

STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

December 4, 2009

Lisa Jackson, Administrator
US Environmental Protection Agency
1200 Pennsylvania Avenue, N.W. Mail code 1101A
Washington, D.C. 20460

Dear Administrator Jackson,

This letter is in response to your letter to Governor Gibbons, dated November 24, 2009, regarding the status of Recovery Act grants awarded to the State Revolving loan fund (SRF) programs. As you may have read, Nevada has been particularly hard hit by the recession. In fact, Nevada has the second highest unemployment rate in the nation. On behalf of Governor Gibbons, I can assure you that we are keenly aware of the February 17, 2010 deadline related to SRF grant funds and are committed to using our Recovery Act funds to help get Nevadans working again.

Our strategy for allocating SRF grant funds has been both thoughtful and proactive. Although we could have quickly allocated the funds to a small number of projects on the existing SRF Priority Lists, we chose instead to establish separate Recovery Act Priority Lists. We made this decision in the interest of job creation, fairness and public health. We reasoned that soliciting for new projects would allow all of Nevada's communities an opportunity to apply for this new funding, which would in turn increase the number of infrastructure projects above and beyond the traditional SRF program, thereby creating new jobs. Given a pervasive problem with naturally occurring Arsenic, we were also targeting drinking water projects that involved arsenic treatment. We actually solicited for "shovel ready" projects--those with completed designs--in December 2008, in anticipation of passage of a stimulus bill.

With regard to loan subsidization, we elected to provide subsidies to disadvantaged communities in the form of principal forgiveness. This approach has allowed us to allocate half of our funds to address persistent compliance and public health issues in small, rural communities, many of whom could not otherwise afford the infrastructure improvements, including arsenic treatment systems. The remaining grant funds were awarded to green infrastructure projects and traditional projects with a loan interest rate of zero percent; these loans will contribute to the sustainability of our loan fund as the repayment revenue is made available for new loans.

There is no question that our strategy has been more time consuming than some alternatives. At a time when our staff are required to take furlough days due to budget reductions, they are also burdened with a large number of additional plan reviews, loans to process, projects to manage and reporting requirements. Municipalities face similar budget reductions and workload issues.

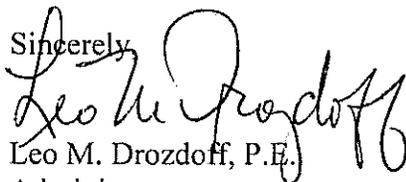


In addition, some of our smallest communities with limited capacity, some who have never applied for SRF funding before, are being asked to manage complex projects and comply with the requirements of Davis Bacon wage rules among other things. Despite these challenges and anticipated delays, we believe the benefits of our strategy significantly outweigh the drawbacks.

Your letter expresses concern that we are not making progress due to the limited number of projects under construction contracts or actually under construction. Let me provide you with a more complete picture of our status. Our Drinking Water SRF program has obligated funding to 16 projects. Of these, 10 now have construction contracts in place and one project is currently out to bid. The remaining projects will be out to bid during December. The Clean Water SRF program has obligated funding to 11 projects and 2 of those are under construction contracts. Again, the remaining projects are either out to bid or will be during December. Construction contracts will be awarded in January for those projects currently out to bid. Lastly, we have anticipated that project bids will come in well below Engineer's estimates and we have contingency plans to obligate any remaining funds quickly.

We are confident that we will meet the February 17, 2010 deadline and construction activity will be well underway this winter and spring. In fact, we look forward to receiving a timely allocation of funds from those States unable to meet the deadline. If you or your staff has any specific questions, please contact me or our Recovery Act Coordinator, David Emme at 775-687-9307, demme@ndep.nv.gov.

Sincerely,



Leo M. Drozdoff, P.E.
Administrator

cc: Lynn Hettrick, Chief of Staff, Governor Gibbons' Office
Allen Biaggi, Director, Department of Conservation and Natural Resources
Charles Harvey, State ARRA Director
Craig Hooks, US EPA, Office of Administration and Resources Management