPA staff acknowledged that EPA flipped back and forth on whether water meter projects would be considered a categorical GPR project or would require development of a business case.

Confusing GPR approval process for projects: EPA Headquarters was not clear in informing the Regions that they needed to approve all GPR projects. This was later changed to require the Regions to approve the GPR component of projects. Therefore some Regions accepted GPR projects that had been selected by the states, and the projects were awarded ARRA funds before the latest EPA guidance was established. There was also confusion in the DWSRF program regarding the responsibility for approving business cases. The Regions eventually took on the role of approving business cases.

Balancing flexibility and consistency: Some EPA Regions noted that they provided their states with flexibility. However, flexibility resulted in inconsistencies among the states and EPA Regions in identifying green projects. A green project in one Region/state would not necessarily be considered green in another Region/state that had different criteria or interpretation of 'green.' The Regions received feedback that the decisions were 'unfair' and had to respond to the stakeholders about these apparent inconsistencies.

MAJOR CHALLENGE - EPA
GREEN PROJECT RESERVE
Developing guidance for a new requirement
Providing and interpreting new guidance when it arrived late
Altering DWSRF program priorities to accommodate GPR mandate
Addressing shifting decisions regarding water metering as acceptable project
Confusing GPR approval process for projects
Balancing flexibility and consistency

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

The following successful approaches/successes are a summary of those the SAIC Team heard consistently among the EPA interviewees or were specifically mentioned by a participant as efficient or useful.

Created Regional and National GPR Workgroups: Region 6 developed a task team to address the GPR requirements that evolved into a GPR working group involving the Region 6 states. The working group held weekly meetings and correspondence with all the Region 6 states. This Regional GPR working group encouraged EPA HQ to implement a nation-wide GPR working group to clarify the GPR requirements and maintain consistency on projects throughout the states.

Successful Approach Focus: Region 6 - Dedicated GPR Staff and Panel

Region 6 established a coordinated process for evaluating GPR ARRA projects by dedicating two staff members (the Region ARRA Green Coordinator and Chief Green Engineer) to review all GPR projects proposed by the states and convene a panel of subject matter experts if the staff were unsure of a green qualification of a proposed project. This helped all their states exceed the 20 percent requirement and ensured consistency with regards to projects qualifying as 'green'.

Conducted post-ARRA listening sessions: With GPR continued in 2010 and 2011, EPA HQ conducted listening sessions with states and Regions and developed better guidance in 2010. EPA acknowledged that it was not practical or necessary to review every GPR project from the states; instead it left the determination of whether a project qualified as 'green' to the states. However, the states were required to post the GPR projects and business cases on their websites every quarter for transparency. EPA Regions were to then review these projects and business cases and provide feedback to the states, if necessary.

Developed one-page format for business case: The DWSRF program required the funding recipients to develop a business case so EPA could determine if the project met the 'green' criteria. Part-way through the process, EPA HQ developed a one-page template that simplified the documentation and reduced the review time by obtaining concise and consistent information from the recipients for review by EPA.

Provided HQ-funded contractors to identify green projects: EPA HQ sent contractors to some states to assist in identifying what projects could qualify as green. Participants in the state focus groups expressed their appreciation of the usefulness of these extra resources.

SUCCESSFUL APPROACHES - EPA
GREEN PROJECT RESERVE
Created Regional and National GPR Workgroups
Conducted post-ARRA listening sessions
Developed one-page format for business case
Provided HQ-funded contractors to identify green projects

RECOMMENDATIONS - EPA PERSPECTIVE

The following key recommendations are a summary of those the SAIC Team heard consistently among the EPA interviewees or were specifically mentioned by a participant as efficient or useful.

Share issues and successful approaches between Regions: EPA interviewees recommended more communication between the Regions to discuss the issues and share the types of projects their Regions were identifying. They noted this communication could have assisted their own states/funding recipients, especially during the periods before the guidance was released as well as when it was modified.

Ensure draft guidance is reviewed by stakeholders prior to finalizing: Indirectly, the EPA participants suggested the usefulness and efficiency of having users (states and funding recipients) review draft guidance prior to finalizing. Many EPA interviewees acknowledged that the deficiencies of the initial guidance were discovered after they received many questions from the states and reviewed the types of projects that the states were identifying as green. Some green projects in one Region/state would not have been approved as a green project by another Region/state. EPA continued to develop more specific, clear guidance as ARRA implementation continued and post-ARRA when the Green Project Reserve was continued.

Provide outreach on how public health can be green: EPA interviewees acknowledged that some drinking water projects that address key public health issues can also be considered 'green.' One interviewee suggested developing an outreach program to identify and educate states and funding recipients on these types of projects and dedicating resources to assist states when needed. Additionally, publicizing the benefits of the completed ARRA green projects would also help raise awareness with states and funding recipients and prompt them to think innovatively, while addressing the priority public health issues.

RECOMMENDATIONS - EPA
GREEN PROJECT RESERVE
Share issues and successful approaches between Regions
Ensure draft guidance reviewed by stakeholders prior to finalizing
Provide outreach on how public health can be green

MAJOR CHALLENGES – STATE/FUNDING RECIPIENT PERSPECTIVES

The following section lists key challenges that the SAIC Team heard consistently among the state focus group participants or were specifically mentioned by a participant as efficient or useful.

Managing without guidance: As noted in the EPA Major Challenges section above, the states and funding recipients also struggled with ensuring GPR requirements were met for a new concept requiring quick adjustment to the program, without complete guidance at the start of ARRA (although the CWSRF program included some emphasis for identifying water and energy efficiency projects prior to ARRA). Some state SRF programs began soliciting and identifying what they perceived were green projects without clear guidance from the EPA. According to an OIG report (February 2010) some states, after receiving EPA’s guidance, re-solicited for green projects, and other states re-examined their lists of green projects.

Implementing GPR with unclear and changing guidance: According to focus group participants, understanding GPR was a challenge for states and funding recipients on multiple levels, and it was exacerbated as guidance evolved. For example, projects designed to mitigate ‘water loss’ (e.g., leaking pipes) were not considered ‘green’ under EPA’s early guidance, even though states argued that their traditional projects like water line replacements were categorically ‘green.’ As noted above, the energy efficiency definitions changed for the DWSRF program during the course of ARRA; this forced states to adjust their project designs after projects were already awarded and/or underway. In addition, definitions were often unclear; states did not always receive prompt feedback on whether or not a project had ‘green’ components. States then were unsure about providing guidance to funding recipients because EPA had to make the final decision, and at times guidance from EPA came too late or was inconsistent. Many funding recipients relied on engineers or other contractors to identify green projects or components. Many state participants felt they were ‘driving blind’ as they were forced to move ahead, not knowing confidently that some of their projects would be accepted as green. Further, some states commented that EPA’s blanket guidance conflicted with state regulations at least on one occasion. For example, according to the guidance, EPA would have accepted as green a project that used wastewater to recharge aquifers, but this conflicted with at least one state’s use/re-use regulations.

Preparing business cases for each project: The majority of state participants and funding recipients commented that the business cases were time consuming and often caused delays in meeting obligation deadlines. In addition, many ‘green’ projects were shovel-ready, but were put on hold because the states didn’t know if EPA would qualify them as ‘green.’ Several states hired consultants or contractors who could complete a business case and/or complete the administrative work of relatively simple GPR projects quickly. More complex projects were passed over, even if they had greater public health benefits, because their business cases required too much time and/or resources to prepare. Some states mentioned that they had additional green projects funded by ARRA, but since they had already met their 20 percent, they stopped drafting the business cases because it was resource intensive. Thus these projects were not included in the count of green projects funded by ARRA.

Finding ‘green’ shovel-ready projects: Again, the majority of participants said it was extremely difficult to identify green, shovel-ready projects. Both CWSRF and DWSRF programs had shovel-ready projects but many projects, particularly the DWSRF projects, were not ‘green’ or did not have a ‘green’ component.

Some states commented that they were able to find sufficient 'green' projects on their existing prioritized lists, while other states commented that they had difficulty finding sufficient projects that qualified for the Green Project Reserve. Some states that actively solicited green projects, received applications, but many of these projects were not shovel-ready.

Funding non-traditional 'green' projects: Some CWSRF programs sought non-traditional projects but were faced with the barrier that SRFs can only fund local governments and not lend to private institutions. Many of the non-traditional projects selected included partnerships with universities and libraries. For example, one state funded a green roof and rain garden pilot project with a university. These projects also served as additional educational opportunities for the states.

Understanding how 'green' differs from basic principles of SRF: Many focus group participants from both CWSRF and DWSRF programs found the 20 percent GPR requirement confusing and frustrating. They consider *all* of their SRF projects 'green' in that they increase efficiency of use, are based on environmental statutes, improve drinking water quality, etc. The unintended message from the ARRA GPR requirement was that their traditional SRF projects were *not* green. State personnel, disheartened by this, found it frustrating to single out specific projects that met the ARRA definition of 'green.' The confusion and frustration detracted from state personnel's efficiency in addressing ARRA projects.

Complying with the GPR mandate required forgoing some public health priority projects: As noted in Section 3.1 Timely Obligation of this report, states found a conflict in trying to meet shovel-ready deadlines and also meet the GPR requirement. Almost all DWSRF state participants commented that in order to meet the 20 percent requirement, many higher priority public health projects were bypassed. This created conflict at the state and local level as all projects are ranked and publicized; local public officials needed to justify the selected projects to the public.

Funding non-traditional water projects attracted negative publicity: Several states used ARRA as an opportunity to fund non-traditional green projects either as a way to expand their program or to fulfill their SRF GPR requirements. Project examples included stream bank restoration, rain gardens and green roofs. Many of these projects also served as educational platforms allowing for the funding recipients to increase local awareness of green, energy-wise projects. However, these projects also captured negative public attention and some recipients were highlighted in the local press as not allocating ARRA funds responsibly, especially during a deep recession. In addition, some states' SRF programs felt that their programs were not using their funding the way they were originally intended to, such as for priority clean water or drinking water projects.

MAJOR CHALLENGES - STATE/FUNDING RECIPIENT
GREEN PROJECT RESERVE
Managing without guidance
Implementing GPR with unclear and changing guidance
Preparing business cases for each project
Finding 'green' shovel-ready projects
Funding non-traditional 'green' projects
Understanding how 'green' differs from basic principles of SRF
Complying with the GPR mandate required forgoing some public health priority projects
Funding non-traditional water projects attracted negative publicity

SUCCESSFUL APPROACHES – STATE/FUNDING RECIPIENT PERSPECTIVES

The following successful approaches are a summary of those the SAIC Team heard consistently among the participants or were specifically mentioned by a participant as efficient or useful.

Posted business cases on web to inform other applicants: Since there was minimal guidance from EPA on business cases for green projects, the Oklahoma CWSRF program posted all of their business cases on their website to serve as templates for other applicants. Many CWSRF participants also mentioned that project delays are reduced since they now have the responsibility to approve the business cases (post-ARRA). (DWSRF programs do not have a GPR requirement post-ARRA.)

Successful Approach Focus: New York - Developed New Green Innovation Program

Approximately ten percent of New York's CWSRF ARRA funds were set aside for a new grant program, called the Green Innovation Grant Program or GIGP. Creating this new program allowed shovel-ready, GPR-eligible CWSRF projects that were not initially listed on the Intended Use Plan (IUP) to access ARRA funds. Creation of the GIGP provided an opportunity to support projects that simultaneously protect water quality, conserve energy resources and reduce greenhouse gas emissions. The response to the GIGP solicitation was overwhelming, with 209 applications received, totaling \$346 million in requests for CWSRF/ARRA funds. Ultimately, \$38 million in grants were provided to 35 GIGP CWSRF projects with up to 90 percent funding. Sixteen of these were GPR energy efficiency projects and four were environmental innovation projects. Combined, these 20 projects provided an estimated 13.6 million kWh in avoided electrical use or generation (EPA, 2010d).

Actively solicited for green projects: States actively solicited for green projects in both the CWSRF and DWSRF programs. According to an OIG report (February 2010), approximately 70 percent of all 50 states solicited for both clean water and drinking water projects. The state focus group participants initiated a variety of means for solicitation, including coordinating meetings with local organizations, placing information on their websites, advertising to environmental groups, and reaching out to contractors and consultants with contacts at the municipal levels.

SUCCESSFUL APPROACHES - STATE/FUNDING RECIPIENT
GREEN PROJECT RESERVE
Posted business cases on web to inform other applicants
Developed new green innovation program
Actively solicited for green projects

RECOMMENDATIONS – STATE/FUNDING RECIPIENT PERSPECTIVES

The following recommendations are a summary of those the SAIC Team heard consistently among the participants or were specifically mentioned by a participant as efficient or useful.

Propose GPR as incentive-based rather than mandatory: Some states thought that GPR should have been an incentive-based option and not a mandate. States indicated that obtaining viable ‘green’ projects for base SRF loans year after year for 20 percent of the funds may be difficult. Some state participants expressed concern that continuing GPR would siphon funds away from higher priority projects and compromise the fundamental public health goals of the DWSRF program. For example, projects that had priority based on public health needs were shelved to focus on ‘green’ projects such as automatic meter readers.

Provide consistent, clear guidance from the start: State and funding participants’ primary recommendation was the need to clearly define ‘green’ components and to ensure the guidance does not change throughout the process.

Consider ‘grandfathering’ previous decisions if guidance changes: If guidance requires changes, a few state participants recommended that EPA ‘grandfather’ previous decisions, if possible, to avoid re-work, lost work, delays, and frustrations for EPA, states, and funding recipients.

Consider tradeoffs of CWSRF requirements for GPR: A few state and funding recipients noted that a GPR project may provide the least or fewer water quality benefits in that the projects may not improve water quality, but only conserve energy. To this end, the participants suggested EPA consider these consequences in the future. To meet GPR requirements, states had to bypass projects that would bring systems into compliance with state water quality regulations.

Incorporate a consistent requirement for GPR: Many participants recommended that EPA set a consistent GPR funding percentage requirement (for CWSRF) if it is going to continue post-ARRA. As shown in the Background section of this report, the percentage of funding for GPR has shifted since ARRA. Maintaining a set percentage will assist states in their planning processes.

Expanding SRF programs to be green: Many states commented that the GPR requirement could be a mainstay for the program and began the process of officially classifying these kinds of projects in the base program – even going so far as launching new ‘green’ programs. Some states reported that the Green Project Reserve encouraged engineers to think innovatively when designing projects to incorporate water and energy efficient technology in their projects.

RECOMMENDATIONS - STATE/FUNDING RECIPIENT
GREEN PROJECT RESERVE
Propose GPR as incentive-based rather than the mandatory
Provide consistent, clear guidance from the start
Consider 'grandfathering' previous decisions if guidance changes
Consider tradeoffs for CWSRF requirements for GPR
Incorporate a consistent requirement for GPR
Expanding SRF programs to be green

3.5.4 SUMMARY – GREEN PROJECT RESERVE

As with the other mandates, the new requirements caused some confusion and delays, as everyone worked with changing guidance on specifics of the Green Project Reserve initiative, such as whether metering projects met the definition of 'green.' Business case documentation for non-categorical projects was time-consuming. State SRF programs needed to make several adjustments to identify projects that met the ARRA definition of 'green.' Finding shovel-ready green projects was challenging. EPA and state representatives cited the value of openly sharing information about GPR projects to share successful strategies. State participants noted that EPA should consider making the Green Project Reserve initiative a voluntary rather than mandatory program; states want to have the option of choosing the optimal project that will provide the most environmental and public health benefits.

3.6 WHITE HOUSE AND CONGRESSIONAL NOTIFICATION

3.6.1 BACKGROUND

EPA was required to notify the White House and Congress in advance of grant award. Prior to ARRA, EPA was required to provide advance notice of all energy-related grants and all grants over \$1 million. Under ARRA, EPA was also required to provide advance notice of any 'significant' grants. EPA decided that all ARRA grants would be considered 'significant' and thus were included in the advance notices to the White House and Congress.

EPA's process for grant award notification to the White House and Congress remained largely unchanged from the process in place prior to ARRA. Grants management officers in the EPA Regional offices and at HQ sent grant award information to a specific staff person in OARM's Office of Grants and Debarment by email using a Word document template developed by OGD that contained the needed information (shown in Table 16 below). According to OGD staff, some Regions had one contact person who collected and entered the data for multiple grants into the template and emailed this information to the OGD staff. Other EPA Regions had individual grant specialists send the grant notifications for their respective grants. Sometimes the information for one individual award would be sent in the body of an email (and the template not used). The Regional grant specialists had until close of business on Mondays to send the notifications of any grants ready to be awarded to OGD; they could then issue the awards five business days later.

A two-person team would copy and paste the information from the grant specialists' submissions into two reports that were submitted by noon Tuesday to the EPA White House liaison in the Office of the Administrator in addition to EPA staff in OGD and OARM. One report, known as the "Regular Report" lists all of the grants without congressional earmarks. The other report, known as the "City Report" includes everything in the Regular Report but also includes the congressional earmarks grants, with the relevant receiving congressional district and city noted. The reports are organized alphabetically by state. These reports then become a section in a larger report that is sent weekly to the White House and Congress. Grantors must wait five days after the White House receives the grant notification report before awarding the grant.

TABLE 16. TEMPLATE FOR WHITE HOUSE NOTIFICATION OF PENDING AWARDS

RECIPIENT NAME	FULL NAME, AS IT APPEARS ON THE AWARD
State	Self-explanatory
City	Self-explanatory
Congressional District	This should be the Congressional District for the funded project, NOT for the recipient. Use district numbers, not names of Congressional representatives. If all districts in a state, then enter "Statewide." If the project crosses state boundaries, be sure to show districts by state. For example: WA – 4, 5; ID – 2. Or: WA-4,5; ID – statewide. Or: NV-statewide; UT: statewide.
EPA Award Amount	The full amount of the award, not incremental funding amounts.
Program Code	Self-explanatory
Grant Number	Self-explanatory
Description	A brief description – use or modify the one on the FR. Make sure acronyms are spelled out.
Earmark	Yes _____ No _____

3.6.2 FINDINGS – EPA PERSPECTIVE – WHITE HOUSE AND CONGRESSIONAL NOTIFICATION

This section presents the major challenges, successful approaches and recommendations from EPA interviews related to White House and Congressional notification. Notification of pending awards to the White House and Congress was not a topic of discussion at the state focus groups so there are no comments or observations from the state perspective.

MAJOR CHALLENGE – EPA PERSPECTIVE

Informing the White House and Congress of a huge number of pending awards promptly: The EPA staff were very busy every Monday and Tuesday compiling the reports because of the volume of grants awarded during ARRA. There were a few instances when they missed the noon Tuesday deadline but were able to submit the report by that afternoon.

MAJOR CHALLENGES - EPA
WHITE HOUSE AND CONGRESSIONAL NOTIFICATION
Informing the White House and Congress of a huge number of pending awards promptly

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

Combined notification to White House and Congress: EPA waived the normal five-day holding period for the White House to decide prior to Congressional notification whether to announce the award or hold an event; White House and Congress were notified simultaneously about impending awards.

Shared email inbox for notifications of pending awards: One improvement made in February 2012 was that grant specialists sent the notifications to a shared email inbox that could be accessed by multiple staff at OGD, thus preventing delays in compiling the report because of the absence of a key staff.

SUCCESSFUL APPROACHES - EPA
WHITE HOUSE AND CONGRESSIONAL NOTIFICATION
Combined notification to White House and Congress
Share email inbox for notifications of pending awards

RECOMMENDATION – EPA PERSPECTIVE

Automated report function developed in IGMS: According to staff interviewed, they considered developing an automated report function to obtain the information from the IGMS such that staff could ‘click on a button’ once a week to create the report. This would eliminate the individual grant notifications from the grant specialists and manual compilation of the report. However, this solution was not pursued during the ARRA period, in part, due to staff turnover.

RECOMMENDATIONS - EPA
WHITE HOUSE AND CONGRESSIONAL NOTIFICATION
Automated report function developed in IGMS

3.6.3 SUMMARY – WHITE HOUSE AND CONGRESSIONAL NOTIFICATION

Informing the White House and Congress of pending ARRA awards was time-consuming, given the large number of awards made under ARRA. EPA achieved some efficiencies by combining the two notification processes and by sending notifications to a shared e-mail address, accessible by all EPA staff responsible for notifications. Additional improvements could be made by adding an automated report function to the IGMS database.

3.7 WORKLOAD SHARING

3.7.1 BACKGROUND

The ARRA appropriations resulted in increased funds that were double or triple the normal funding amounts. This huge increase in funds coupled with the short time frame caused an enormous workload for existing EPA and state staff at a time where budgets for several years had been stagnant or declining. EPA staffing levels were lean and many state staff were in furlough working conditions. EPA Regional staff acknowledged that the state SRF staff bore the brunt of the workload. One EPA Regional staff member, commenting on the states' long and hard work, noted that on one occasion she sent an email at 4 a.m. one day and received two responses shortly afterward from the states. Both EPA and states were provided with M&O funds that could be used to hire staff or contractors.

As part of ARRA, EPA OGD worked with Office of General Counsel to prepare temporary delegations of authority to allow workload sharing between EPA Regions and between EPA Regions and EPA HQ. The theory was that overburdened Regions would be able to use workload sharing to spread the increased ARRA workload around to Regional offices with fewer ARRA tasks, thus maximizing the workload potential of all EPA staff across the country.

3.7.2 FINDINGS – EPA/STATE PERSPECTIVES – WORKLOAD SHARING

This section presents the major challenges, successful approaches and recommendations from EPA interviews and state focus groups related to workload.

MAJOR CHALLENGES – EPA/STATE PERSPECTIVES

Responding to uneven workload: EPA Regions interviewed commented that some programs such as the SRF programs had a greater workload than others such as Superfund because of the larger number of projects and greater challenges posed by the ARRA mandates. States that decided to fund as many projects as possible created more workload for themselves than states that funded a few projects. Though a few Regions and states hired temporary staff and initiated other actions to meet this workload, the bulk of the workload was borne by existing EPA and state staff who labored through long days and nights, weeks and weekends, and month after month. While proud of what they accomplished and welcoming of more funds again, none wanted to repeat the workload burden.

Overcoming obstacles to workload sharing: Interviewees from seven out of the ten EPA Regions stated that they did not use workload sharing during ARRA. Some Regional staff were not aware of the workload sharing process and some expressed reservations about the process. Staff-on-loan would not be familiar with the Region's states, processes and procedures and resources would be required to train those who had no experience working on projects in their Region. Others said it would have been difficult and a little discomfiting to have a grant managed in a different Region. One interviewee also stated that there was a sentiment among high level management to have each program's best and most experienced staff working on ARRA projects, and it would have been difficult for Regions to meet this expectation with workload sharing. Lastly, some Regions mentioned that they experienced employee turnover during ARRA, which made project coordination and communication with other Regions – aspects of funds management necessary to effectively implement workload sharing – more difficult.

Overcoming obstacles to hiring: Though M&O money was provided to EPA Regions and states, only a few EPA Regions and states hired new staff according to interviewees. Reasons cited for not hiring: hiring process takes too long, training new staff would take time away from existing staff's ability to work on ARRA, would take too long for new staff to be trained and productive, and job would only be temporary. Those EPA Regions and states that did hire new temporary staff were pleased with the new hires, some of whom were able to find permanent job positions. **Funding projects in small communities increased states' workload:** According to a few states, there are disadvantages to awarding loans and grants to small communities that had never dealt with the SRF program, loans or grants or construction projects. States commented that typically these small communities had few staff, part-time staff or volunteers and had no experience managing construction projects. This placed extra burden on the state staff that became 'de facto' project managers for the small communities.

MAJOR CHALLENGES - EPA/STATE
WORKLOAD SHARING
Responding to uneven workload
Overcoming obstacles to workload sharing
Overcoming obstacles to hiring
Funding projects in small communities increased states' workload

SUCCESSFUL APPROACHES – EPA/STATE PERSPECTIVES

Prioritized the work: All non-ARRA work became secondary. Projects closer to shovel-ready received more attention than those that lagged.

Dedicated experienced staff to ARRA: Many programs assigned their more senior or more experienced staff to ARRA, while junior or less experienced staff handled less complicated grants or base programs.

Pulled in staff from other program areas: Resources were thin in EPA and many offices pulled in help from other programs to help with ARRA (e.g., engineers were borrowed to assist in making decisions on Buy American waiver requests). At the Regional level, some offices pulled in people from the field to assist with reviews.

Made temporary hires: Hiring retired experienced former EPA employees minimized training. Qualified new hires paired with experienced co-workers or supervisors were found to be productive as they received on-the-job training. The DERA HQ office also created a training program for temporary employees and set up initiatives to ensure that tasks were completed on time. They were able to use the ARRA travel allowance to enhance the training, which included meeting with states, walking the project areas and meeting with funding recipients.

Established single point of contact for ARRA: Many EPA programs or offices assigned one person to be the single point of contact for a specific ARRA mandate, such as Buy American or Davis-Bacon or to manage a part of the program itself. For example, the Brownfields HQ office assigned monitoring of all budgets and grants performance to one person, later referred to as the 'ARRA Tsar'; this job was challenging but provided consistency.

Centralized responsibilities: Where possible, EPA offices and programs centralized responsibilities, including issuing one national HQ Request for Proposals (RFP) for the DERA program, instead of 10 Regional RFPs.

Hired contractors to conduct training, identify green projects and conduct inspections: Contractors were used by some Regions and states to help review Buy American waivers, identify green projects, or conduct inspections.

SUCCESSFUL APPROACHES - EPA/STATE
WORKLOAD SHARING
Prioritized the work
Dedicated experienced staff to ARRA
Pulled in staff from other program areas
Made temporary hires
Established single point of contact for ARRA
Centralized responsibilities
Hired contractors to conduct training, identify green projects and conduct inspections

RECOMMENDATION – EPA/STATE PERSPECTIVES

Promote hiring at EPA and state levels: One recommendation was that EPA should strongly encourage and actively promote the use of the M&O funds to hire additional staff (even if temporary) at the EPA and state levels.

RECOMMENDATIONS - EPA/STATE
WORKLOAD SHARING
Promote hiring at EPA and State levels

3.7.3 SUMMARY – WORKLOAD SHARING

EPA and state representatives found different ways to address the workload burden during ARRA implementation. Most Regions did not take advantage of workload sharing options between Regions, citing that it would be too difficult to accomplish efficiently. Instead, Regions borrowed staff from other programs, appointed mandate specialists (e.g., Buy American) to avoid training multiple staff, and assigned experienced staff to ARRA projects. Those few states and Regions that used M&O funds to hire additional staff were pleased with the results; they encouraged EPA to more openly promote this option if a similar workload burden occurs again.

3.8 OPEN GRANT FINDINGS

3.8.1 BACKGROUND

EPA's existing policy provides that if an applicant has open, adverse findings from OIG audits, Single Audits or EPA pre-award or post-award reviews, but findings do not call into question the applicant's ability to properly manage funds, grants management officers can proceed with award, provided it contains special terms and conditions imposed under either 40 CFR 30.14 or 40 CFR 31.12 requiring the recipient to take necessary corrective action within a specified period of time.

3.8.2 FINDINGS – EPA PERSPECTIVE – OPEN GRANT FINDINGS

This section presents the major challenges and successful approaches and recommendations from EPA interviews related to open grant findings. EPA interviewees did not provide any recommendations.

Open Grant Findings were not a topic of discussion at the state focus groups so there are no comments or observations from the state perspective.

MAJOR CHALLENGE – EPA PERSPECTIVE

Open grant findings can delay awards: Delays can be encountered in awarding cooperative agreements, contracts and grants to states or other recipients if previous audits reported findings that are not resolved by the time of the award. EPA's existing policy and processes enable the Agency to award the funds with the stipulation that the findings must be addressed. This enables activities to continue or projects to proceed while the audit findings are being resolved.

MAJOR CHALLENGES - EPA
OPEN GRANT FINDINGS
Open grant findings could delay awards

SUCCESSFUL APPROACHES – EPA PERSPECTIVE

Flagged states with funding management issues as high risk: Only a few Regional staff commented on awarding grants to states with open grant findings. One EPA interviewee explained that states with past funding management issues are flagged as high risk. Awarding grants to these high risk states involves a very detailed process that requires extra work and review but it allows these states to receive the funds. The states are required to submit substantial expenditure documentation first that is then reviewed by EPA and if approved, the states receive reimbursement. One EPA Regional interviewee described a past experience with a state that was unable to operate in the reimbursement mode because it financially did not have its own funds to spend. In this specific case, which did not necessarily involve ARRA funds, the state was required to submit a detailed request list of proposed expenditures to the Region. After the Region and state agreed upon the request list, the state could then draw down funds.

SUCCESSFUL APPROACHES - EPA
OPEN GRANT FINDINGS
States with funding management issues are flagged as high risk

3.8.3 SUMMARY – OPEN GRANT FINDINGS

Regions that make awards to states with open grant findings (states with a record of past funding management issues) have to follow a more detailed process with more review. Having a policy that allows awards to states or funding recipients with open grant findings means that no state is precluded from the benefits of receiving federal funds, whether from a special stimulus appropriation or from customary federal grant programs. The increased scrutiny helps to ensure responsible funds management.

3.9 OVERSIGHT MONITORING

3.9.1 BACKGROUND

Increased oversight included review of weekly financial and activity reports, semi-annual instead of annual review of state programs that included test transactions, and review of more ARRA project files than required in the base programs.

3.9.2 FINDINGS – EPA/STATE PERSPECTIVES – OVERSIGHT MONITORING

This section presents the major challenges, successful approaches and recommendations from EPA interviews and state focus groups related to oversight monitoring.

MAJOR CHALLENGES – EPA/STATE PERSPECTIVES

Unnecessary amount of oversight: Many EPA interviewees and all state focus group participants commented that the amount of oversight required by ARRA at all levels seemed unnecessary. While the participants understood the need for increased oversight, most asserted that the frequency of reviewing, monitoring, inspecting and auditing the mandate requirements was excessive during a critical time when resources were stretched. Some EPA interviewees questioned the need for the increase in the frequency of oversight activities in programs that had good internal controls. A few EPA interviewees did add that some of the oversight activities improved their understanding of program policies and procedures as well as increased their knowledge of the projects. Some state focus group participants pointed out a positive consequence: the increased monitoring frequency helped spot potential issues earlier in the grant rather than later, thus preventing issues from becoming more serious problems.

Increased review of fund expenditures unnecessary for some projects: Some respondents involved in the LUST and Brownfields program commented that the increased review of fund expenditures was inappropriate for their projects. Historically these projects do not expend the funds in the first or second quarter after award. Although activities are occurring, large expenditures are not seen until the latter part of the project period when invoices and reimbursement requests are submitted because the work is

completed. The low expenditure reports triggered reviews and questions; project managers and state LUST and Brownfields coordinators had to repeatedly explain that expenditures were lagging in the beginning because of the nature of the projects.

MAJOR CHALLENGES - EPA/STATE
OVERSIGHT MONITORING
Unnecessary amount of oversight
Increased review of fund expenditures unnecessary for some projects

SUCCESSFUL APPROACHES – EPA/STATE PERSPECTIVES

Checklists developed for inspectors and auditors: Some EPA Regions and states commented on the usefulness of inspection and audit checklists that contained ARRA-specific requirements. These checklists helped inspectors and auditors ensure that specific ARRA documentation was reviewed and their findings recorded.

SUCCESSFUL APPROACHES - EPA/STATE
OVERSIGHT MONITORING
Checklists developed for inspectors and auditors

RECOMMENDATIONS – EPA/STATE PERSPECTIVES

Develop a strategic, risk-based approach: Representatives from EPA OGD noted that the monitoring might have been more frequent than necessary, and expressed the need for EPA to develop a strategic, risk-based approach to monitoring.

Provide more immediate feedback from federal authorities conducting audits: Many states expressed disappointment in the lack of feedback regarding ARRA audits. To accommodate an audit, states reassigned staff and/or pulled staff from existing ARRA activities to provide site tours, prepare and review files and participate in interviews. Understanding whether they were in compliance with the ARRA regulations was of extreme importance to the states and since ARRA was a ‘fast burn’ appropriation, immediate feedback was needed to make any required changes to other projects. States recommended that EPA and other federal authorities provide some sort of immediate feedback from their audits and investigations to the states and funding recipients.

RECOMMENDATIONS - EPA/STATE
OVERSIGHT MONITORING
Develop a strategic, risk-based approach
Provide more immediate feedback from federal authorities conducting audits

3.9.3 SUMMARY – OVERSIGHT MONITORING

Most state and EPA representatives participating in the study noted that oversight monitoring was more rigorous than it needed to be, particularly when staff resources were stretched. Participants recommended that EPA follow a more risk-based approach to focus on areas of anticipated problems. States also suggested that federal auditors provide more immediate feedback to let state personnel know whether their ARRA management processes needed adjustments.

3.10 PROCESS EFFICIENCIES

Many EPA interviewees and state focus group participants described in general terms or provided specific examples of the modifications made to their existing processes to obtain greater efficiencies. These process efficiencies have been identified as Successful Approaches in Sections 3.1 through 3.9 of this report and compiled into Table 17 below. Additional process efficiencies mentioned by EPA and state respondents are provided below.

Training

- **Webinars for reaching large number of people:** While state and EPA staff appreciated all training, some commented that the early webinars raised more questions than they answered. Posting the training webinars on the website was helpful except when guidance changed and obsolete information that was not deleted from the online resources created confusion.
- **EPA HQ contractor training at EPA Regional and state offices:** Regions and states reported that this face-to-face training was valuable.

Tracking Tools

- EPA developed an Executive Dashboard to enable EPA management to track grant awards and expenditures.

Successful Approach Focus: Region 6 Process Efficiencies

EPA Region 6 created an assembly line approach in their DERA program to implement ARRA and assigned different people different responsibilities based on each person's skills to process grants quickly without disrupting normal operations. Region 6 also created a chart with multiple types of information that could be requested by outside officials and then responded to each request using the information from the chart, as well as developed a 'book' that listed all of Region 6 procedures. This 'go to' source of information was extremely useful for new hires and existing staff and became the first stop for auditors.

Modifications to Financial Processes

- **Consolidating money transfers:** Money was previously handled in individual Regions first, and then given to the Indian Health Service or Army Corps of Engineers. EPA streamlined the process by having the money go straight from HQ to IHS or to the Army Corps of Engineers.
- **Single invoicing:** One state Brownfields program switched from monthly invoices to just one invoice for each project. The state acknowledged that this was easier but made tracking the expenditures more difficult.

Table 17 below lists the process efficiencies identified by EPA interviewees and/or state focus group participants as Successful Approaches in Sections 3.1 through 3.9 in this report.

TABLE 17. SUMMARY OF PROCESS EFFICIENCIES

PROCESS EFFICIENCY	SECTION	PARTICIPANT
Using conditional and partial awards	Timely Obligation	EPA
Developing new award status tracking tools	Timely Obligation	EPA
Using model funding recommendations	Timely Obligation	EPA
Switching to electronic grant applications	Timely Obligation	States
Developing new forms/checklists for grant applications	Timely Obligation	States
Developing new project status tracking tools	Timely Obligation	Both
Conducting concurrent instead of sequential reviews	Timely Obligation	States
Screening for readiness to proceed to reduce number of applications that receive a detailed review	Timely Obligation	States
Developing a backup list of projects	Timely Obligation	States
Issuing a national waiver for small motors	Buy American	EPA
Developing a waiver tracking system	Buy American	EPA
Using DOL checklists for Davis-Bacon implementation	Davis-Bacon	EPA
Developing review checklists for 1512 reports	Reporting	EPA
Using a dedicated reporting coordinator	Reporting GPR	States EPA

PROCESS EFFICIENCY	SECTION	PARTICIPANT
	Grants Management	Both
Developing new reporting	Reporting	States
Developing a one-page business case template	GPR	EPA
Conducting training webinars	Grants Management	EPA
Using checklists for inspectors and auditors that addressed ARRA-specific requirements	Grants Management	Both

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SECTION 4. RECOMMENDATIONS TO EPA

4.1 SYNTHESIS OF RECOMMENDATIONS FROM THE STUDY

The SAIC Team heard hundreds of recommendations from EPA, states and funding recipients relating to ARRA implementation. The SAIC Team reviewed all of the recommendations and summarized below those which reflect the approaches found to be successful during ARRA implementation or alternative approaches that might prove more successful in meeting the challenges. These recommendations are not listed in any priority order and are offered as guideposts for EPA and states' existing programs and any new initiatives for the existing programs.

Work as a team

- **Collaborate with all stakeholders** (federal agencies, states, local governments, contractors and other funding recipients) through working groups to develop plans, policies and guidance. Convene multi-disciplinary and multi-organization discussions to ensure all viewpoints are included. Develop guidance and policy with input from all the stakeholders before rolling it out. Minimize changes to the guidance and policy after they are issued and consider grandfathering to avoid rework. Continue collaboration with all the stakeholders throughout the process to discuss and resolve issues.
- **Communicate frequently with one voice** (not different messages from the different federal agencies). Begin communication early (prior to roll-out of the funds) with the stakeholders. Use all communication avenues – meetings, webcasts, websites, emails, etc. Stay in frequent communication with all the stakeholders and be responsive to problems and issues raised by the funding recipients.
- **Create short-term working groups** focused on specific issues or processes. These short-term working groups promote stakeholder involvement and consensus solutions.
- **Be responsive** to the questions and issues from the stakeholders. Avoid delays in decisions and feedback.
- **Target and coordinate oversight** by the different responsible agencies to minimize the disruption and increased workload experienced by the states and funding recipients that can adversely impact progress. Provide rapid feedback and disseminate issues and solutions to others to prevent similar errors. Develop a risk-based approach to oversight to ensure that states with historical program or financial management issues receive more attention than programs with historically good internal management controls.

Follow a strategy

- **Clearly define the goals** and eliminate conflicting goals. For example, the stakeholders had to meet new mandates with shorter deadlines. EPA should identify the primary and secondary goals. If the primary goal is to obligate funds quickly, then minimize any new time-consuming requirements as much as possible.

- **Consider incorporating new requirements as incentives where possible as a transition.** When adding additional requirements (such as Buy American and GPR), consider proposing these as incentives or goals instead of mandatory requirements.
- **Simplify requirements** to enable quick implementation and better compliance. Make the effort to standardize all federal agency forms (applications, checklists, reports) into one that serves all the federal agencies. Allow states to implement their requirements (in lieu of the federal requirements) if these requirements are equal to or more stringent than federal requirements.
- **Provide for flexibility at the state and local level.** Allow for adjustments to the situation at the local level. One size does not fit all. Delegate the decisions to the local level as much as possible as the local situation will dictate what or how to apply requirements.

Use effective tools and processes

- **Streamline federal agencies' review and approval processes.** Allow for concurrent reviews rather than sequential reviews and reduce hierarchical levels of review. For example, environmental assessment and reviews involved in beach rebuilding may involve many agencies. Work together for a coordinated approach.
- **Agree and identify the specific monitoring data needs prior to implementation.** Identify data requirements upfront for all reporting, up and down the programmatic chain, to track the incremental milestones that measure the progress or status of activities and to measure the outcomes or results.
- **Provide reasonable deadlines and establish internal indicators** to alert managers of potential problems/delays.
- **Provide sufficient resources** to handle the increased workload. Dedicate experienced staff to the effort; reassign staff from other program areas; make temporary hires; use contractors.
- **Provide concise training and education for all stakeholders.** Use all forms of training to reach all stakeholders. Provide sufficient resources to enable on-the-ground assistance visits at the beginning of projects as these can increase the funding recipients' knowledge and understanding of the requirements and prevent future problems.

4.2 HOW EPA USED THE PRELIMINARY FINDINGS OF THE ARRA STUDY

SAIC shared preliminary results of its evaluation analyses to help EPA manage ongoing programs and in particular inform strategies to support EPA's Hurricane Sandy Recovery efforts. EPA used these analyses to help organize its efforts, develop long range strategies and inform stakeholders.

Similar to ARRA, the Hurricane Sandy Supplemental provided funds to an existing program with some changed and additional conditions under a tight timeframe. To help meet these planning goals, EPA used the following preliminary analyses:

Need many, varied skills. Organize multi-disciplinary teams from the agency and major partners to identify major problems. To do so quickly, add on to existing frameworks rather than starting from scratch.

- For Hurricane Sandy, EPA used the grants office's planning process to coordinate groups. To facilitate this planning, EPA managers delegated authorities early on to allow process-holders to engage directly.

Obtain input from all stakeholders. Ensuring state and recipient input into policy and planning helped identify issues. Even prior to final legislation passage EPA Regional personnel met with state and local officials about potential projects and challenges.

- EPA shared preliminary guidance, definitions and other major documents with state planners and obtained their feedback.
- EPA worked closely with other federal agencies to try to minimize duplication of efforts between federal agencies.

Changing guidance causing re-work. Changing OMB, Recovery Act Transparency Board and other agency guidance created significant additional work for all parties.

- EPA worked actively with the Hurricane Sandy Task Force to help craft guidance and policy to make initial guidance clearer and reduce the need for re-work. This included specifying clear financial deadlines and clarifying crucial definitions.

Capturing Data. Preliminary analyses of technology and economic impacts showed anecdotally that wastewater and drinking water projects could have substantial local economic, employment, environmental and quality of life impacts. However, these analyses also revealed that EPA could not capture or quantify many of these benefits because EPA had not enhanced its systems' reporting capabilities to capture this data.

- EPA used this lesson learned by engaging with the Hurricane Sandy States early in planning to discuss what data all parties wanted to capture, and to begin planning how to capture it.

Although preliminary data cannot provide managers with final answers, it helped EPA managers know what questions to ask. In planning for the Hurricane Sandy response, this proved invaluable. EPA managers knew they needed to create a communications network that allowed for questions to be posted and a forum for discussion of possible solutions and their costs and benefits.

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APPENDIX 1: FOCUS GROUP PROJECT AND FUNDING INFORMATION

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FOCUS GROUP FUNDING AND PROJECT INFORMATION

**[Note: New York is listed twice in the table to show that the participants provided discussion on both topics of Funds Management and Cost Estimating/GPR.]*

STATE	SRF	SUPERFUND	BROWNFIELDS	LUST	DERA
Colorado (EPA Region 8) State for Pilot Study	<ul style="list-style-type: none"> - 12 CWSRF, 22 DWSRF projects - \$64.4 M - No Buy American waivers - First SRF obligation: 8/29/2009 - Last SRF obligation: 12/31/2009 	<ul style="list-style-type: none"> - 2 projects - \$19.2 M 	<ul style="list-style-type: none"> - 1 project - \$200,000 	\$2.5 M	\$1.73 M
Missouri (EPA Region 7)	<ul style="list-style-type: none"> - 44 CWSRF, 18 DWSRF projects - \$138.8 M - 2 Buy American waivers - First SRF obligation: 6/15/2009 - Last SRF obligation: 2/10/2010 	<ul style="list-style-type: none"> - 1 project - \$2.5 M 	<ul style="list-style-type: none"> - 4 projects - \$800,000 	\$3.3 M	\$1.73 M
New Hampshire (EPA Region 1)	<ul style="list-style-type: none"> - 45 CWSRF, 49 DWSRF projects - \$54.7 M - 4 Buy American waivers - First SRF obligation: 6/17/2009 - Last SRF obligation: 2/1/2010 	<ul style="list-style-type: none"> - 1 project - \$1.8 M 	<ul style="list-style-type: none"> - 1 project - \$400,000 	\$1.3 M	\$1.73 M
New York (EPA Region 2)	<ul style="list-style-type: none"> - 80 CWSRF, 29 DWSRF projects - \$502.3 M - 1 Buy American waiver - First SRF obligation: 2/20/2009 - Last SRF obligation: 2/16/2010 	<ul style="list-style-type: none"> - 2 projects - \$14.7 M 	- none	\$9.2 M	\$1.73 M
Texas (EPA Region 6)	<ul style="list-style-type: none"> - 21 CWSRF, 25 DWSRF projects - \$326.1 M - 1 Buy American waiver - First SRF obligation: 11/10/2009 - Last SRF obligation: 2/11/2010 	<ul style="list-style-type: none"> - 1 project - \$6 M 	<ul style="list-style-type: none"> - 2 projects - \$432,200 	\$10.8 M	\$1.73 M

STATE	SRF	SUPERFUND	BROWNFIELDS	LUST	DERA
Virginia (EPA Region 3)	<ul style="list-style-type: none"> - 35 CWSRF, 17 DWSRF projects - \$97.8 M - 2 Buy American waivers - First SRF obligation: 7/1/2009 - Last SRF obligation: 2/12/2010 	<ul style="list-style-type: none"> - 1 project - \$3.7 M 	<ul style="list-style-type: none"> - 1 project - \$200,000 	\$4.6 M	\$1.73 M
Washington (EPA Region 10)	<ul style="list-style-type: none"> - 17 CWSRF, 21 DWSRF projects - \$103.6 M - 8 Buy American waivers - First SRF obligation: 5/1/2009 - Last SRF obligation: 2/12/2010 	<ul style="list-style-type: none"> - 2 projects - \$7.6 M 	<ul style="list-style-type: none"> - 2 projects - \$432,200 	\$3.4 M	\$1.73 M
Focus Groups for Cost Estimating & GRP Study					
Iowa (Region 7)	<ul style="list-style-type: none"> - 47 CWSRF, 32 DWSRF projects - \$77.3 M - 1 Buy American waiver - First SRF obligation: 5/26/2009 - Last SRF obligation: 2/16/2010 				
Louisiana (Region 6)	<ul style="list-style-type: none"> - 53 CWSRF, 28 DWSRF projects - \$70.4 M - 2 Buy American waivers - First SRF obligation: 7/24/2009 - Last SRF obligation: 2/11/2010 				
Montana (Region 8)	<ul style="list-style-type: none"> - 31 CWSRF, 33 DWSRF projects - \$36.9 M - No Buy American waivers - First SRF obligation: 4/8/2009 - Last SRF obligation: 2/11/2010 				
New York (Region 2)	See above				
North Carolina (Region 4)	<ul style="list-style-type: none"> - 56 CWSRF, 74 DWSRF projects - \$132.7 M - 2 Buy American waivers - First SRF obligation: 2/19/2009 - Last SRF obligation: 2/2/2010 				
Oklahoma (Region 6)	<ul style="list-style-type: none"> - 33 CWSRF, 24 DWSRF projects - \$60.6 M - No Buy American waivers - First SRF obligation: 5/15/2009 - Last SRF obligation: 1/12/2010 				

APPENDIX 2: ADDITIONAL COMMENTS FROM EPA INTERVIEWS

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ADDITIONAL COMMENTS FROM EPA INTERVIEWS

The SAIC Team captured hundreds of comments, many duplicative or similar in nature, from the EPA interviews. This list contains additional comments **not** fully captured in the main portion of the report. Any duplicate comments or observations are not repeated. Therefore, some of these comments represent a compilation of several duplicative or similar comments. It was the goal of the writers to present a condensed, yet comprehensive picture of the experiences and perspectives of the interviewees. The comments below are directly from notes and have not been edited to match the style of the main report.

CHALLENGES RELATED TO TIMELY OBLIGATION
Conflicting goals with ARRA: There were conflicting goals of the Recovery Act, which drove the Superfund project selection. They wanted shovel-ready projects that could be awarded quickly, but they also wanted to issue new contracts that benefited disadvantaged communities and small businesses. These two goals were at odds; would have taken 1 ½ years to get a new contract issued. In the end, the executive administration ended choosing the projects and which existing contracts to use (for Superfund), so it didn't matter.
High turnover at EPA affected timely obligations: One grant had 4 different POs, which made coordination and communication difficult.
The requirement to continuously check in with grantees was particularly cumbersome: It was a lot of work meeting with the community to get project started.
Obligation deadline confusion: There was some bickering over what deadlines were and felt some were a "moving target." Everyone knew that the onus was on them to perform. The Region and/or grantees felt deadlines were arbitrary; Brownfields in the Midwest by nature are not really shovel-ready.
One person responsible for monitoring grants was not enough: Having one person monitoring budgets and grants performance was not enough. Base programs are almost two or three people's staff. Generally, HQ doesn't deal as much with management and oversight requirements. This is handled at the Regions. Overall have a hard time with accountability.
Diversity of projects: Every project was different and every recipient had different issues that were challenging.
Didn't know how much ARRA money until legislation was passed: We didn't know how much money was coming down the pipeline until legislation was passed.
Congressional appropriation delays: Tended to affect how much funds the Region wanted to offer recipients. If there was uncertainty about budgets and allocation, the Region could be reluctant to offer more competitions.
Back up from Katrina: Some states were still working to expend funds from Katrina (caused some USTs to leak), which slowed things down, as they were still trying to clean up after Katrina.
Programs received multiple times more funds than baseline funds: Region received approximately 4 times the regular amount of funding for LUST. Some states that were normally granted ~\$500K received ~\$1.5m. One state that usually receives ~\$1.5m received ~\$10m.
Only One PO: On EPA's side, the only thing that slowed things down was that there was one person doing the work.
LUST response to large funding (lack of resources): A large majority of ARRA LUST funded grants were allocated to direct field work projects. Generally states had an inventory of sites (100,000 nationally) but some states struggled to find 'eligible' sites. A small portion of the funds were allocated to staff members. This proportion did not represent normal allocation.
Additional subsidization in future appropriations: Congress wanted to grant additional (higher) subsidizations in 2010 and 2011, but EPA was concerned that the original SRF fund will not grow without the loans as opposed to grants that are not reimbursed. The actual percentage of ARRA SRF funds for additional subsidization was closer to 70-75% instead of the mandated 50%. In the last two congressional appropriations, funds for CWSRF and DWSRFs decreased; \$2 billion in 2010, and \$1.5 billion in 2011. Given the yearly decrease in appropriations along with additional subsidization, the EPA had concerns that they may not be able to pay back the fund.
Difficulty with state governments: At times, states had more bureaucratic issues with their own state governments.
Each state was a different challenge: States were used to doing things the way they always have, and each

<p>program was different; difficult to change the mold. Each state has its own unique program and state statutes that needed to be considered. You're dealing with 51 individual state programs (including Puerto Rico), with two different legislative programs (CW and DW).</p>
<p>Most work fell on mid-level state officials: Higher-level state officials probably thought the process was beneficial; however, mid-level state officials were probably not in favor of the system because of its complexities and timely requirements.</p>
<p>There was an absence of political leadership: There was virtually no one in place from the new administration to implement the Act's policies. Much of the demanding policies took place at the Office Director level. Senior management was reluctant to make policy decisions but the tight timeframe required quick decision making. Staff members were given remarkable autonomy, as well as the opportunity for creativity in order to meet the statutory requirements.</p>
<p>Understaffed: There was a huge resource issue. Not enough staff. ARRA took control and was the #1 priority, and as a result, there were a lot of things that just didn't get done. They worked an extreme number of hours, non-stop, just to get the grants out.</p>
<p>Other program work suffered: Staff that normally worked on congressional earmarks were pulled to work on ARRA. Congressional earmarks were put on a four to five month hold, and some were not completed. Congressional earmarks require a more hands-on approach by EPA staff members to complete a community project. When ARRA was in place, that hands-on approach was not available, and some community projects weren't completed.</p>
<p>SUCCESSFUL APPROACHES RELATED TO TIMELY OBLIGATION</p>
<p>ARRA forced Program to streamline its process: ARRA was good at streamlining the process, and making sure everything was on track. It helped the Brownfields program become a more efficient and streamlined program, despite the slow start, it served the grantee well. Developed checklists and teams to move projects through.</p>
<p>Good existing relationships: Benefited from having a good working relationship with the grants officers. Worked together to develop reports that were put out on a monthly basis. Also had a strong relationship with the admin officers. It was very helpful to have this coordination.</p>
<p>ARRA provide more funding for direct cleanup: With ARRA they were able to put more direct grant money onto a site for cleanup. In base program, only a percentage of the funding is used for direct cleanup and ARRA allowed for 100%.</p>
<p>Helped DERA train for baseline work: DERA is relatively new and the ARRA process helped train for tight deadlines and large funds. The program seemed to do better once ARRA was in place.</p>
<p>Training Program for Temps: Created a training program for temp employees (they were inexperienced GS-7's) and set up initiatives to ensure that tasks were completed on time. Were able to use the ARRA travel allowance to enhance this training. Met with recipients, walked the grounds, met with sub-recipients.</p>
<p>Preparation improved efficiency: CW and DW staff met together on daily basis weeks in advance of passage of the Act. A meeting was held every morning to discuss what we needed to do and to explore possible bottlenecks.</p>
<p>Travel money: Travel funds were very helpful to meet with our states one on one. Having an unprecedented amount of resources available to assist the states was a huge help. The interaction and team-building really helped as well. States didn't have money to travel to do training, so fortunately EPA had the resources to go to the states.</p>
<p>Environmental review post cards: The Region would send out a "post card" or notification to other federal and state environmental agencies (e.g. the Army Corps of Engineers) about their ARRA projects. This was to ensure they received all documentation in order to proceed with the project. It was template that ensured all documentation was in place. It was something they could send out to the other agencies to make sure they are doing everything right.</p>
<p>Because projects moved so fast, costs actually went down: Costs actually went down because of the speed at which the projects developed. Superfund sites usually take several years to get moving and approved, and some can even take up to 10 years.</p>
<p>Good training tool for current baseline programs: It helped Region 8's current Superfund grant award procedures. ARRA made the program take a closer look at its own procedures. It also gave the RPM's better expertise on how to run the program in the future.</p>

RECOMMENDATIONS RELATED TO TIMELY OBLIGATION
Treat ARRA like an emergency Fund: One lesson learned from ARRA is that we should compare it to other emergencies, like Katrina relief. The skeletal structure of ARRA was essentially an emergency measure. Future stewardship plans of emergencies should learn from this.
Communication with HQ could still have improved: Increased and coordinated communication at all levels was helpful in the overall ARRA process, and could have been improved even more.
Need more advanced planning: Would have been to have had even more advanced planning before ARRA took effect.
Utilize more technology: Programs can always take more advantage of technology; but that takes money, and more resources to maintain it.
Improve relationship with DOL: There should have been a lot more coordination and policy exchange between DOL and EPA. They're still not there today.
Better coordination for EPA-specific initiatives: OMB was trying to make all of the federal agencies uniform. While a noble idea, it was put together too quickly, and it was duplicative.
Have an approach to funding disadvantaged communities: DWSRF has historically had set-aside money (30% of funds) for disadvantaged communities in the form of no/low interest or principle forgiveness. Targeting funds to disadvantaged communities within the 1 year deadline was difficult to quickly develop a political strategy. Most, if not all, states gave every project some ARRA subsidization funds as well as a loan. CWSRF didn't have disadvantage community component so there was no existing process for identifying and targeting disadvantage communities for ARRA funds, no definition or criteria for 'affordability'. This is a continuing challenge for CWSRF.
Collaboration tools: Should explore use of shared document editing and shared work places that enhance collaboration.
More communication between Regions: Additional communication between the Regions would have proved beneficial. For example, many were not even aware of the workload sharing option.
Make documentation easier for states: There were some difficulties in the documentation side of the process, and HQ could have done a better job to make that process easier.
Should be a better way for OIG to do their oversight: It was overkill, and they didn't understand the way each program worked.
CHALLENGES RELATED TO ADDITIONAL MANDATES
Had to bring in attorneys to determine whether a waiver was needed: Buy American didn't come into play so much with Brownfields, but it was difficult to determine when it was applicable. They needed to bring in lawyers to determine whether a waiver was needed.
Too many bureaucratic levels with the Buy American waivers: There were even too many people beyond DW's office that had to look at them. Technical review, legal, and the OARM/OGD then had to review and sign off.
Each project was different, making each waiver different: The same product used in different projects could be used differently, so it might get a different ruling.
Timeliness of waivers increased as ARRA went on: Some definitely took longer than two weeks. After mid-way through, they took longer because we were changing guidance ourselves. As ARRA moved on it took longer.
Davis-Bacon became an administrative burden that took away from core program missions: Overall, there was too much time spent on issues that did not reflect LUST's core mission, i.e. stopping the release of leaking underground storage tanks across the United States. Most states had fair labor wage standards in place but had to tweak to meet federal Davis-Bacon, and ARRA Davis-Bacon issues became an administrative burden and may not have resulted in increased wages. A representative from the U.S. Department of Labor assisted the LUST program with Davis-Bacon and approved the labor standard for individual projects; however, Davis-Bacon was not in any existing state contracts and more time and labor was required to make sure requirements were satisfied.
Some recipients were not familiar with Davis-Bacon: They were not familiar with the interview forms in the checklists (DOL or EPA forms), the finer details, and the labor classifications. Recipients would usually leave forms blank until the EPA assisted.
Difficult to calculate number of jobs and changing guidance: How do I calculate number of jobs? What are the definitions for each term? Eventually it got better, but there were always calls around reporting time. Could have also done a better job publicizing accomplishments, all they read in the newspaper was that EPA spent X dollars,

and created temporary jobs (which seemed low), which doesn't take into account money spent on all non-labor costs, such as construction materials.
Constant HQ 'badgering' and EPA's heavy-handedness: Felt they were constantly badgered by EPA HQ to get the information from communities. But, EPA programs felt pressure to "badger" recipients since HQ was "badgering" them. Sometimes HQ would call recipients directly and inquire not knowing that the recipient had already communicated with the region on a particular reporting requirement or issue.
Regional staff more concerned about the program's mission: The Regional staff usually doesn't place high priority on reporting. They care about the reuse of the properties and how it will benefit the community. This hurt the base programs. Some recipients didn't come back for funding because of the onerous reporting requirements.
Excessive reporting requests by outside organizations/agencies: Biggest challenge was reporting to many different agencies and EPA offices and people. Different officers wanted different information at different times. This info could have very easily been pulled from the 1512 reports, but it was still requested, and created a burden on them and the recipient. It was repetitive and unnecessary.
State resources were constrained: Reporting was a burden. A lot of the states were undergoing budget crunch and crisis. Many employees were on furloughs, while at the same time offices were being reduced to fewer hours because of budget cuts.
SUCCESSFUL APPROACHES RELATED TO ADDITIONAL MANDATES
Viewing waivers instantaneously as they arrived via email: We were able to see all waiver requests coming into Regions, as everything was CC'd to HQ. We were trying to track all waivers for consistency, which in turn helped us discuss national waivers. We had about 15 waiver requests for small motors, so we did our own research and found American manufactures didn't produce a small (under 40) horsepower engine specific for many projects, and then we issued a national waiver.
Using a Buy American contact person: Regions usually had a Buy American contact person. When emails came into that one person, it really helped us organize. Some of them were short term ARRA people, but some are still around. Had regular calls with Regional Buy American coordinators.
Developed Relationship with DOL: One Region didn't have much experience with Davis-Bacon requirements, but they developed an excellent relationship with someone at DOL who provided priceless help in dealing with DB issues. Wouldn't hear from EPA HQ DB person until maybe 6 months later, so this DOL contact was an excellent resource.
One contact person for Davis-Bacon helpful: In one state there was one person on Davis-Bacon and it was very helpful. She did such a good job that the state agency hired her full time because Davis-Bacon became a part of the program.
RECOMMENDATIONS RELATED TO ADDITIONAL MANDATES
Maintain consistent requirements: There could have been more coordination and legal input from HQ on BA issues in a consistent manner. OIG would sometimes conduct review of BA compliance. They would come out into the field and have a different interpretation than the Region or state, especially when dealing with the term "substantial transformation." There was uncertainty on who was to make the ultimate decision. Region would say yes, it meets the requirement, and then OIG would come in and say no, it doesn't. They kept second guessing EPA decisions.
Using a pre-approved Buy American product list and more research: Developing a list of pre-approved products to eliminate work for everyone would help in the long run. Recipients could view the products before contracts are formed. We have a good start from ARRA – if the next bill has a set aside money for us, we can find manufactures, or even call-out specific American manufacturers.
Include Regions in developing guidance: ARRA guidance on Buy American was developed at HQ with not much input from Regions. In the future we should bring in the Regions for guidance assistance. EPA HQ can benefit from this institutional knowledge.
Process would prove better if there were fewer requirements: The perception out in small towns is that there are too many requirements related to Buy American. Many of these 3,000 to 4,000 town populations, they don't have the resources to perform these requirements.
Use state Davis-Bacon requirements if already in place: States with Davis-Bacon already worked into programs were required to have EPA's Davis-Bacon wording: It would have been easier if these states did not need to rewrite their contracts to accommodate ARRA Davis-Bacon language.

<p>Less frequent reporting would have helped the Region in terms of workload: Quarterly reporting would have been equally effective had it been semi-annual; and monthly reporting ('drawdowns') would have been equally effective had it been quarterly. In addition to the quarterly reports, recipients had drawdown reports, ACRES reporting, and some others. This was too much reporting to do as a brand new recipient of federal funding.</p>
<p>Don't make a uniform reporting system for all agencies: OMB was trying to make all of the federal agencies uniform, while a noble idea, it was put together too quickly, and it was duplicative.</p>
<p>Wrong questions were asked during reporting – ask questions pertaining to environmental or human health improvements: Didn't seem like the questions were as relevant or reflective of the current project work. The questions focused largely on job creation, when they should have also addressed the long term benefits of ARRA projects – especially in the Superfund program (e.g. stopping re-occurring hazardous waste pollution).</p>
<p>OTHER GENERAL COMMENTS</p>
<p>Having two distinct programs needing to move together (CW and DW) was difficult: Trying to force CW and DW to 'march and lock step' was difficult. DW didn't have a data system in place, CW had CBR. DW then developed PBR, but after ARRA passed. Then there were issues with how many site visits. Had daily meetings for months (30 people), then it was weekly for another year. The decisions on how to move forward came out of these meetings. A lot of decisions were made, but under the pressure of time, which doesn't always lead to the right decision getting made. They erred on the side of not collecting enough info, which forced them to catch up later.</p>
<p>Stewardship Plan should improve: It would have worked better to have a well-thought-out stewardship plan with less detail, particularly where EPA has no control. Some of the steps in the stewardship plan should have been eliminated. The document formalized how EPA would meet the objections of ARRA and track performance. Had 20 internal controls, but this could have been cut down to 8 or 9. Would have been more effective if tailored to EPA's strategic plan. More collaboration during the development of the plan with more regional staff whom actually implement the plan might have produced a better version</p>
<p>Initiated re-examination of current allocation formula: EPA LUST staff commented some reviewed the allocation formula as a result of ARRA.</p>

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APPENDIX 3: ADDITIONAL COMMENTS FROM FOCUS GROUPS

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ADDITIONAL COMMENTS FROM FOCUS GROUPS

The SAIC Team captured hundreds of comments, many duplicative or similar in nature, from the EPA interviews. This list contains additional comments not fully captured in the main portion of the report. Any duplicate comments or observations are not repeated. Therefore, some of these comments represent a compilation of several duplicative or similar comments. It was the goal of the writers to present a condensed, yet comprehensive picture of the experiences and perspectives of the interviewees. The comments below are directly from notes and have not been edited to match the style of the main report.

CHALLENGES RELATED TO TIMELY OBLIGATION
Contract changes: ARRA Superfund sites required different contract mechanisms to get them approved in time.
Fear of losing funds: There was the general fear that they had to get the grants processed really quickly or EPA would take money away.
We didn't have a backlog in projects: We didn't really know all that was out there. Couldn't pull from a list of projects.
Local approvals needed to proceed: Many smaller communities needed to get a town approval for the matching component of non-ARRA funded portion.
ARRA funding only temporary: Had there been a steady stream of money, it would have helped more. Unfortunately, just about the time that everyone got to know the program, it was over and the money was spent.
Lack of consistent communication with EPA Headquarters: States were unable to move forward without HQ approval and assistance and this delayed obligation.
It would have been nice to fund one really problematic site: But there was internal and political pressure to parcel funding out. Challenging to 'marry' the internal and political pressures together.
There was a lot of uncertainty about which LUST projects were eligible: EPA got very restrictive on municipalities "taking" projects if any evidence that the municipality owned it, as they may be an operator/liable party. Issues with liability, dealing with liable parties and cost recovery were difficult to manage with ARRA funds.
Delays in issuing RFPs: Until the final guidance was submitted, we couldn't get the RFP out there.
'Arbitrary' deadlines: We struggled to meet the 30% expenditure deadline (did meet obligation deadline). Felt it was arbitrary.
Different requirements for LUST than other EPA programs: Were told they couldn't apply ARRA requirements to non-ARRA projects in order to simplify their processes, as the SRF program was able to do.
Required to develop new contracts for LUST: LUST could not use existing contracts because they didn't have David Bacon language, so they decided to do mostly water line projects instead with new contracts.
Winter construction shut down: Impacted funds obligation.
Governor's offices held up projects for public relations benefits: Sometimes a press release sent out before informing recipients and/or all award information had to be funneled through Governor's office slowing down the process.
'Principal Forgiveness' created conflict: These grants caused political infighting and lobbying with regards to distributing the funds. Created delays in awards.
Inadequate number of staff: Since ARRA was seen as a one-time funding increase, we did not add staff, as would have been laid off later.
Hard to be ready pre-ARRA: Had a sense that ARRA was coming in fall 2008, but it was hard to pre-market without knowing how much money was coming, and what the additional requirements would be. Until ARRA was actually signed, it was difficult to do much to prepare.
Base projects put on hold: Catching up now (3 years later).
Clean Water Act enacted stricter standards during ARRA: Some states had recently implemented/passed environmental standards now stricter than the national standards and this was a double 'hit' with the ARRA provisions at the same time – struggle to address new standards and obligation funds expeditiously.

Disbursements frozen when issues came up: Whenever there were questions on how to proceed with a project mid-stream, the state would freeze the disbursements, which ended up compounding the sub-recipients' worries, and potentially created tension with their best clients, but they saw no other way to handle it.
Additional requirements slowed funds expenditure: The additional requirements prevented them from disbursing funds quickly, which hurt communities.
Demand for contractors and products created shortages or delays.
SUCCESSFUL APPROACHES RELATED TO TIMELY OBLIGATION
Created a scoring matrix: Looked at economic ranking of the state, if the project was proposed in the north, less affluent, got a higher ranking. Trade association of market parts, they put together a formula for job creation because EPA did not have such a formula. Funded 19 proposals out of about 40.
EPA allowed independence: with regard to project selection.
DERA received a needed exposure and ARRA funding provided needed progress on projects: Process was made easier because EPA handled most of the heavy lifting.
Streamlining the process: The 'green paper grants' [proposed projects on special green paper indicating stimulus grant projects] helped streamlined priority projects.
Strengthened State-recipient relationships: ARRA forced state staff to do their jobs a bit differently, work more closely with the contractors, and not just for oversight, but collaboratively.
Some states chose to allocate funds to fewer but larger projects: This aggravated a lot of communities, but it reduced the challenges to the state, which was implementing the program.
Funding construction costs only: Chose to fund the construction costs with ARRA funds, but asked that projects fund their own engineering costs. Allowed them to fund more projects.
Incentives to complete projects: The projects that were completed/expended first received ARRA funds – until the ARRA funds ran out. There were more ARRA-managed projects than funding provided for to ensure funds expended and as expeditiously as possible.
Spread the money to help a wide range of recipients: Capped projects with ARRA funds in order to spread out the funding, allowing many small communities to upgrade and fix their water systems and/or come into compliance; which were things they never would have been able to do without ARRA.
Amended specific ranking criteria to meet ARRA conditions: Added "hardship" and "readiness to proceed." If applicants met these two criteria, then application moved into the normal priority system.
ARRA "grant" component served as a successful marketing tool: New recipients and projects emerged that likely otherwise wouldn't have. It was great for localities to finally achieve upgrades with new and more efficient water systems.
Used provisional awards to make use of all funding: In order to assure that they expended every last cent of the ARRA money, they started making provisional awards. If extra money was freed up for whatever reason, they would award that money to projects on their provisional award list.
ARRA made programs more efficient: Have had repeat ARRA clients come back with offers for new projects that they claim they can do more quickly, and at lower costs due to their prior experience with dealing with ARRA.
Shovel-ready is the new norm: As a result of ARRA, projects are now actually becoming shovel-ready prior to asking for money.
Did not solicit new projects: (DW program only) used only their existing list, which really helped with the timely obligation.
Reallocated funding to allow for more project awards: Often took money from projects that came in under their bid and transferred it to other projects waiting in line. They essentially over committed ARRA funds so they could make sure that they would get rid of it all. They offered people to be on a "B" list for ARRA funds. They told these people that they had to start getting ARRA ready if they wanted to get this money.

RECOMMENDATIONS RELATED TO TIMELY OBLIGATION

Slow pace down to keep people employed for a longer time. It would have kept more jobs if they had a longer time to get things done. We pushed this through fast, and it would have been better to slow things down – keeping more jobs.

Simplify the mandates.

Extend obligation deadlines to a minimum of 18-24 months.

Require all property/easement issues to be resolved or exclude land acquisitions.

Award only 100% grants: Would mean that credit reviews, financial statements and bond counsels would not be required.

Have reasonable deadlines: If there's ever another ARRA, don't have such unreasonably tight deadlines.

If there's another ARRA, consider funding fewer projects at higher amounts. The effort involved and dealing with all of the requirements for so many projects was overly cumbersome.

The best way to get money out quickly is with less regulation: Can understand needing the regulations for new programs, but the CW and DW programs are already successful, well-established programs, and they really didn't need all of these extra regulations in place.

CHALLENGES RELATED TO ADDITIONAL MANDATES

Never got a response for help with Buy American: For one project, we never got a formal answer from EPA, and it was a big project.

Buy American enforced aggressively: Some of our communities already had Buy American requirements and contractors certainly know about it, but the compliance was different for ARRA and much more intense.

Unfamiliar American products: Many of the contractors were unfamiliar with some of the American-made products and/or didn't have a good relationship with the manufacturer/supplier, thus requiring more effort to purchase the products.

Buy American guidance came very late: There were projects that were finished before they received the final guidance on Buy American.

Everyone now accepts that Davis-Bacon is here to stay, but people still panic when they hear about Buy American.

Funds spent complying with Buy American: There was a lot of money spent on trying to find American-made products.

Despite efforts to clarify guidance, process seemed disorganized: We can't place the blame all on EPA Regional folks for the poor guidance, as they were working hard to answer our questions with EPA HQ. However, the process still felt disorganized.

DOE and DOT processes for the ARRA projects were completely different: Those agencies were just interested in American steel. But for the EPA, we were chasing down a bunch of miscellaneous parts, and it became quite a frustration.

Buy American was probably the worst thing: It almost became impossible. Don't know if it really helped American jobs or not.

They never received the detailed guidance on Buy American: LUST usually didn't have to deal with Buy American, so they never received the guidance, but it applied to some projects.

Categorically 'green' definition inconsistent: Water line replacements were supposed to be categorically 'green,' but in the application process, EPA required that they submit a business case anyway.

Some contractors now use two bid numbers: One with Davis-Bacon taken into account, and one without Davis-Bacon. They say that because of the extra requirements, an increase of 4 - 6% is necessary.

We asked EPA about David Bacon, and at times they didn't have the guidance we needed: We used the HUD process that we had for another federal grant instead, and that worked for the time being, until the audits found it unacceptable.

The LUST program was surprised how none of the localities had worked with Davis-Bacon before: Had they known how difficult it would be to comply with additional requirements, they would have budgeted for a new person, but they found out too late.

Late reporting caused by Governor's office: State agencies had to send reporting data to the governor's office, which compiled all of the quarterly reports in the state, and submitted them to EPA. They were often late, and EPA would ask where the reports were.
The multiple reporting was incredibly cumbersome: They had to report to the comptroller, EPA, PBR/CBR, and all of these different agencies had different requirements.
Vendors founding reporting difficult: We struggled with vendors, had sub-grantees that dropped out because of the reporting requirements.
Hard to get all sub-contractors to submit reporting data: There were always one or two sub-contractors that didn't submit their payroll data, which made the quarterly reporting more difficult.
The definition for the reporting of the number of jobs was hard to understand and changed during the process: What did a 'job' really mean? Trying to get a clear definition took a while. After the first couple of reports it fell into place. Number of jobs created is 'more of an art than a science.'
Reporting tough for rural communities: It was hard to communicate reporting requirements to local rural communities that weren't as tech savvy.
Getting the reporting requirements into contracts was hard to do in a short timeline.
EPA put LUST on a monthly reporting requirement instead of quarterly: The deadlines seemed arbitrary, but Regional staff were very helpful and responsive.
SUCCESSFUL APPROACHES RELATED TO ADDITIONAL MANDATES
Started with a focus on "green" projects: Some projects might have been ready to go, but weren't 'green,' so they skipped them and tried to focus on only GPR eligible projects in order to meet that requirement first, then they'd move on to other shovel-ready projects.
Added incentives for GPR, such as lower interest rates: They've also taken a new look at their prioritization process. It helped point out their weaknesses, which they can now work on.
Northbridge provided ARRA training: Several hundred people participated, including contractors, state recipients etc., to discuss the ARRA process. This was very helpful. Discussed Davis-Bacon, Buy American, and reporting requirements.
Created reporting spreadsheets: The reporting spreadsheets provided were too complex, so we created our own that were simpler to use.
No reporting, no money: They included a clause in all of their contracts that if a recipient didn't report, they didn't get reimbursed, which helped ensure timely reporting from sub-recipients.
RECOMMENDATIONS RELATED TO ADDITIONAL MANDATES
Should make Buy American a good faith effort: Not a requirement. Should also provide incentives.
EPA should spend less time and effort on oversight: To the state it seemed like EPA didn't care about the environmental benefits or how the money was spent, all it seemed EPA cared about was Davis-Bacon, Buy American, and reporting compliance.
OTHER GENERAL COMMENTS
No net increase in funding: The substantial appropriation of ARRA funds to state programs didn't necessarily lead to a net increase in their overall cumulative funding. One state commented that because of the decrease in SRF funding in the 3-5 years prior to 2009 the ARRA funding in 2009 essentially brought their coffers back to parity. In another state, the state legislature did not appropriate money into a state fund in 2009 knowing the ARRA federal funds were being appropriated.
Worked hard to distribute funds as widely as possible.
ARRA road signs perceived as a huge waste of money: Every project needed a sign prominently advertising it as ARRA funded. But it needed special language, colors, placement location. It was time consuming and expensive.
Felt really good to award all of the funding to essential projects: This is why we do our jobs.
We did get a lot of tanks out of the ground that would have never been taken out, which are now community gardens: ARRA helped us make headway in project backlogs.
Ability to fund large, expensive projects: Great opportunity to get extra funds into big projects that would

otherwise not have been completed.
Recipients and communities felt ‘withdrawal’ after ARRA grants. They wanted/expected more grant monies and became used to those ‘entitlements.’ Some states will not see those ‘customers’ again.
Political barriers to publicizing positive effects of projects: Since ARRA ran into a presidential election year, some states were ‘encouraged’ to not publicize the positive aspects of the local ARRA projects if the local politicians did not support the incumbent presidential party. This negative attitude worked against ARRA’s purpose, and prevented the public from learning about ARRA’s success stories. It also frustrated the state staff who were proud of the environmental accomplishments achieved by the ARRA funds.
Buy American not needed for LUST: We don’t tend to buy many products for our project as we mostly do remediation, so Buy American wasn’t much of an issue.
Buy American did not apply: Brownfields projects mostly involved excavation of soils, which didn’t fall under the Buy American requirements.
Davis-Bacon was not a problem: They have always had to deal with it as part of their base program.
The GPR requirement kick-started efficiency programs across the state.

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