GAO Highlights

CLEAN WATER

Revolving Fund Grant Formula Could Better Reflect Infrastructure Needs, and EPA Could Improve Needs Estimate

Why GAO Did This Study

EPA estimates more than $630 billion is needed to repair and replace clean water and wastewater infrastructure nationwide over the next 20 years. To estimate clean water needs, EPA uses a survey of states' planned costs to build or replace infrastructure.

EPA awards grants through the Clean Water SRF program to states, which use them to establish their own SRFs to fund eligible activities. The amount of each state's clean water SRF grant—or allotment—is determined by a statutory formula enacted in 1987.

GAO was asked to review options for the program's allotment formula. This report (1) describes the current formula and how states distribute funds; (2) discusses an expert panel's views on a new formula it developed, and examines the effects on allotments; and (3) examines the extent to which EPA has estimated states' needs. GAO reviewed laws, regulations, and agency documents; analyzed EPA and U.S. Census data; and interviewed EPA officials, state organizations, and officials from eight states selected based on geographic and other factors. GAO also convened a panel of seven experts to develop a formula using a multi-step process.

What GAO Recommends

Congress should consider revising the Clean Water SRF allotment formula to align with the goals of the program. GAO is making three recommendations to EPA, including that it work with certain states to assess their needs for the next Clean Watersheds Needs Survey. EPA agreed with the recommendations.

What GAO Found

Under the current Clean Water State Revolving Fund (SRF) program grant formula, the Environmental Protection Agency (EPA) allots a fixed percentage of annual appropriations to each state. From 2019 through 2023, states received annual grants averaging from $6 million to $208 million. States used most of their Clean Water SRF funding for wastewater infrastructure, such as treatment plants and sewer pipes.

A panel of experts convened by GAO agreed on a new formula that emphasizes clean water needs and includes population and economic burden. The experts used GAO's multi-step formula development process to consider how these and other variables align with program goals, including water quality and affordability.

Formula GAO's Expert Panel Developed to Allot Grants for the Clean Water State Revolving Fund Program

State allotment = 60% Need + 20% Population + 20% Economic Burden

Need: State's share of national estimated clean water needs

Population: State's population as a share of the total population

Economic Burden: State's share of population at or below 200 percent of the federal poverty threshold divided by the total of all states' shares

Source: GAO; GAO (icons). | GAO-24-106251

Experts also stated that EPA should periodically update the allotment percentages based on current data to reflect changing conditions. However, the law would need to be changed to allow this. Using the expert-developed formula with 2022 data, 31 states would receive the same or higher allotment, up to a 260 percent increase. The remaining 19 states would receive a lower allotment, as much as a 53 percent reduction. According to a 2003 National Research Council report, a formula should be transparent and achieve the goals of the program. Changing the law to require EPA to use a transparent formula that reflects program goals and uses current data could ensure the Clean Water SRF state allotments are and remain aligned with program goals.

While the expert-developed formula would allot a majority of funding based on need, EPA's Clean Watersheds Needs Survey does not fully estimate states' clean water needs. For example, the survey provides incomplete data for projects such as stormwater and nonpoint sources (e.g., those that manage runoff from agricultural lands and lawns). EPA officials told GAO that states do not always have the information to assess these categories of needs. For its 2022 survey, EPA provided tools to help states estimate such needs. For example, states could use the Agriculture Cropland Tool to estimate costs to address polluted water near cropland. However, EPA did not receive estimates for one or more of these categories of need from nine states and the District of Columbia. Targeting help to states that have not provided such estimates could result in more complete estimates.

United States Government Accountability Office