WSG 125
Date Signed: November 18, 1998

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MEMORANDUM

SUBJECT: Policy for Calculation of the Public Water System Supervision (PWSS) States Grant Allotments – FY2000 and Beyond

FROM: Robert J. Blanco, Director
Implementation and Assistance Division   (4606)

TO: Regional Ground Water and Drinking Water Branch Chiefs
Regions I - X

On August 11, I cosigned a memorandum to all Regional Water Division Directors outlining a new policy on cut-off dates for submitting data to SDWIS/FED. That new policy will affect the process that EPA uses to calculate the annual Public Water System Supervision Program (PWSS) State grant allotments. The purpose of this memorandum is to explain the resultant changes and to recap the entire PWSS State grant allocation process.

The August 11 memorandum stated that some data submissions are neither timely nor consistent. It noted that we have a variety of "cut-off" dates for different uses of the SDWIS/FED data. In practice, even these dates have been extended for selected States if they were having difficulty in submitting data by the due date. The August memorandum established a policy that EPA will use, "a single period of time as the lag time after which SDWIS/FED data become 'official' for reporting purposes. That lag time is 90 days."

The PWSS State grant allotments will be based on inventory data that is contained in SDWIS/FED on January 1 of each year. Information in SDWIS/FED at that time will represent inventories that existed "in the field" as of October 1 (i.e., 90 days prior to the January 1 date). Between October 1 and December 31 of each year, States will have the opportunity to update/replace, review, edit, correct, resubmit, etc. inventory data to SDWIS/FED. We will then produce a SDWIS/FED #32 report based on the data that is contained in SDWIS/FED on January 1 of each year. Our Report selection criteria will also be limited to systems whose Activity Status Code is ACTIVE and whose Inventory Type Code is CURRENT as current and active systems are the only ones for which States should get credit in the State grant formula. These

inventory counts are the ones that we will use to calculate the PWSS State grant allotments for next year's allocation. *(There is one exception to the use of this data, and that is when EPA has reason to believe that the inventories contained in the SDWIS/FED January 1 database are larger than actual – e.g., where prior "inventory verifications" have indicated that SDWIS data is suspect, or where current SDWIS/FED inventories are significantly larger than in the prior year without sufficient justification.)*

As an example, approximately two months from now, we will create a database of the inventory data as it existed in SDWIS/FED on January 1, 1999. We will produce a SDWIS/FED #32 Report based on the January 1, 1999 data, selecting only those systems that are Active and Current. These inventories are the ones that we will use to calculate both the Tentative and Final PWSS State grant allotments for FY2000.

Please ensure that the States in your Region are aware of these changes in cut-off dates. The information that is in SDWIS/FED on January 1 of each year will have a direct and significant impact on the size of their PWSS State grant allotment for the following year. To that end I believe it is critical that Regions and States monitor inventory data updates and replacements to SDWIS/FED during the October 1 to December 31 timeframe. I advise that you and the States retrieve SDWIS/FED #32 Reports (using the selection criteria of Current and Active systems) throughout November and December of each year to ensure that system inventories are accurate and reflect what States think they should be. I also ask that should a State's inventory increase significantly from the prior year, that the State provide an explanation for the increase. My office will be conducting similar "informal" #32 Report retrievals throughout each December and we will be looking at those retrievals for any significant increases or decreases in inventory from the prior year's data.

I mentioned in the first paragraph that in addition to explaining the impact of the new cut-off date policy, that I wanted to use this memorandum as an opportunity recap the entire grant process. To that end, I have attached two short documents. The first is an explanation of the PWSS State Grant Allocation Formula that we use in calculating the annual allotments. *(Please note that there is no change in the allotment formula. It is the same one that we have been using since calculation of the FY1994 allotments.)* The second is a brief list of the milestones associated with the allocation calculations. Together, they should give you a complete picture of how and when the allotments are calculated.

If you have any questions, please give me a call on (202) 260-7077, or have your staff call Ray Enyeart on (202) 260-5551.

Attachments

EXPLANATION OF THE PWSS STATE GRANT ALLOCATION* FORMULA
HOW THE APPROPRIATION IS DISTRIBUTED
(November 1, 1998)

1. The PWSS Grant Allocation Formula is predicated on 5 factors for each State:

    - Number of Community Water Systems (CWS)
    - Number of Non Transient Noncommunity Water Systems (NTNCWS)
    - Number of Transient Noncommunity Water Systems (TNCWS)
    - Square Miles of Geographical Area
    - Population

    The numbers of CWSs, NTNCWSs, and TNCWSs is obtained from inventories reported to EPA by States, and contained in the Safe Drinking Water Information System (SDWIS). In certain cases, where SDWIS information is inaccurate, inventory numbers are obtained through statistical reviews of State records. The Geographical Areas are taken from the most current *U.S. Statistical Abstract.* The Populations are taken from the most current reports published by the U.S. Census Bureau.

2. Each factor has a different weight (or value). For example, a CWS has a higher weight than a TNCWS. The Weights assigned to each factor are:

    - CWSs & NTNCWS   56% of total
    - TNCWS   14% of total
    - Population   20% of total
    - Geographical Area   10% of total

3. The first step in the process is to compute a "Factor Percentage" for each State. The formula for each State's Factor Percentage is:

    [(# CWS + # NTNCWS in State) ÷ (# CWS + # NTNCWS in Nation)] x [.56] +
    [# TNCWS in State ÷ # TNCWS in Nation] x [.14] +
    [Population in State ÷ Population in Nation] x [.20] +
    [Geographical Area in State ÷ Geographical Area in Nation] x [.10]

4. The next step is to determine the Total Funds Available to the States. This amount is the Appropriation less, a) a 3% set-aside for implementation of the Indian Land program and b), any Congressional or Agency imposed withholdings or reductions.

5. The Total Funds Available are then divided into two accounts -- a) $33,450,000 and, b) the difference between the Total Funds available and $33,450,000. The $33,450,000 is the FY 1989 Appropriation and current EPA Grant Regulations provide that every State will receive an allocation at least equal to what the State would have received based on the FY 1989 Appropriation. Allocations based on each of the accounts are determined in separate phases.

Attachment 1

Phase 1 -- **The first phase is to compute each State's allocation based on the FY 1989 Appropriation.**

6. The first step in this phase is to compute a "Factor Allocation" for each State. This is done by multiplying $33,450,000 by the Factor Percentage [explained in paragraph (3)] for each State.

7. The next step is to compute the "Minimum Allocation" for each State. Each State is allocated a minimum of 1% of the FY 1989 PWSS Appropriation (or $334,500). [Four territories (the Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands) are allocated a minimum of 1/3% or $111,500]. Every State is assured of an allocation of at least these amounts.

8. Since the Minimum Allocation of some States will be greater than that State's Factor Allocation, additional funds will be needed to overcome this shortfall. This shortfall is obtained from the allocations of those States with Factor Allocations greater than their Minimum Allocations. The amount of funds that a State must contribute to overcome the shortages is equal to:

    [the total $ short of the minimums (sum of all States) ÷ (the total $ above the minimums (sum of all States)] x [Factor Allocation for the State - Minimum Allocation for the State]

9. Phase 1 of each State's allocation is now complete.

    - For States whose Factor Allocation is less than the Minimum Allocation -- the phase 1 allocation is the Minimum Allocation.

    - For States whose Factor Allocation is greater than the Minimum Allocation -- the phase 1 allocation is the Factor Allocation less the adjustment explained in paragraph (8) above.

Phase 2 -- **The second phase is to compute each State's allocation of the difference between the "Total Funds Available" and the FY 1989 Appropriation ($33,450,000).**

10. The only step in this phase is to compute what EPA calls the "Free Float Allocation" for each State. This is done by multiplying the difference between the (Total Funds Available and $33,450,000) by the Factor Percentage (paragraph 3 above) for each State. This allocation is not subject to any minimums -- it is based solely on the State's Factor Percentage. (All States and Territories participate in this phase and share in the "Free Float Allocation", although States or Territories with small Factor Percentages receive a small Free Float Allocation.)

Attachment 1

Combining Allocations from Phases 1 & 2

11.   The Phase 1 and Phase 2 allotments of each State are combined and are then rounded to the nearest $ 100.

95% Safety-Net

12.   Before the State allotments are considered final they must meet one last condition. Through a joint agreement with States, EPA has adopted a policy (this step is not regulatory) that as long as the Congressional appropriation is equal to, or greater than, the appropriation of the prior fiscal year, that no State's allotment will be less than 95% of its prior year allotment. If any State's allotment, computed in step (11), does not meet this "safety-net", that State's allotment is increased to equal 95% of its prior year allotment. The funds necessary to accomplish this increase are obtained by decreasing the other States' allotments on a prorated basis, similar to the method described in step (8) above.

Allotments

13.   After the 95% "safety-net" is applied all State allotment calculations are complete.

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*   *Allocations are not entitlements -- they are planning targets to be used by EPA Regional Offices in determining each State's grant.*

Attachment 1