



# At a Glance

## Perspectives on Capacity: Managing Drinking Water State Revolving Fund Infrastructure Investment and Jobs Act Funding

### Why We Did This Evaluation

#### To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this evaluation to identify (1) drinking water state revolving fund agencies' perspectives on their capacity to manage Infrastructure Investment and Jobs Act funds and (2) obstacles that drinking water state revolving fund agencies' administrators believe limit their capacity to manage Infrastructure Investment and Jobs Act funds.

The Drinking Water State Revolving Fund Program is a financial assistance program that helps states to finance critical water infrastructure projects that further the health protection objectives of the Safe Drinking Water Act.

We used a survey to identify state agencies' perspectives on their capacity to manage Infrastructure Investment and Jobs Act funds. Capacity, as addressed in this report, has three relevant dimensions: organizational, financial, and human capital. A lack of capacity within any of these dimensions can adversely impact a state agency's ability to effectively manage federal grant funding, such as Infrastructure Investment and Jobs Act funding, and may result in unspent funds.

#### To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

#### To address these top EPA [management challenges](#):

- *Overseeing, protecting, and investing in water and wastewater systems.*
- *Managing grants, contracts, and data systems.*

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### What We Found

The Drinking Water State Revolving Fund, or DWSRF, Program, has provided billions of dollars in financial assistance to public water systems and has helped communities across the United States complete over 17,000 infrastructure projects. Yet, across the country, water infrastructure is aging and in need of repair. The Infrastructure Investment and Jobs Act, or IIJA, appropriated an unprecedented amount of funding for various environmental and infrastructure needs, including drinking water infrastructure needs. The state DWSRF agencies' capacity to effectively manage federal DWSRF grants is crucial to the success of the program.

In response to our survey, most state DWSRF administrators agreed that their agencies had the organizational capacity necessary to manage the DWSRF IIJA funds awarded to their states. A few state DWSRF administrators expressed concerns related to financial capacity. Specifically, state DWSRF administrators cited concerns about meeting state financial matching requirements and identifying projects that are eligible for DWSRF IIJA funding. State DWSRF administrators indicated that it was particularly difficult to identify projects eligible for lead service line replacement funds.

A few state DWSRF administrators disagreed that their agencies had enough staff and sufficient guidance to manage DWSRF IIJA funds. State DWSRF administrators reported workforce management and insufficient federal guidance as common obstacles that limit their agencies' capacity to manage DWSRF IIJA funds. State DWSRF administrators specifically noted insufficient guidance related to the Build America, Buy America Act provisions of the IIJA. In addition, a few state DWSRF administrators cited a lack of coordination with the EPA as an obstacle. Obstacles that affect state DWSRF agency capacity may result in decreased investment in critical water infrastructure projects.

While we make no recommendations based on this evaluation, the EPA has an opportunity to work with state DWSRF agencies to address the obstacles presented in this report.

**The state DWSRF agencies' capacity to effectively manage federal DWSRF grants is crucial to the success of the DWSRF Program. Obstacles that affect state DWSRF agency capacity may result in decreased investment in critical water infrastructure projects.**