

Montana Drinking Water State Revolving Fund (DWSRF) Recovery Act Review
June 3, 2010

Summary

On May 18, 2009, the Montana Department of Environmental Quality received a \$19.5 million capitalization grant from EPA Region 8 for its DWSRF. These funds were appropriated from the American Recovery and Reinvestment Act (Recovery Act). Working with the Montana Department of Natural Resources and Conservation, the Montana DWSRF funded 32 Recovery Act drinking water projects totaling \$25.7 million of SRF assistance, of which \$17.6 million was Recovery Act funding. The State also set aside 4% for administration and 5.8% for drinking water program management. Under the direction of the Governor's office, grant amounts were capped at \$0.75 million Recovery Act assistance per project and each project received a subsidy. Each loan has a 0.75% administrative fee included in the 1.75% interest rate on the portion of the loan not forgiven.

EPA Region 8 visited the State's offices in Helena, Montana from May 11-13, 2010 to discuss Recovery Act progress and review a well replacement project in Three Forks, a new distribution system and metering project in Missoula, a new meter project in Virginia City, and a new metering and variable frequency drive installation project at the Wilderness Plateau Water & Sewer District. Overall, the State is implementing Recovery Act requirements correctly and spending funds expeditiously.

Recovery Act outlays

As of June 1, 2010, Montana DWSRF's spending rate of 57% is well above the national average of 34%. The fund's unliquidated obligations are \$8.3 million, which is the lowest of all Region 8 DWSRF Recovery Act grants. The State will move approximately \$1 million from its drinking water program set-aside to its drinking water loan fund, as the anticipated support needs for Recovery Act projects were overestimated.

Green Project Reserve

Montana's DWSRF far exceeded the 20% Green Project Reserve (GPR) requirement with 50% of its Recovery Act funding going toward projects to promote water efficiency through line replacements and the installation of new meters and variable frequency drives. Of the 19 GPR projects, four were categorical and 15 required Business Cases.

Davis Bacon

Davis Bacon wage determinations and Buy American compliance requirements are included in the bid documents and the loan agreements. With one exception, the DWSRF program has not experienced an issues related to Davis Bacon requirements. For a drinking water project for the City of Polson, a sub-contractor has had several of its employees file a complaint regarding their pay. The U.S. Dept. of Labor is investigating this matter, but no resolution had been communicated to the State as of May 13, 2010.

Buy American

The Montana DWSRF program has fully incorporated the Buy American terms and conditions into its bid documents and construction contracts. The program has directed subrecipients to track expenditures to ensure that projects do not exceed the 5% limit on total materials costs eligible for a de minimis waiver. The Montana DWSRF did not request any project-specific waivers.

Inspection Strategy

The Montana DWSRF intends to conduct multiple inspections at each Recovery Act funded project. As of May 17, 2010 the State had conducted 31 inspections at its 32 drinking water Recovery Act projects. This is a good accomplishment. They are using their own inspection form, supplemented by the HQ-created checklist to ensure compliance with GPR, Buy American and Davis Bacon requirements.

U.S. ENVIRONMENTAL PROTECTION AGENCY

DATE:

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