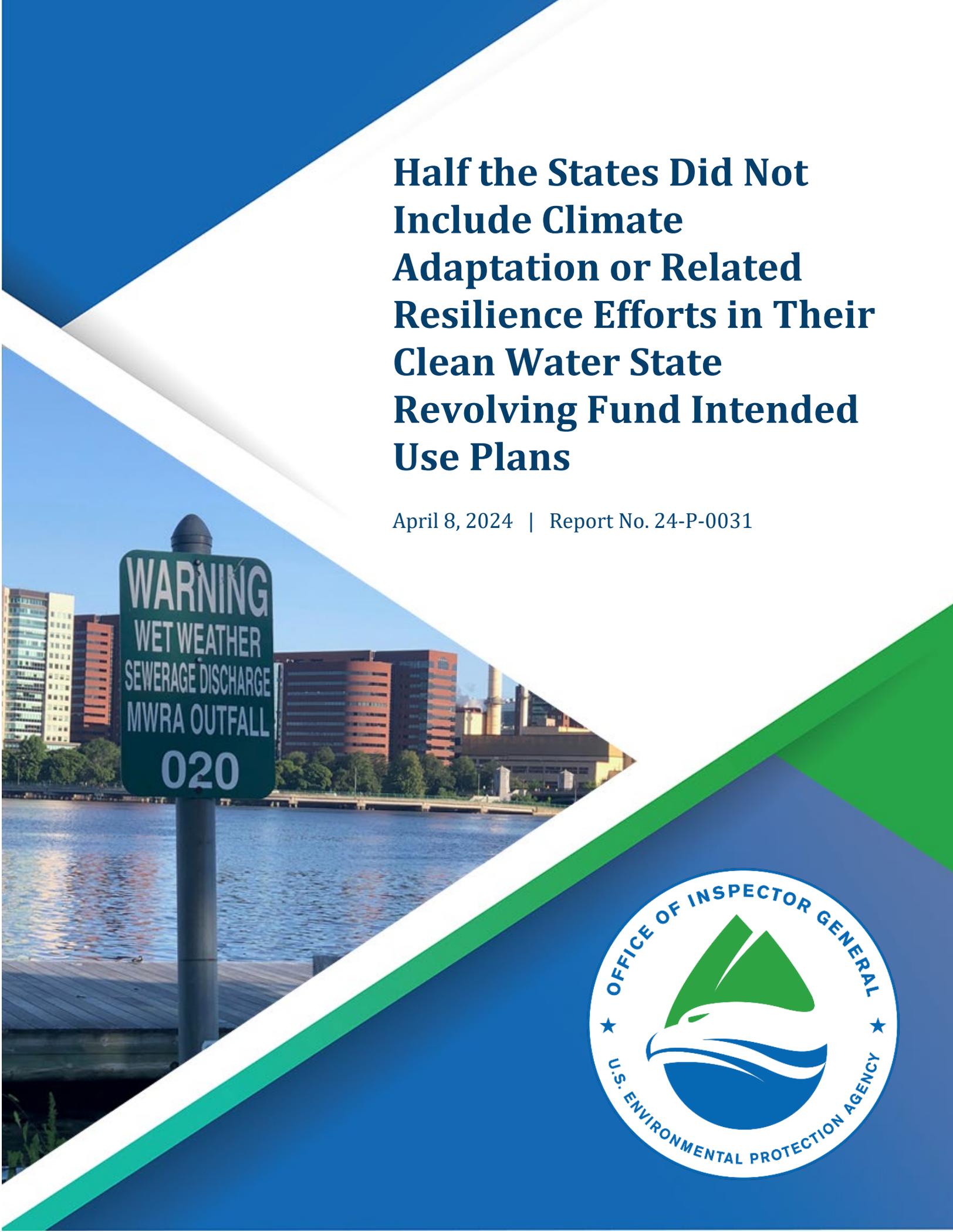


Half the States Did Not Include Climate Adaptation or Related Resilience Efforts in Their Clean Water State Revolving Fund Intended Use Plans

April 8, 2024 | Report No. 24-P-0031



WARNING
WET WEATHER
SEWERAGE DISCHARGE
MWRA OUTFALL
020



Report Contributors

Myka Bailey-Sparrow
Jaya Brooks
Julie Hamann
Kathryn Hess
Chen-yang Liu
Detravion White

Abbreviations

C.F.R.	Code of Federal Regulations
CWSRF	Clean Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
GAO	U.S. Government Accountability Office
IIJA	Infrastructure Investment and Jobs Act
IUP	Intended Use Plan
OIG	Office of Inspector General
U.S.C.	United States Code

Key Definitions

Climate adaptation	Taking action to prepare for and adjust to current and projected impacts of climate change.
Climate resilience	The capacity of a system to maintain function in the face of stresses imposed by climate change and to adapt the system to be better prepared for future climate impacts.
Intended use plan	A state's annual plan that identifies the projects, goals, and methods for the distribution of funds available to the state's clean water state revolving fund.
Resilience	A capability to anticipate, prepare for, respond to, and recover from significant multi-hazard threats with minimum damage to social well-being, the economy, and the environment.

Cover Image

Wet weather sewer overflow discharge point along the Charles River in Boston.
(EPA OIG image)

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1200 Pennsylvania Avenue, NW (2410T)
Washington, D.C. 20460
(202) 566-2391
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At a Glance

Half the States Did Not Include Climate Adaptation or Related Resilience Efforts in Their Clean Water State Revolving Fund Intended Use Plans

Why We Did This Audit

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine to what extent (1) the EPA is providing guidance and reviewing states' clean water state revolving fund intended use plans to ensure that the plans, as they relate to climate change resiliency, meet the intent of the presidential policy directive to strengthen and maintain secure, functioning, and resilient critical infrastructure and (2) the states, in their clean water state revolving fund planning, are considering climate change resiliency to safeguard federal investments, including funding provided by the Infrastructure Investment and Jobs Act.

The clean water state revolving fund is a federal-state partnership that provides low-cost financing for infrastructure projects. The EPA annually provides grants to the states, which in turn fund projects at the community level. To receive grants, states prepare annual intended use plans with information including their goals and objectives, the projects to be funded, and the criteria and methods used to select projects.

In 2021, the Infrastructure Investment and Jobs Act provided \$12.7 billion appropriated over five years to the clean water state revolving fund.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

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

- *Mitigating the causes and adapting to the impacts of climate change.*
- *Overseeing, protecting, and investing in water and wastewater systems.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG.PublicAffairs@epa.gov.

[List of OIG reports.](#)

What We Found

The EPA prioritized climate adaptation and provided guidance to states during the development of their annual clean water state revolving fund intended use plans, or CWSRF IUPs. Despite these EPA actions, the EPA had limited success in getting states to include climate adaptation or related resilience efforts, such as those addressing natural disasters, in their IUPs. Just 13 states included this in their 2020 IUPs. After passage of the Infrastructure Investment and Jobs Act and after the federal government established its climate adaptation priority in 2021, the number increased to 25 states for the 2022 IUPs, an increase of 12 states over two years. In addition, only 13 states included climate adaptation or related resilience efforts as part of the project prioritization criteria documented in their 2022 IUPs.

We attribute the lack of climate adaptation and related resilience efforts being included in IUPs to several factors. For example, the Clean Water Act grants sole authority to states to determine the funding priorities for eligible CWSRF projects. This meant that the EPA could only use its oversight interactions to encourage states to fund projects that support climate adaptation. The EPA also did not require that states include a discussion of climate adaptation in their IUPs. Further, the EPA's communication to the regions about discussing funding priorities with the states did not always include the EPA's climate adaptation priority.

State incorporation of climate adaptation or related resilience efforts into their IUPs varied across the country. For example, all six states in EPA Region 1 included resilience efforts in their 2022 IUPs, while only one of the six states in EPA Region 8 did so. The state of Florida, which is located in EPA Region 4 and suffered more than \$30 billion in damages following Hurricane Ian in 2022, did not mention resilience efforts in its 2022 IUP. The long-term sustainability of federal investments through the CWSRF is at risk when states do not include climate adaptation in their planning.

In federal fiscal year 2022, the EPA awarded \$1.2 billion out of the available \$3 billion CWSRF funds—which included annual and Infrastructure Investment and Jobs Act appropriations—to states that did not include resilience in their IUPs. Funded projects may become inoperable if the impacts of climate change are not considered.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Water (1) require the EPA regions to annually discuss with states the priority to fund projects that support climate adaptation, (2) update guidance to regions and states on the required discussions, (3) determine whether additional steps could be taken to require states to include in their IUPs a discussion of their progress with including climate adaptation, and (4) annually document the states' progress with including climate adaptation in their planning efforts.

The Agency provided acceptable corrective actions to address Recommendations 1, 2, and 4 and concurred with Recommendation 3. However, the proposed corrective actions do not meet the intent of Recommendation 3. Resolution efforts are ongoing.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

April 8, 2024

MEMORANDUM

SUBJECT: Half the States Did Not Include Climate Adaptation or Related Resilience Efforts in Their Clean Water State Revolving Fund Intended Use Plans
Report No. 24-P-0031

FROM: Sean W. O'Donnell, Inspector General *Sean W O'Donnell*

TO: Bruno Pigott, Acting Assistant Administrator
Office of Water

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was [OA-FY23-0055](#). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Water is responsible for the issues discussed in this report. In accordance with EPA Manual 2750, your office completed acceptable corrective actions for Recommendations 1 and 2. Your office also provided an acceptable planned corrective action and estimated milestone date in response to Recommendation 4, which is resolved. A final response pertaining to these recommendations is not required; however, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response.

Action Required

Recommendation 3 is unresolved. EPA Manual 2750 requires that recommendations be resolved promptly. Therefore, we request that the EPA provide us within 60 days its responses concerning specific actions in process or alternative corrective actions proposed on the recommendation. Your response will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epaoig.gov.

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Purpose

The U.S. Environmental Protection Agency Office of Inspector General [initiated](#) this audit to determine to what extent:

- The EPA is providing guidance and reviewing states' clean water state revolving fund, or CWSRF, intended use plans, also known as IUPs, to ensure that the plans, as they relate to climate change resiliency, meet the intent of the presidential policy directive to strengthen and maintain secure, functioning, and resilient critical infrastructure.¹
- The states, in their CWSRF planning, are considering climate change resiliency to safeguard federal investments, including funding provided by the Infrastructure Investment and Jobs Act, also known as the IIJA, and annual appropriations.

Top management challenges addressed

This audit addresses the following top management challenges for the Agency, as identified in OIG Report No. [24-N-0008](#), *The EPA's Fiscal Year 2024 Top Management Challenges*, issued November 15, 2023:

- Mitigating the causes and adapting to the impacts of climate change.
- Overseeing, protecting, and investing in water and wastewater systems.

Background

Effective disposal of municipal wastewater and management of stormwater are vital to protecting human health and the environment and to promoting a thriving economy. More than 16,000 regulated wastewater treatment facilities operate nationwide. These facilities serve more than 75 percent of the U.S. population and discharge treated wastewater to receiving surface water or groundwater. Also, more than 7,000 public entities—such as states, cities, and towns—manage stormwater runoff that can pick up pollutants—such as trash, chemicals, and sediment—and harm our rivers, lakes, and other water bodies. Through the Clean Water Act, Congress empowers the EPA to work with the Agency's state, territorial, and tribal partners to accomplish the Act's goals to restore and maintain the integrity of the nation's water.

Clean Water State Revolving Fund

Congress amended the Clean Water Act in 1987 to authorize the CWSRF Program, which is a federal-state partnership that provides low-cost financing to communities for water quality infrastructure projects, such as municipal wastewater facilities, nonpoint source pollution control, decentralized wastewater treatment systems, stormwater runoff mitigation, green infrastructure, estuary protection, and water reuse. The EPA annually provides CWSRF capitalization grants to the 50 states and Puerto

¹ Presidential Policy [Directive 21](#), *Critical Infrastructure Security and Resilience*, Feb. 12, 2013.

Rico. In the rest of this report, our use of states in relation to the CWSRF includes the 50 states and Puerto Rico.

The states use the CWSRF capitalization grants to fund projects at the community level. To receive its capitalization grant, a state must annually prepare an IUP, which is a plan that identifies the intended uses of the federal funds available to the state's CWSRF. The IUP must include, but not be limited to, a description of the short-term goals and objectives of the state's CWSRF, a list of projects and eligible activities the state intends to fund, and the criteria and method the state used to make its project selections. The state must subject the IUP to public comment and review before it submits the IUP to the EPA. The EPA regions' oversight responsibilities include reviewing the state IUPs to confirm compliance with statutory and regulatory requirements and discussing EPA priorities with the states. The EPA Office of Water provided the regions with a checklist to use to improve consistency among the IUP reviews.

Climate Adaptation and Related Resilience Efforts

As stated on the EPA's [website](#), "climate adaptation means taking action to prepare for and adjust to both the current and projected impacts of climate change." The EPA has documented that reliable operation of our critical water infrastructure is threatened as the effects of climate change—including extreme storms, floods, droughts, and wildfires—increase in severity, intensity, and frequency. And as a result, climate adaptation is necessary for the long-term sustainability of our critical water infrastructure investments. Plans to upgrade or construct new water infrastructure need to address adapting to these changing threats. In 2021, the EPA released a [fact sheet](#) that emphasized the need to fund resilient infrastructure with the CWSRF. In addition, the EPA wrote in its 2021 [Climate Adaptation Action Plan](#), "[v]ulnerable and underserved communities may be particularly at risk, from lack of access to clean and safe water as well as from limitations on their ability to prepare for and respond to climate-related events affecting their water infrastructure." As a result of this need for climate adaptation, the federal government, including the EPA, has committed to climate adaptation, including efforts to make water infrastructure resilient to climate change.

In 2013, Presidential Policy [Directive 21](#), *Critical Infrastructure Security and Resilience*, directed the federal government to strengthen and maintain secure, functioning, and resilient critical infrastructure. The EPA defines resilience as a "capability to anticipate, prepare for, respond to and recover from significant multi-hazard threats with minimum damage to social well-being, the economy and the environment." The directive designated water and wastewater as critical infrastructure and identified the EPA as the agency responsible for leading, facilitating, or supporting security and resilience programs and associated activities of the critical water and wastewater infrastructure sector.

<p>Presidential Policy Directive 21</p> <p>February 12, 2013</p> <p><i>Critical Infrastructure Security and Resilience</i></p>	<p>Executive Order 13990</p> <p>January 20, 2021</p> <p><i>Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis</i></p>	<p>Executive Order 14052</p> <p>November 15, 2021</p> <p><i>Implementation of the Infrastructure Investment and Jobs Act</i></p>
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In addition, in 2021, executive orders established a federal climate adaptation priority. These orders included:

- Executive Order [13990](#), *Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis*, which acknowledged that “[e]xtreme weather events and other climate-related effects have harmed the health, safety, and security of the American people and have increased the urgency for combatting climate change.” The order communicated the stated policy of the administration—“to bolster resilience to the impacts of climate change.”
- Executive Order [14052](#), *Implementation of the Infrastructure Investment and Jobs Act*, which, in addition to other goals, prioritized, “as appropriate and to the extent consistent with law,” “building infrastructure that is resilient and that helps combat the crisis of climate change.”

The EPA’s 2021 [Climate Adaptation Action Plan](#) prioritized actions to “[i]ntegrate climate adaptation into EPA program, policies, rulemaking processes, and enforcement activities.” Further, the *FY 2022-2026 EPA Strategic Plan* stated that the EPA is “committed to taking necessary actions to anticipate, prepare for, adapt to, and recover from the impacts of climate change while advancing the climate resilience of Tribes and indigenous peoples, states, territories, and communities across the nation.” In 2022, EPA program and regional offices developed climate adaptation implementation [plans](#) that described how they will include climate adaptation in their programs, policies, and operations.

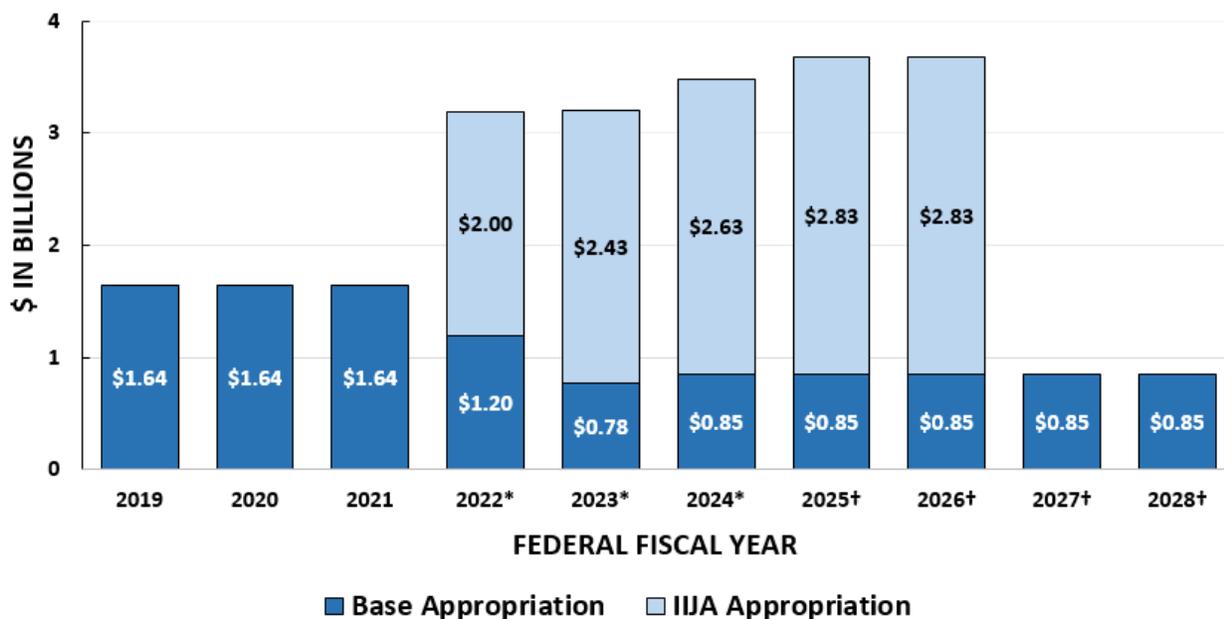
In the preface to each of the 2022 program and regional office climate adaptation implementation plans, the EPA deputy administrator wrote that “[t]he EPA will work to modernize its financial assistance programs to encourage climate-resilient investments across the nation. We will also focus on ensuring that investments funded by the [IIJA], the Inflation Reduction Act and other government programs are resilient to the impacts of climate change.” The Office of Water’s implementation plan stated that the office “will strategically take actions to embed climate change adaptation across its financial assistance, regulatory, and non-regulatory programs.” In the February 2023 memorandum, *Incorporating Climate Change Adaptation Criteria into Applicable Financial Assistance Agreements*, issued to the EPA program assistant administrators and regional administrators, the EPA deputy administrator, and the EPA associate administrator for Policy included steps to advance the Agency’s “long-term commitment to modernize all its financial assistance programs to encourage climate-resilient investments.”

The IIJA Provided Nearly \$13 Billion in Funding for the CWSRF

Passed in November 2021, the IIJA appropriated \$12.7 billion for the CWSRF over five years; these amounts are available for use by the EPA until they are expended. The IIJA appropriations supplement

the funding Congress annually appropriates to the EPA for the CWSRF, which is shown as base appropriations in Figure 1. In federal fiscal year 2024, the base appropriation was \$851 million after the appropriation was reduced by congressionally-directed funds. In March 2022, the EPA assistant administrator for Water issued the [memorandum](#), *Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law*, to the regions and the state program managers. This memorandum encouraged states to use the significant increase in CWSRF funding from the IIJA appropriation for infrastructure projects that make water systems more resilient to all threats, including natural disasters and climate change. Further, the EPA strongly encouraged states to fund projects that support climate adaptation. This encouragement aligns with the Executive Order [14052](#) instruction to prioritize, among other goals, building resilient infrastructure that helps combat climate change.

Figure 1: CWSRF appropriations and projected appropriations for federal fiscal years 2019 through 2028



Source: OIG analysis of federal appropriation data. (EPA OIG table)

* Base appropriations decreased in federal fiscal years 2022 through 2024 because Congress directed funds to specific projects. These congressionally directed spending requirements are also known as earmarks.

† For the purpose of this figure, we assumed that the base appropriation for federal fiscal years 2025 through 2028 would remain at the same level as the federal fiscal year 2024 base appropriation.

In April 2022, five months after the passage of the IIJA, the EPA assistant administrator for Water issued a memorandum to regional water division directors. In the memorandum, titled *Next Steps: Regional Collaboration with States on BIL Implementation*, the office instructed the EPA regions to engage with states during their IUP development and “[s]hare [the] EPA’s expectations for achieving progress toward the priorities” established in the March 2022 IIJA implementation [memorandum](#).² The *IUP Initial*

² The EPA also refers to the Infrastructure Investment and Jobs Act as the Bipartisan Infrastructure Law, or BIL.

Discussion Guide accompanied the April 2022 memorandum. The discussion guide listed 21 questions relating to the states' IUPs, including one about prioritizing climate adaptation and two about supporting resilience, as shown in the box below. In January 2023, the Office of Water issued a similar memorandum to the regions. This memorandum, *Improving the Programmatic Implementation and Oversight of the Bipartisan Infrastructure Law State Revolving Funds*, asked that regions meet with their states to, among other actions, "reiterate and examine state implementation of priorities."

IUP discussion guide questions

- Is the state prioritizing projects that foster resilience to all threats and hazards, consistent with Presidential Policy Directive (PPD) 21?
- Does the state support wastewater and stormwater infrastructure projects that apply the best available and most geographically relevant climate information, projections, and standards, such as the Federal Flood Risk Management Standard?
- Does the state incorporate climate resilience criteria into their prioritization of SRF funding under the BIL [Bipartisan Infrastructure Law]?

Excerpts from the EPA's 2022 *Initial IUP Discussion Guide*

Responsible Offices

The EPA Office of Water oversees implementation of the Clean Water Act. The Office of Water works with the ten EPA regional offices; other federal agencies; state, local, and tribal governments; the regulated community; the public; and other stakeholders. The office provides guidance, specifies scientific methods and data collection requirements, performs oversight, and facilitates communication among those involved in ensuring clean water. Within the Office of Water, the Office of Wastewater Management oversees the CWSRF.

Scope and Methodology

We conducted this performance audit from March 2023 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We assessed the internal controls necessary to satisfy our audit objectives.³ In particular, we assessed the internal control components—as outlined in the U.S. Government Accountability Office's, or GAO's, *Standards for Internal Control in the Federal Government*—significant to our audit objectives. In this report, we discuss the internal control deficiencies that we found. Because our audit was limited to the internal control components deemed significant to our audit objectives, it may not have disclosed all internal control deficiencies that existed at the time of the audit.

³ An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The U.S. Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government*, issued September 10, 2014.

To address our objectives, we reviewed (1) relevant federal statutes and regulations, executive orders, presidential directives, and EPA policies and guidance; (2) the EPA’s guidance related to the CWSRF and the administration of IJJA funds, including memorandums and associated checklists on how regions interact with states during IUP development and how regions review the IUPs once the states submit them; and (3) the EPA’s *Climate Adaptation Action Plan* and the implementation plans developed by the EPA regions and the EPA Offices of Water and Policy.

We analyzed (1) state-developed CWSRF IUPs associated with capitalization grants from federal fiscal years 2020 and 2022, to identify which plans included climate adaptation or related resilience efforts, such as those addressing natural disasters; and (2) region-completed discussion guides, to determine which states the regions identified as including related criteria in their prioritization of IJJA funding. We did not include in our analyses other resilience efforts that are not climate related, such as those related to cybersecurity.

We also interviewed (1) CWSRF managers and staff within the EPA Office of Water; (2) the EPA’s senior advisor for climate adaptation; (3) EPA CWSRF managers and staff within Regions 4, 7, and 10;⁴ (4) state CWSRF managers in Florida, based on the description of Florida’s CWSRF program provided by an EPA Region 4 manager; and (5) representatives from outside organizations.

Prior Reports

In the 2020 report [GAO-20-24](#), *Water Infrastructure: Technical Assistance and Climate Resilience Planning Could Help Utilities Prepare for Potential Climate Change Impacts*, the GAO recommended that:

[t]he Director of Water Security of [the] EPA, as Chair of the Water Sector Government Coordinating Council, should work with the council to identify existing technical assistance providers and engage these providers in a network to help drinking water and wastewater utilities incorporate climate resilience into their projects and planning on an ongoing basis.

The GAO reported that as of March 2023, the EPA continues “to work with providers to improve technical assistance to utilities” and the EPA “will consider an approach of working with stakeholders and integrating technical assistance providers to further assist utilities in incorporating resilience into infrastructure project planning and execution.” The GAO stated that the EPA “has not indicated how it will work with agencies and the water sector to organize a network of technical assistance or how it will expand the assistance provided to the many water and wastewater utilities across the United States.” The report also noted that “Congress should consider requiring that climate resilience be incorporated in the planning of all drinking water and wastewater projects that receive federal financial assistance.” The GAO reported that “[a]s of May 2023, Congress has not required that climate resilience

⁴ We judgmentally selected the regions.

be incorporated in the planning of all drinking water and wastewater projects that receive federal financial assistance.”

Results

The EPA prioritized climate adaptation and provided guidance to the states during the development of their annual CWSRF IUPs. Despite these actions, the EPA had limited success in getting the states to include climate adaptation or related resilience efforts, such as those addressing natural disasters, in their IUPs. Consequently, the EPA had limited success in meeting the Executive Order [14052](#) priority of “building infrastructure that is resilient and that helps combat the crisis of climate change.” We found that only 49 percent of the states included climate adaptation or related resilience efforts in their 2022 IUPs and only 25 percent included a related priority. We attribute these small percentages to several factors:

- The Clean Water Act grants sole authority to states to determine the funding priorities for eligible CWSRF projects.
- The EPA did not require that states include a discussion of climate adaptation in their IUPs.
- Messaging from the EPA did not always include the climate adaptation priority.
- State priorities did not always align with the EPA priority of funding projects that support climate adaptation.
- The late release of the EPA’s guidance made it difficult for states to include the climate adaptation priority in their 2022 IUPs.

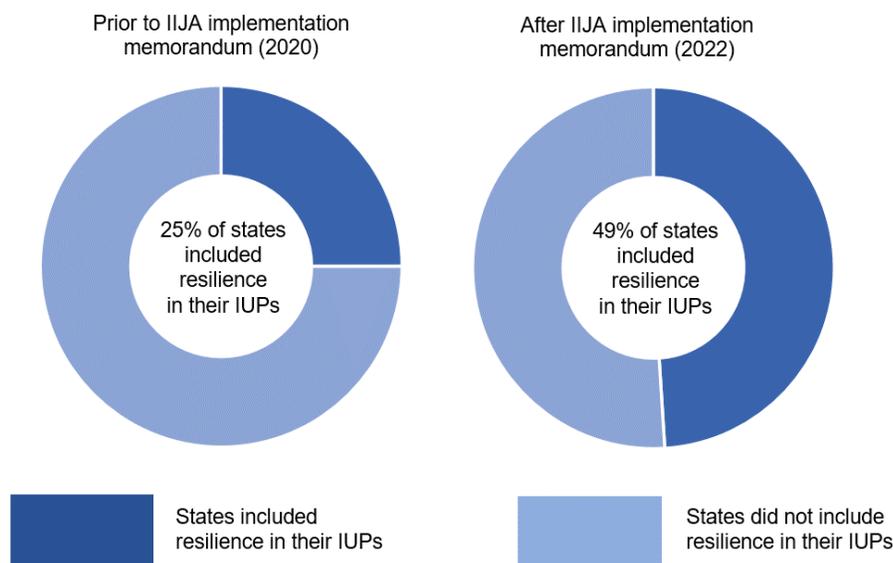
If the states do not include climate adaptation in their CWSRF planning, the long-term sustainability of CWSRF-funded projects may be at greater risk because of the adverse impacts of climate change and, as a result, the invested federal funds may be wasted if funded projects become inoperable because of the impacts of climate change. In federal fiscal year 2022, the EPA awarded \$1.2 billion, 40 percent of the available \$3 billion in CWSRF funds, to states that did not include climate adaptation or related resilience efforts in their IUPs.

Half the States Did Not Include Climate Adaptation or Related Resilience Efforts in their CWSRF IUPs

Not all states included climate adaptation or related resilience efforts, such as those addressing natural disasters, in their CWSRF IUPs. We found that 13 states included these efforts in their 2020 CWSRF IUPs, prior to IJIA implementation, as shown in Figure 2. After the EPA issued its March 2022 IJIA implementation [memorandum](#), which “strongly encouraged” states to fund, among other projects, ones that support climate adaptation, 12 additional states included these efforts in their 2022 IUPs, increasing the number of states to 25 states. While the number of states that included these efforts in their IUPs nearly doubled, 26 states still did not include them in their IUPs. We also found that incorporation of climate adaptation or related resilience efforts into IUPs varied across the country. For

example, all six states that comprise EPA Region 1 in New England included these efforts in their 2022 IUPs, while only one of the six mountains and plains states that comprise Region 8 did so.

Figure 2: Percent of states that included climate adaptation or related resilience efforts in their CWSRF IUPs



Source: OIG analysis of EPA data. (OIG figure)

Not all the states that described climate adaptation or related resilience efforts in their 2022 IUPs included climate adaptation or related resilience as a criterion for selecting projects they intended to fund. From our review of the 2022 IUPs, we found that only 13 of the 51 states did so. However, based on our analysis of the 2022 discussion guides that the regions submitted to the Office of Water, the regions identified 30 states that had included climate resilience criterion in their prioritization for CWSRF funding. The difference between these two numbers of states—30 in the discussion guides and 13 in the IUPs—may be due to inconsistencies between regional perceptions of what states are doing and how states are documenting their prioritization processes in their IUPs.

Prior to the IIJA, the Office of Water had not required regions to determine whether states included funding projects that support climate adaptation when the regions reviewed the submitted IUPs. However, in April 2022, following passage of the IIJA, the Office of Water updated the checklist it provides to regions for their use while reviewing the states' IUPs. The updated checklist included an entry on resilience, among other best practices: "The IUP includes a description for how the state will target SRF funding for infrastructure projects that make water systems more resilient to all threats – whether it is natural disasters, climate change, or threats such as bioterrorism and cyber-attacks." This addition to the IUP checklist should help create consistency in how the regions review the IUPs and is a step toward having states include climate adaptation in their IUPs.

Five Factors Contributed to the EPA's Limited Success

The EPA had limited success in getting states to include climate adaptation or related resilience efforts, such as those addressing natural disasters, in their CWSRF IUPs. We attribute this limited success to five factors.

First, the Clean Water Act, 33 U.S.C. § 1296, grants sole authority to the states to determine the funding priorities for eligible CWSRF projects. In Report No. [GAO-20-24](#), *Water Infrastructure: Technical Assistance and Climate Resilience Planning Could Help Utilities Prepare for Potential Climate Change Impacts*, dated January 2020, the GAO recommended that “Congress should consider requiring that climate resilience be incorporated in the planning of all drinking water and wastewater projects that receive federal financial assistance from programs” that the EPA and three other federal agencies administer. According to the GAO report [webpage](#), as of May 2023, other than specific legislation that established grant programs that address water infrastructure resilience, Congress has not implemented the GAO’s recommendation. This meant that the EPA could only use its oversight interactions with the states to encourage them to fund CWSRF projects that support climate adaptation when considering the state’s priorities.

Second, the EPA did not require that the states include a discussion of climate adaptation in their IUPs. According to the Agency, including information on resilience is considered a best practice. The Clean Water Act, 33 U.S.C. § 1386, lists the minimum information that the states must include in their IUPs. The EPA’s regulations at 40 C.F.R. § 35.3150 also identify what information the states must include in their IUPs, but the EPA did not require information on climate resilience. The EPA could require the states to include a discussion of climate adaptation or related resilience efforts. This requirement would align with the *IUP Initial Discussion Guide* that the Office of Water issued to the regions in 2022. The guide indicated that the regions should request information on resilience from states during discussions on IUP expectations. This requirement also would align with the 2022 IUP checklist, which states that regions review whether state IUPs include “a description for how the state will target SRF funding for infrastructure projects that make water systems more resilient to all threats.”

Third, the EPA’s messaging did not always include the climate adaptation priority. The EPA Office of Water’s memorandums to the EPA regions during the first 14 months of IJA funding implementation did not always identify supporting climate adaptation as a priority. In March 2022, just four months after Congress passed the IJA, the office issued an implementation [memorandum](#) to the regions and states strongly encouraging the states to fund projects that support climate adaptation, among other projects. However, one month later, in an April 2022 internal memorandum to the regions, the EPA message on supporting climate adaptation was mixed. While the April 2022 memorandum requested that regions engage with their states on the “EPA’s expectations for achieving progress towards the priorities established” in the March 2022 memorandum, the April 2022 memorandum did not specifically emphasize climate adaptation, as it did for another funding priority. This sent, perhaps unintentionally, the message that climate adaptation was the lesser priority.

EPA memorandums

March 2022	April 2022	January 2023	February 2023
<i>Implementation of the Clean Water and Drink State Revolving Fund Provisions of the Bipartisan Infrastructure Law</i>	<i>Next Steps: Regional Collaboration with States on BIL Implementation</i>	<i>Improving the Programmatic Implementation and Oversight of the Bipartisan Infrastructure Law State Revolving Funds</i>	<i>Incorporating Climate Change Adaptation Criteria into Applicable Financial Assistance Agreements</i>

In the discussion guide accompanying the April 2022 memorandum, the Office of Water provided guidance for the regions to use during their IIA funding discussions with states. The discussion guide posed 21 questions, including three related to resilience and climate adaptation. The Office of Water did not indicate that the regions may need to elevate the states’ responses to those three resilience and climate adaptation questions to the Office of Water as the office did with questions related to another funding priority. This gave the appearance that funding for climate adaptation was not a priority or that it was a lower priority.

We could not determine whether the regions discussed the discussion guide topics with the states because of how the Office of Water framed the questions in the discussion guide. For example, one question asked was “Does the state incorporate climate resilience criteria into their prioritization of [state revolving] funding under the [IIA]?” The answers to that question and the comments provided by the regions gave the Office of Water the regions’ understandings of whether and how the states were incorporating climate adaptation into their funding decisions. The answers, however, did not provide information on whether the regions actually discussed climate adaptation with the states. The way the Office of Water framed the questions in the April 2022 discussion guide contributed to the mismatch we observed between what the states recorded in their descriptions in their 2022 IUP of their prioritization criteria and what the regions reported in their answers to the climate resilience criteria question in the completed 2022 discussion guides.

In its January 2023 memorandum, the Office of Water directed regions to engage again with their states to discuss the Agency’s priorities. The January 2023 memorandum listed four key areas of engagement, but climate adaptation was not one of the key areas. The messages in the Office of Water’s April 2022 and January 2023 guidance memorandums to the regions and in the office’s April 2022 *Initial IUP Discussion Guide* were inconsistent with the March 2022 implementation memorandum, in which the office strongly encouraged states to fund projects that support climate adaptation. Because the memorandums and the discussion guide did not consistently communicate the climate adaptation priority, they were missed opportunities for the office to reinforce to the regions the priority to fund projects that support climate adaptation.

Fourth, the states were already developing their 2022 IUPs when the EPA released the March 2022 implementation memorandum that established EPA's priority of funding projects that support climate adaptation. This timing made it difficult for states to include the climate adaptation priority in their 2022 IUPs.

Finally, the fifth factor that contributed to the EPA's limited success in getting the states to include climate adaptation in their 2022 IUPs, is that state priorities, as described in the state's IUP, did not always align with the EPA priority of funding projects that support climate adaptation. Region 10 told us that its states fund projects that are indirectly related to climate adaptation, such as combined sewer overflow and flood mitigation projects. Region 7 stated that it was difficult for its states to include climate priorities in their IUPs because climate adaptation had not been a priority for the states prior to the EPA's issuance of the March 2022 implementation memorandum.

Region 4 stated that all its states were looking at resilience even though the states may not have explicitly written about resilience in their IUPs. When we reviewed IUPs for the states in Region 4, we found that only three out of the eight states included climate adaptation or related resilience efforts in their 2020 IUPs, and only one additional state included it in its 2022 IUPs. Region 4 told us that its states would not directly categorize projects as incorporating climate change resilience but assured us that the states were working to include resilience in their projects.

Florida, which suffered more than \$30 billion in damages following Hurricane Ian in 2022, did not mention climate adaptation or related resilience efforts in its 2022 IUP. This omission is consistent with managers in Region 4, where Florida is located, telling us that its states would not directly categorize projects as incorporating climate change resilience but is inconsistent with Region 4 managers' comments that Florida was the region's leading state in incorporating climate change resilience into its CWSRF prioritization process. In addition, the omission is inconsistent with Florida's priority expressed through its state-funded resilience program, a funding effort outside of the CWSRF program.

Based on information we gathered from Regions 4, 7, 10, and Florida, we concluded that the EPA will continue to find it challenging to get all states to include climate adaptation in their CWSRF planning and to document that inclusion in their IUPs.

Long-Term Sustainability of CWSRF Projects May Be at Greater Risk Because of the Adverse Impacts of Climate Change

The long-term sustainability of federally funded projects, including CWSRF projects, may be at greater risk if the adverse impacts of climate change are not properly considered during project planning. In recent years, public wastewater treatment plants have been inundated by extreme flooding and weather events attributed to the effects of climate change. For an example, see the case study about Pearland, Texas, on the following page. Because some states are not prioritizing climate adaptation in their CWSRF IUPs, some projects that receive state-awarded federal funds through the CWSRF may not be sustainable over the long term. In federal fiscal year 2022, the EPA awarded \$1.2 billion, 40 percent of the available \$3 billion in CWSRF funds—which included annual and IJJA appropriations—to the states

that did not include climate adaptation or related resilience efforts in their IUPs. The EPA’s limited success in getting the states to include these efforts in their CWSRF IUPs meant that the EPA also had limited success in advancing the priority, established in 2021 in Executive Order [14052](#), to build infrastructure that is resilient. To protect future improvements to and the federal investment in clean water infrastructure from the effects of climate change—including extreme storms, floods, droughts, and wildfires—the EPA should focus its efforts on increasing the number of states that consider climate adaptation in their CWSRF planning and document that consideration by including climate adaptation in their IUPs.

Case Study: Pearland, Texas Wastewater Treatment Plant Impacted by Hurricane Harvey

Pearland, Texas, has been one of the fastest growing communities in the country since 2008. It has approximately 120,000 residents and is located near Houston. Pearland received more than 30 inches of rain during Hurricane Harvey in August 2017. One of Pearland’s wastewater treatment plants, which was built in the mid-1960s in a bend of a creek, was inundated with flood waters and rendered inoperable. The plant was under water and only accessible by boat for seven days. The estimated damage to the plant was over \$1.5 million. Rather than rebuilding the wastewater treatment plant, the community will decommission the plant and divert the wastewater to a different plant in a \$90 million expansion project. What happened in Pearland illustrates the importance of making our wastewater infrastructure resilient to the negative impacts of climate change.

Texas is one of the states that added resilience efforts to its 2022 IUP.

Floodwater inundation at the wastewater treatment plant, August 2017.



Source: City of Pearland, Texas.
(Used with permission)

Recommendations

We recommend that the assistant administrator for Water:

1. Implement procedures to require the EPA regions to annually discuss with state clean water state revolving fund programs the priority to fund projects that support climate adaptation and verify to the Office of Water that they held the required discussions.
2. Update guidance to the EPA regions and the state clean water state revolving fund programs on the required annual discussions between the regions and state programs, so that the priority to fund projects that support climate adaptation is consistently relayed.
3. Determine additional steps that could be taken to require state clean water state revolving fund programs to include in their intended use plans a discussion of the program’s progress with including climate adaptation in their program planning efforts.

4. Annually assess and document states' progress with including climate adaptation in their clean water state revolving fund planning efforts and update the guidance provided to regions and state programs as needed to advance the priority of funding projects that support climate adaptation.

Agency Response and OIG Assessment

The Office of Water provided its initial response to our draft report on February 5, 2024. OIG and Office of Water representatives met on February 16, 2024, to discuss the recommendations. The Office of Water provided a second response on March 4, 2024. These responses are in Appendix A.

Recommendation 1: The Agency concurred with this recommendation. We accept the Agency's proposed corrective action as meeting the intent of Recommendation 1. On October 31, 2023, the Office of Water, in transmitting updated guidance to the regions, directed regions to have "robust discussions with the states in several high priority areas, including ... climate change resiliency." The guidance included a programmatic checklist with three questions related to resilience and climate change mitigation. The transmittal memorandum stated that "[r]egions should continue to regularly discuss the EPA [state revolving fund] priorities with states as annual reviews are conducted and as future [IUPs] are developed." The regions are to annually submit the completed checklist to the Office of Water. The Agency's corrective action to meet this recommendation is completed.

Recommendation 2: The Agency concurred with this recommendation. We accept the Agency's proposed corrective action as meeting the intent of Recommendation 2. The updated guidance and accompanying checklist consistently relay the priority to fund projects that support climate adaptation, along with other priorities. The Office of Water intended this updated checklist to include the April 2022 IUP discussion guide. We modified the recommendation to remove reference to the obsolete IUP discussion guide. The Agency's corrective action to meet this recommendation is completed.

Recommendation 3: The Agency concurred with this recommendation. However, the corrective actions proposed by the Agency—to provide training to the regions and states—do not meet the intent of the recommendation.

We agree that the EPA established a list of what information must be included in IUPs at [40 C.F.R. § 35.3150\(b\)](#). These include the minimum requirements specified in the Clean Water Act, 33 U.S.C. § 1386. However, we question the Agency's statement in its March 4, 2024 response that the EPA cannot establish a new requirement for the content of IUPs unless it has "additional statutory authority." In particular, 33 U.S.C. § 1386(c) states that IUPs "shall include, *but not be limited to*" (emphasis added) the five requirements that appear in the regulation.

Moreover, we note that the requirement list provided in the regulation contains broad topics that could include climate adaptation. For example, 40 C.F.R. § 35.3150(b)(3) requires that the IUP "describe the long and short terms goals and objectives of the [s]tate's water pollution control revolving fund." The EPA could advise states that it expects the discussion of these goals to include climate adaptation. In

addition, the Agency could explore the possibility of updating the regulations to include a required discussion of climate adaptation and related resilience efforts in the IUPs and other updates the Agency deems are needed.

To address concerns that the Agency raised when we met on February 16, 2024, we modified the recommendation to replace “should” with “could.” Resolution efforts on this recommendation are ongoing.

Recommendation 4: The Agency concurred with this recommendation. We accept the Agency’s proposed corrective action as meeting the intent of Recommendation 4. In its second response, the Agency provided an acceptable estimated completion date of December 31, 2024.

Status of Recommendations

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date
1	12	Implement procedures to require the EPA regions to annually discuss with state clean water state revolving fund programs the priority to fund projects that support climate adaptation and verify to the Office of Water that they held the required discussions.	C	Assistant Administrator for Water	10/31/23
2	12	Update guidance to the EPA regions and the state clean water state revolving fund programs on the required discussions between the regions and state programs, so that the priority to fund projects that support climate adaptation is consistently relayed.	C	Assistant Administrator for Water	10/31/23
3	12	Determine additional steps that could be taken to require state clean water state revolving fund programs to include in their intended use plans a discussion of the program's progress with including climate adaptation in their program planning efforts.	U	Assistant Administrator for Water	—
4	13	Annually assess and document states' progress with including climate adaptation in their clean water state revolving fund planning efforts and update the guidance provided to regions and state programs, as needed to advance the priority of funding projects that support climate adaptation.	R	Assistant Administrator for Water	12/31/24

* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress

Agency's Responses to the Draft Report

The Office of Water provided its initial response to our draft report on February 5, 2024. OIG and Office of Water representatives met on February 16, 2024, to discuss the recommendations. The Office of Water provided a second response on March 4, 2024. These responses are in this appendix.

Agency's February 5, 2024 Response



ASSISTANT ADMINISTRATOR FOR WATER

WASHINGTON, D.C. 20460

MEMORANDUM

SUBJECT: Response to the Draft Report: *Half the States Did Not Include Climate Adaptation or Related Resiliency Efforts in Their Clean Water State Revolving Fund Intended Use Plans*, OA-FY23-0055, December 19, 2023

FROM: Radhika Fox For: Best-Wong, Benita
Digitally signed by Best-Wong, Benita
Date: 2024.02.05
08:56:11 -05'00'

TO: Sean O'Donnell, Inspector General

Thank you for the opportunity to provide a written response to the findings and recommendations in the draft report: *Half the States Did Not Include Climate Adaptation or Related Resiliency Efforts in Their Clean Water State Revolving Fund Intended Use Plans*, OA-FY23-0055, dated December 19, 2023.

The draft report acknowledges that the U.S. Environmental Protection Agency prioritized climate adaptation and provided guidance to states during the development of their annual Clean Water State Revolving Fund Intended Use Plans. However, the report found that the EPA had "limited success" in getting states to include climate adaptation or related resiliency efforts in their IUPs, and in meeting the [Executive Order 14052](#) priority of building infrastructure that is resilient and that helps combat the crisis of climate change.

Overall, the EPA disagrees with several of the key conclusions and recommendations provided by the draft report, including, for example, that the messages in the Office of Water's April 2022 and January 2023 guidance memoranda to the regions and in the office's April 2022 Initial IUP Discussion Guide were

not inconsistent with the March 2022 implementation memorandum. These should not be construed as “missed opportunities” for OW to reinforce to the regions the priority to fund projects that support climate adaptation. A program as broad, and with as many benefits, as the CWSRF provides the opportunity to advance multiple priorities and highlighting each one all the time is not feasible, nor does not doing so diminish any particular priority.

The characterization that “State priorities did not always align with the EPA priority of funding projects that support climate adaptation,” does not look beyond what is explicitly called out as “climate change resiliency” in an IUP. Many states prioritize other project categories such as combined sewer overflows and flood mitigation projects that are related to climate adaptation as the EPA Region 10 pointed out. A full characterization of projects deemed responsive to climate change resiliency would need to look beyond just awarding points for “climate change resiliency,” and assess whether the actual projects prioritized have a nexus to resiliency, regardless of whether the state noted it or not.

While we believe we are effectively communicating and working with states to ensure the long-term sustainability of CWSRF-funded projects by considering and implementing climate resilience and adaptation, we understand there is variability across the states in incorporating relevant planning and development of IUPs, and there is room for enhancements. Often, this variability can be justified because of how particular states develop and manage their programs in response to climate, geography, and other critical factors.

In support of the OW Climate Action Implementation Plan we have carried out a number of CWSRF activities related to climate adaptation and resiliency, including, but not limited to, convening a resilience sub-group of the State-EPA SRF Workgroup, completing fact sheets on SRF funding for resilience to drought, wildfire, and flood, and revising our annual review checklist to help regions better engage states on how they are addressing climate in their programs. We will continue working with regions to encourage states to better focus on climate adaptation in their CWSRF planning efforts to ensure that projects will be resilient over the life of the assets.

Agency Response to Recommendations

The draft report makes the following recommendations to the Assistant Administrator for Water (p.17):

- 1. Implement procedures to require the EPA regions to annually discuss with state clean water state revolving fund programs the priority to fund projects that support climate adaptation and verify to the Office of Water that they held the required discussions.**

Response to OIG Recommendation 1 – Nonconcur:

OW does not concur with the OIG’s first recommendation. OW has already put procedures in place for the EPA regions to annually discuss with state CWSRF programs the priority to fund projects that support climate adaptation. OW has updated and substantially revised the SRF Annual Review Guidance that the EPA regions use in their annual oversight of the state SRF programs. Included as part of the SRF Annual Review Guidance is an Annual Review checklist, which the EPA regions are required to complete and submit to OW. This checklist includes three questions on resiliency and climate change mitigation intended to spur discussions:

- Does the SRF promote resiliency and climate change mitigation when marketing its program?
 - If so, how is this done and have marketing efforts been successful?
- Does the SRF require any resiliency or climate change mitigation related aspects to be incorporated into projects?

- If so, how is this done? (e.g., Is the floodplain standard (FFRMS) required to be addressed for all projects? Are water audits required? Are cybersecurity measures required?)
 - Does the SRF provide incentives to encourage incorporating resiliency or climate change mitigation related aspects into projects?
 - What incentives does the SRF provide?
- 2. Update guidance to the EPA regions and the state clean water state revolving fund programs on the required annual discussions between the regions and state programs, so that the priority to fund projects that support climate adaptation is consistently relayed. Improvements should include revising the resiliency questions in the intended use plan discussion guide to questions that may need to be elevated to the Office of Water.**

Response to OIG Recommendation 2 – Nonconcur:

OW does not concur with the OIG’s second recommendation. As noted in the response to Recommendation 1, OW has updated guidance to the EPA regions on the SRF annual oversight process to include required annual discussions between the regions and state programs on resiliency and climate change mitigation.

- 3. Determine additional steps that should be taken to require state clean water state revolving fund programs to include in their intended use plans a discussion of the program’s progress with including climate adaptation in their program planning efforts.**

Response to OIG Recommendation 3 – Nonconcur:

OW does not concur with the recommendation because requirements are tied to statutory language. While OW can encourage additional opportunities for states to address climate adaptation in their intended use plans, the regulations are based on what is expressly required by statute.

The EPA regulations at [40 C.F.R. § 35.3150\(b\)](#) specify the contents of an IUP that the EPA can require:

(b) Contents.

(1) List of Projects.

(i) The IUP must contain a list of publicly owned treatment works projects on the State's project priority list developed pursuant to section 216 of the Act, to be constructed with SRF assistance. This list must include: the name of the community; permit number or other applicable enforceable requirement, if available; the type of financial assistance; and the projected amount of eligible assistance.

(ii) The IUP must also contain a list of the nonpoint source and national estuary protection activities under sections 319 and 320 of the Act that the State expects to fund from its SRF.

(iii) The IUP must provide information in a format and manner that is consistent with the needs of the Regional Offices.

(2) Short and long term goals. The IUP must describe the long and short term goals and objectives of the State's water pollution control revolving fund.

(3) Information on the SRF activities to be supported. The IUP must include information on the types of activities including eligible categories of costs to receive assistance, types of assistance to be provided, and SRF policies on setting the terms for the various types of assistance provided by the fund.

(4) Assurances and specific proposals. The IUP must provide assurances and specific proposals on the manner by which the State intends to meet the requirements of the following sections of this part: § 35.3135(c); § 35.3135(d); § 35.3135(e); § 35.3135(f); and § 35.3140.

(5) Criteria and method for distribution of funds.

(i) The IUP must describe the criteria and method established for the distribution of the SRF funds and the distribution of the funds available to the SRF among the various types of assistance the State will offer.

(ii) The IUP must describe the criteria and method the State will use to select section 212 treatment work project priority list and projects or programs to be funded as eligible activities for nonpoint sources and estuary protection management programs.

4. Annually assess and document states' progress with including climate adaptation in their clean water state revolving fund planning efforts and update the guidance provided to regions and state programs as needed to advance the priority of funding projects that support climate adaptation.

Response to OIG Recommendation 4 – Concur:

OW concurs with this recommendation. OW will utilize the information collected on the Annual Review checklists during the calendar year 2023-2024 Annual Review cycle to develop a baseline for the number of state CWSRF programs that include climate adaptation in their planning efforts (estimated completion Fall 2024). Moving forward, the Annual Review checklists will be used to document and track this information (ongoing).

Additionally, OW currently collects data on CWSRF funded projects in the OWSRF database. These projects are categorized a number of different ways, including a filter to identify resiliency projects. OW can also identify projects by type, such as flood mitigation project or sewer overflow (from the Region 10 example). We can track the funding of these projects and identify trends, such as whether funding is increasing in a state or staying consistent. The ability to report out on this type of assistance was further enhanced by adding several new data fields that allow for more robust tracking of CWSRF projects that address resiliency. OW will develop a process to utilize the information collected in the OWSRF database to assess and document states' efforts in prioritizing climate adaptation in their CWSRF planning efforts by Fall 2024.

Again, we greatly appreciate this opportunity to provide comments on the draft report. If you have any questions, please contact me or your staff may contact OW's Audit Follow-Up Coordinator, Carla Hagerman, at Hagerman.Carla@epa.gov.

cc: Katherine Trimble, OIG
Shelley Howes, OIG
Michael D. Davis, OIG
Kathryn Hess, OIG
Benita Best-Wong, OW/DAA

Carla Hagerman, OW AFC
Macara Lousberg, OW/IO
Janita Aguirre, OW/IO
Nancy Grantham, OW/IO
Katherine Stebe, OW/OWM
Andrew D. Sawyers, OW/OWM
Wynne Miller, OW/OW
Raffael Stein, OW/OWM
Michael Deane, OW/OWM
Arlene Chin, R2 AFC
Lori Fleury, R3 AFC
Josephine Hah, R6 AFC
Faisal Amin, OCFO
Sue Perkins, OCFO
Andrew LaBlanc, OCFO

Agency's March 4, 2024 Response



OFFICE OF WATER

WASHINGTON, D.C. 20460

MEMORANDUM

SUBJECT: Response to the Draft Report: *Half the States Did Not Include Climate Adaptation or Related Resiliency Efforts in Their Clean Water State Revolving Fund Intended Use Plans*, OA-FY23-0055, December 19, 2023

FROM: Bruno Pigott, Acting Assistant Administrator

For: Best-Wong,
Benita Digitally signed by Best-Wong, Benita
Date: 2024.03.04
13:34:44 -08'00'

TO: Sean O'Donnell, Inspector General

Thank you for the opportunity to provide a written response to the findings and recommendations in the draft report: *Half the States Did Not Include Climate Adaptation or Related Resiliency Efforts in Their Clean Water State Revolving Fund Intended Use Plans*, OA-FY23-0055, dated December 19, 2023.

The draft report acknowledges that the U.S. Environmental Protection Agency prioritized climate adaptation and provided guidance to states during the development of their annual Clean Water State Revolving Fund Intended Use Plans. However, the report found that the EPA had "limited success" in getting states to include climate adaptation or related resiliency efforts in their IUPs, and in meeting the

[Executive Order 14052](#) priority of building infrastructure that is resilient and that helps combat the crisis of climate change.

Overall, the EPA disagrees with several of the key conclusions and recommendations provided by the draft report, including, for example, that the messages in the Office of Water’s April 2022 and January 2023 guidance memoranda to the regions and in the office’s April 2022 Initial IUP Discussion Guide were not inconsistent with the March 2022 implementation memorandum. These should not be construed as “missed opportunities” for OW to reinforce to the regions the priority to fund projects that support climate adaptation. A program as broad, and with as many benefits, as the CWSRF provides the opportunity to advance multiple priorities and highlighting each one all the time is not feasible, nor does not doing so diminish any particular priority.

The characterization that “State priorities did not always align with the EPA priority of funding projects that support climate adaptation,” does not look beyond what is explicitly called out as “climate change resiliency” in an IUP. Many states prioritize other project categories such as combined sewer overflows and flood mitigation projects that are related to climate adaptation as the EPA Region 10 pointed out. A full characterization of projects deemed responsive to climate change resiliency would need to look beyond just awarding points for “climate change resiliency,” and assess whether the actual projects prioritized have a nexus to resiliency, regardless of whether the state noted it or not.

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In support of the OW Climate Action Implementation Plan we have carried out a number of CWSRF activities related to climate adaptation and resiliency, including, but not limited to, convening a resilience sub-group of the State-EPA SRF Workgroup, completing fact sheets on SRF funding for resilience to drought, wildfire, and flood, and revising our annual review checklist to help regions better engage states on how they are addressing climate in their programs. We will continue working with regions to encourage states to better focus on climate adaptation in their CWSRF planning efforts to ensure that projects will be resilient over the life of the assets.

Agency Response to Recommendations

The draft report makes the following recommendations to the Assistant Administrator for Water (p.17):

- 1. Implement procedures to require the EPA regions to annually discuss with state clean water state revolving fund programs the priority to fund projects that support climate adaptation and verify to the Office of Water that they held the required discussions.**

Response to OIG Recommendation 1 – Concur:

OW concurs with the OIG’s first recommendation as OW has already put procedures in place for the EPA regions to annually discuss with state CWSRF programs the priority to fund projects that support climate adaptation. OW has updated and substantially revised the SRF Annual Review Guidance that the EPA regions use in their annual oversight of the state SRF programs. Included

as part of the SRF Annual Review Guidance is an Annual Review checklist, which the EPA regions are required to complete and submit to OW. This checklist includes three questions on resiliency and climate change mitigation intended to spur discussions:

- Does the SRF promote resiliency and climate change mitigation when marketing its program?
 - If so, how is this done and have marketing efforts been successful?
 - Does the SRF require any resiliency or climate change mitigation related aspects to be incorporated into projects?
 - If so, how is this done? (e.g., Is the floodplain standard (FFRMS) required to be addressed for all projects? Are water audits required? Are cybersecurity measures required?)
 - Does the SRF provide incentives to encourage incorporating resiliency or climate change mitigation related aspects into projects?
 - What incentives does the SRF provide?
- 2. Update guidance to the EPA regions and the state clean water state revolving fund programs on the required annual discussions between the regions and state programs, so that the priority to fund projects that support climate adaptation is consistently relayed. Improvements should include revising the resiliency questions in the intended use plan discussion guide to questions that may need to be elevated to the Office of Water.**

Response to OIG Recommendation 2 – Concur:

OW concurs with the OIG’s second recommendation. As noted in the response to Recommendation 1, OW has already updated guidance to the EPA regions on the SRF annual oversight process to include required annual discussions between the regions and state programs on resiliency and climate change mitigation.

- 3. Determine additional steps that should be taken to require state clean water state revolving fund programs to include in their intended use plans a discussion of the program’s progress with including climate adaptation in their program planning efforts.**

Response to OIG Recommendation 3 – Concur:

OW concurs with the intent of the recommendation with the caveat that the EPA cannot establish a *requirement* in intended use plans without additional statutory authority. Please see regulatory citation below that is tied to statutory language. However, OW will encourage states to address climate adaptation in their intended use plans through updated training with expected completion date of 12/31/2024 including:

- Three Annual Oversight Training Workshops for regional staff during early calendar year 2024.
- Three to five training workshops for regional and state SRF program through calendar year 2024.

In addition, as noted in the responses to Recommendations 1 and 2, OW has already updated guidance to the EPA regions on the SRF annual oversight process to include required annual discussions between the regions and state programs on resiliency and climate change mitigation.

The EPA regulations at [40 C.F.R. § 35.3150\(b\)](#) specify the contents of an IUP that the EPA can require:

(b) Contents.

(1) List of Projects.

(i) The IUP must contain a list of publicly owned treatment works projects on the State's project priority list developed pursuant to section 216 of the Act, to be constructed with SRF assistance. This list must include: the name of the community; permit number or other applicable enforceable requirement, if available; the type of financial assistance; and the projected amount of eligible assistance.

(ii) The IUP must also contain a list of the nonpoint source and national estuary protection activities under sections 319 and 320 of the Act that the State expects to fund from its SRF.

(iii) The IUP must provide information in a format and manner that is consistent with the needs of the Regional Offices.

(2) Short and long term goals. The IUP must describe the long and short term goals and objectives of the State's water pollution control revolving fund.

(3) Information on the SRF activities to be supported. The IUP must include information on the types of activities including eligible categories of costs to receive assistance, types of assistance to be provided, and SRF policies on setting the terms for the various types of assistance provided by the fund.

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(i) The IUP must describe the criteria and method established for the distribution of the SRF funds and the distribution of the funds available to the SRF among the various types of assistance the State will offer.

(ii) The IUP must describe the criteria and method the State will use to select section 212 treatment work project priority list and projects or programs to be funded as eligible activities for nonpoint sources and estuary protection management programs.

4. Annually assess and document states' progress with including climate adaptation in their clean water state revolving fund planning efforts and update the guidance provided to regions and state programs as needed to advance the priority of funding projects that support climate adaptation.

Response to OIG Recommendation 4 – Concur:

OW concurs with this recommendation. OW will utilize the information collected on the Annual Review checklists during the calendar year 2023-2024 Annual Review cycle to develop a baseline for the number of state CWSRF programs that include climate adaptation in their planning efforts (estimated completion Fall 2024). Moving forward, the Annual Review checklists will be used to document and track this information (ongoing).

Additionally, OW currently collects data on CWSRF funded projects in the OWSRF database. These projects are categorized a number of different ways, including a filter to identify resiliency

projects. OW can also identify projects by type, such as flood mitigation project or sewer overflow (from the Region 10 example). We can track the funding of these projects and identify trends, such as whether funding is increasing in a state or staying consistent. The ability to report out on this type of assistance was further enhanced by adding several new data fields that allow for more robust tracking of CWSRF projects that address resiliency. OW will develop a process to utilize the information collected in the OWSRF database to assess and document states' efforts in prioritizing climate adaptation in their CWSRF planning efforts by 12/31/2024.

Again, we greatly appreciate this opportunity to provide comments on the draft report. If you have any questions, please contact me or your staff may contact OW's Audit Follow-Up Coordinator, Carla Hagerman, at Hagerman.Carla@epa.gov.

cc: Katherine Trimble, OIG
Shelley Howes, OIG
Michael D. Davis, OIG
Kathryn Hess, OIG
Benita Best-Wong, OW/DAA
Carla Hagerman, OW AFC
Macara Lousberg, OW/IO
Janita Aguirre, OW/IO
Nancy Grantham, OW/IO
Katherine Stebe, OW/OWM
Andrew D. Sawyers, OW/OWM
Wynne Miller, OW/OW
Raffael Stein, OW/OWM
Michael Deane, OW/OWM
Arlene Chin, R2 AFC
Lori Fleury, R3 AFC
Josephine Hah, R6 AFC
Faisal Amin, OCFO
Sue Perkins, OCFO
Andrew LeBlanc, OCFO

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Associate Director, Office of Program Analysis, Regulatory, and Management Support, Office of Water
Audit Follow-Up Coordinator, Office of the Administrator
Audit Follow-Up Coordinator, Office of Water
Office of Policy OIG Liaison
Office of Policy GAO Liaison



Whistleblower Protection

U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit the OIG's whistleblower protection [webpage](#).

Contact us:



Congressional Inquiries: OIG.CongressionalAffairs@epa.gov



Media Inquiries: OIG.PublicAffairs@epa.gov



EPA OIG Hotline: OIG.Hotline@epa.gov



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