



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

OFFICE OF
WATER

SRF 99-09

MEMORANDUM

SUBJECT: Expeditious and Timely Use of SRF Funds

FROM: Richard T. Kuhlman, Chief /s/
 State Revolving Fund Branch (4204)

TO: Municipal Program Managers,
 Regions I-X

In the recent policy memorandum "SRF 99-5" dated February 1, 1999, I stated that one year is a reasonable time frame for expecting states to commit repayments and other available funds to SRF projects. Based on feedback we have received from several states, it appears that a major portion of the message, which was that if a state's IUP submitted as part of a capitalization grant award does not identify sufficient projects, the IUP must contain a plan which details how and when the funds will be used, was missed. The purpose of this memo is to reiterate that part of the previous memo and give amplification to make it clear what is intended by a reasonable and detailed plan .

We expect that the determination of a reasonable plan for holding funds in reserve will be accomplished through negotiations between the region and states. There are often state specific reasons for holding funds in reserve which can only be addressed in consultation on a case-by-case basis. Some of the acceptable reasons we have heard in the past for why funds are being held include, but are not limited to, the need to save for a large project or to retain funds for a reserve account for future leveraging. Another particularly timely example of holding funds is a state that is putting together a nonpoint source funding plan and needs to reserve a certain amount of funds to target to new types of projects.

Other reasons we have heard for not committing funds to projects, which are not acceptable, include holding funds in reserve for when federal capitalization stops, and holding funds to earn interest to pay off state match bonds. Holding funds to earn interest to preserve the long term revolving level of the fund is also not an acceptable reason. We feel that it is important to balance the needs of the states to earn interest on their funds to offset below market rate interest on their loans with the expeditious and timely use requirements of the Act. That is why we have not published a formal policy explicitly defining these requirements. To do so would hamper the flexibility of states to make case specific decisions regarding the operations of their funds based on their own individual and unique circumstances.

We do not expect you to hold states to a hard and fast one year commitment expectation on all funds. If states are unable to meet the one year commitment expectation, we do, however, expect them to provide reasonable and detailed plans to demonstrate that all funds available are part of a long term plan to balance achieving environmental objectives with maintaining revolving levels of the fund . If you would like to discuss this in more detail please call me at 202-260-7366 or your HQ contact on the Implementation Team.

cc: CWSRF Coordinators, Regions I-X
Implementation Team
Evaluation Team
Veronica Blette, DW