



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

OFFICE OF
WATER

December 2, 2005

MEMORANDUM

SUBJECT: State options for matching the Drinking Water State Revolving Fund (DWSRF) State Program Management Set-aside (10% Set-aside)

FROM: Peter E. Shanaghan /s/
DWSRF Team Leader

THRU: Charles Job, Chief /s/
Infrastructure Branch

TO: DWSRF Regional Coordinators
Regions I-X

This memorandum is intended to clarify the range of options that states have to provide the required additional match for the DWSRF State Program Management Set-aside (10% set-aside). EPA understands the serious resource constraints that states face. The State Program Management Set-aside is one important tool to help states manage their program under these circumstances. The Agency encourages states to take advantage of this and other set-asides as they deem appropriate.

Section 1452(g)(2) of the Safe Drinking Water Act (SDWA) enables states to use up to 10 percent of their DWSRF capitalization grant for state program management activities. These activities include Public Water Supply Supervision (PWSS) program administration, providing or administering technical assistance, developing and implementing a capacity development strategy, and developing and implementing an operator certification program. Use of this set-aside requires a 1 to 1 state match of federal funds. This 1 to 1 match for the State Program Management Set-aside is in addition to the 20% state match requirement for the entire federal capitalization grant. Title 40 Part 35.3535 of the Code of Federal Regulations allows states the flexibility to match the State Program Management Set-aside through -

- (1) cash contributions,
- (2) documented in-kind services expended, and
- (3) credit from their FY 1993 state PWSS expenditures.

The following paragraphs further clarify and provide examples of the options states have

to provide this 1 to 1 state match requirement.

Cash contributions can come from state appropriations and/or income generated from program fees (e.g. public water supply, operator certification, and plan review fees). However, state funds provided as match for the **current year** PWSS grant match requirement may not be additionally counted toward the 1 to 1 state match required for the DWSRF State Program Management Set-aside. Likewise, state funds provided for the 1 to 1 state match required for the DWSRF State Program Management Set-aside may not also be counted as match for the PWSS grant.

In-kind services - state dollars used for program management activities directly related to the eligible uses of the State Program Management Set-aside. Many activities are eligible as in-kind services credit. Examples of activities that can be credited as in-kind services include - employee salaries and benefits, equipment, software updates, state travel expenses, technical and operator assistance, training, sanitary surveys, and contractual support for program management activities. As long as the activity is documented and directly related to the State Program Management Set-aside, it likely qualifies as an in-kind service creditable toward the state match requirement of this Set-aside.

Credit from FY 1993 state expenditures for the PWSS program (including PWSS match) can be used for up to one-half of the state match. This credit can be used as partial State Program Management Set-aside match for each capitalization grant, regardless of the number of times or the amounts of this credit used in prior years (i.e. the credit is perpetual).

Title 40 Part 35.3535 of the Code of Federal Regulations requires the 1 to 1 match for the DWSRF State Program Management Set-aside to be provided at the time of the capitalization grant award or in the same year that funds for this set-aside are expected to be expended in a workplan approved by EPA. Additionally, documentation of match for the DWSRF State Program Management Set-aside can be provided for a specific capitalization grant or may be provided in the same year that the State Program Management Set-aside funds are expended according to the state's EPA-approved set-aside workplan.

Additional information on the DWSRF program and set-asides can be found at the following website <http://www.epa.gov/safewater/dwsrf/index.html>. Contact Jeff McPherson of the Headquarters DWSRF Team at 202 564-6878 if you have additional questions.

Attachment

cc: Cynthia C. Dougherty, OGWDW
Steve Heare, OGWDW
DWSRF Branch Chiefs, Regions I-X
Drinking Water Branch Chiefs, Regions I-X
James Taft, ASDWA
Rick Farrell, CIFA
Jeff McPherson, OGWDW