



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
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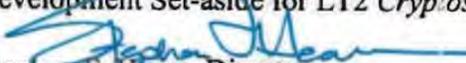
Date Signed: March 1, 2010

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OFFICE OF
WATER

MEMORANDUM

SUBJECT: Eligibility for States to use Drinking Water State Revolving Fund Capacity Development Set-aside for LT2 *Cryptosporidium* Monitoring

FROM: 
Stephen F. Heare, Director
Drinking Water Protection Division

TO: Drinking Water Branch Chiefs
Regions I-X

Among other purposes, the State Revolving Fund (SRF) set-aside funds may be used for capacity development as part of a State's strategy to build technical, financial, and managerial capacity of public water systems. The purpose of this memorandum is to further clarify the September 4, 2003, policy on "Eligibility of Routine Compliance Monitoring Costs under the Drinking Water State Revolving Fund (DWSRF) Capacity Development Set-Aside" (DWSRF 03-04) by specifying that states may use SRF set-aside funds under Safe Drinking Water Act (SDWA) Section 1452(k)(1)(B) for *Cryptosporidium* monitoring under the Long Term 2 Enhanced Surface Water Treatment Rule (LT2). It is timely to provide this additional, updated clarification of DWSRF 03-04 to address the situations where the use of such set-aside funding may be permissible and appropriate in implementation of LT2 for existing public water systems serving less than 10,000 people.

The LT2 requires public water systems to either conduct investigative monitoring of their source water to determine vulnerability to *Cryptosporidium* or commit to installing maximum treatment. To reduce burden, water systems serving less than 10,000 people could have chosen first to monitor *E. coli* in their source water for a 12 month period. At the end of this period, those water systems with an annual mean *E. coli* results exceeding "Trigger Levels" specified by the rule are required to either monitor for *Cryptosporidium* in their source water or install maximum treatment. The LT2 specifies that water systems serving less than 10,000 people and monitoring for *Cryptosporidium* have up to 24 months to complete the monitoring which is to begin no later than April 2010.

The policy underlying DWSRF 03-04 is based on the Congressional mandate for the capacity development program to foster the independent sustainability of public water systems by providing assistance to systems "...in acquiring and maintaining technical, managerial and financial capacity" (section 1420(c) of SDWA). Capacity development set-aside funds are not intended as ongoing subsidies for continuing activities that are utility responsibilities – such as routine compliance monitoring – and cannot be funded through the DWSRF.

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However, DWSRF capacity development set-aside funds can be applied to clearly defined demonstration purposes at public water systems as part of a thorough plan to develop system capacity for the long term.

This means that assistance can be given to public water systems serving less than 10,000 people to support their first-round *Cryptosporidium* investigative source water monitoring as described in the LT2. The investigative monitoring the LT2 describes is for a fixed period (e.g., twice per month for 12 months or once a month for 24 months), and must follow sample collection and analysis procedures in accordance with the requirements of the rule. The data collected will be used to determine what, if any, treatment changes are required to comply with LT2 requirements. Public water systems collecting source water quality data will be better situated to make decisions about appropriate capital improvements if necessary, and better prepared developing plans to become sustainable. Public water systems receiving assistance should be made aware the support is only for the first-round of *Cryptosporidium* monitoring as described in the LT2. The rule also specifies that a second-round of monitoring will occur approximately six years following the first round, and the public water system are expected to make preparations to meet the future LT2 *Cryptosporidium* monitoring requirements without set-aside assistance.

EPA acknowledges distribution of any set-aside funds is at the discretion of each state, that states are not obligated to provide the above-described assistance to public water systems and will need to balance that potential use of set-asides funds with other possible uses. Where states choose to provide assistance as described in this memorandum, the state-by-state specifics of such programs using the 1452(k)(1)(B) set-aside will need to be negotiated between states and their EPA Regional office consistent with this policy and be consistent with a state's capacity development strategy.

If you have questions, please let me know or you may contact Adrienne Harris (202-250-8793).

Cc: DWSRF Program Managers, EPA Regions I-X
DWSRF Program Coordinators, EPA Regions I-X
Capacity Development Coordinators, EPA Regions I-X
M-DBP Workgroup Members, EPA Regions I-X
James Taft, Executive Director, Association of State Drinking Water Administrators

