

USDA Rural Development Water and Environmental Program

by David A. Miller

Authority for the U.S. Department of Agriculture (USDA) Rural Development was originally created in 1937. The Water Facilities Act created the Water and Waste Program, which came under the Farmers Home Administration (FmHA) in 1946. In 1961 the Consolidated Farm and Rural Development Act opened the water program to the general and rural populations in all states. The Rural Development Act of 1972 created the Community Facilities Program. In 1990 the Community Facilities and the Business and Industry Programs moved out of FmHA and into the new Rural Development Administration (RDA). All programs are subject to annual Congressional appropriation funding. In fiscal year 2004 the Water and Wastewater Program received a national budget authority of \$601,215,500. This resulted in a \$969,676,400 loan program and a \$571,422,800 grant program. In fiscal year 2003 the figures were \$782,715,800 for loans and \$641,417,500 for grants available nationally.

Water and Waste Program — Rural Utilities Service (RUS)

This program includes the following components:

- Water and Waste Disposal Loans
- Water and Waste Disposal Grants
- Technical Assistance and Training Grants
- Solid Waste Management Grants
- Emergency Community Water Assistance Grants
- Rural Water Circuit Rider Technical Assistance

Water and Waste Disposal Loans and Grants

These loans and grants are used to develop water and waste disposal (including solid waste disposal and storm drainage) systems in rural areas and towns with populations of less than 10,000 and to reduce costs to a reasonable level for rural users. The funds are available to public entities such as municipalities,

counties, special-purpose districts, Native American tribes, and corporations not operated for profit. The Rural Utilities Service (RUS) also guarantees water and waste disposal loans made by banks and other eligible lenders.

Loans may be made at one of three interest rates—the poverty rate, the intermediate rate, and the market rate. The latter two rates are subject to adjustment each quarter. The rate applied to the loan depends on the need to meet applicable health or sanitary standards and the median household income (MHI) of the service area. Once the loan rate is established, it remains fixed for the life of the loan.

Priority is given to public entities that are located in areas with less than 5,000 people to restore a deteriorating water supply or to improve, enlarge, or modify a water facility or an inadequate waste facility. Also, preference is given to requests that involve the merging of small facilities and those serving low-income communities.

Grants may be up to 75 percent of eligible project costs but are limited to the amount necessary to enable the residents to be charged reasonable user rates. In addition, the MHI of the service area must be below the state nonmetropolitan MHI level to receive any grant, and generally below the national poverty level (or 80 percent of the state figure) to be eligible for the maximum grant level. The same types of applicants that are eligible for grants are also eligible for loans. Applicants must be unable to obtain sufficient credit from commercial sources at reasonable rates and terms. Grants can be made in combination with direct loans or with funding from other sources.

Technical Assistance and Training Grants

These grants are used to make grants to nonprofit organizations to provide technical assistance and training to associations on a wide range of issues relating to the delivery of water and waste disposal service. A percentage of the Water and Wastewater Grant Program is available each year to provide

technical assistance for rural communities with populations of 10,000 or less. Figures from the 2000 census are used as a reference. Private, nonprofit organizations that have been granted tax exempt status from the Internal Revenue Service may be eligible for grant funds provided they can demonstrate the ability, background, experience, legal authority, and actual capacity to provide technical assistance/training on a regional basis to small, rural communities. Grant funds may be used to assist communities and rural areas that are identified and to evaluate solutions to water or wastewater problems, improve facility operation and maintenance activities, or prepare funding applications for water or wastewater treatment facility construction projects.

Solid Waste Management Grants

The purpose of these grants is to make funds available to public and private nonprofit organizations that provide technical assistance and training to associations to reduce or eliminate pollution of water resources and improve planning and management of solid waste facilities. This assistance is available in rural areas and towns with populations not in excess of 10,000. Figures from the 2000 census are used as reference.

Emergency Community Water Assistance Grants

These grants are used to assist rural communities that have had a significant decline in their quantity or quality of drinking water. Grants can be made in rural areas and cities or towns with populations not in excess of 10,000 and a median household income of 100 percent of a state's nonmetropolitan median household income. Grants may be made for 100 percent of project costs. The maximum grant is \$500,000 when a significant decline in quantity or quality of water occurred within two years or \$150,000 to make emergency repairs and replacement of facilities on existing systems.

Rural Water Circuit Rider Technical Assistance

The purpose of these grants is to provide technical assistance for the operation of rural water systems. The RUS, through contracting, has assisted rural water systems with day-to-day operational, financial, and managerial problems. Assistance may be requested by officials of rural water systems or the RUS. The program complements the loan supervision responsibilities of the RUS, and the RUS contracts with the National Rural Water Association (NRWA) to provide this service. The NRWA state affiliates do the work in the state(s).

Other Programs

The creation of the USDA Empowerment Zones/Enterprise Communities (EZ/EC) and Rural Economic Area Partnership (REAP) Programs are important steps in rebuilding America's poverty-stricken rural communities. These programs are designed to empower people and communities to improve living conditions in their communities and create jobs and opportunities across the nation.

The REAP initiative was established to address critical issues related to constraints in economic activity and growth, low-density settlement patterns, stagnant or declining employment, and isolation that have led to disconnection from markets, suppliers, and centers of information and finance. Fifty-seven rural areas have been designated as EZ/EC and an additional five REAP zones have been selected. These communities meet certain poverty and distress criteria and have prepared creative strategic plans for revitalization. The federal government will focus special attention on working cooperatively with designated communities to overcome regulatory impediments, to permit flexible use of existing federal funds, and to assist these communities in meeting essential mandates.

Since fiscal year 1995, funds have been set aside specifically for eligible projects that benefit members of federally recognized Native American tribes. Applications are processed in accordance with all eligibility and other requirements of 7 C.F.R. 1777, Section 306C WWD Loans and Grants. These funds cannot be used for projects that are eligible for funding under any other



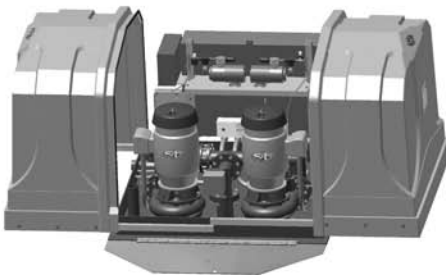
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The ultimate goal: clean water

RUS set-aside. The use of RUS loan funds, as well as funds from other sources, in conjunction with the grant funds, is strongly encour-



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“The emphasis on strategic planning developed through open, public meetings has never been more critical.”

aged whenever feasible to maximize the investment in Native American territory. Generally, applicants are expected to borrow as much as they can afford to repay, as in the WWD regular loan and grant program.

The Appalachian Regional Development Act authorizes economic development programs and projects to assist the Appalachian region to meet its special problems. It provides authority for federal assistance grants to supplement grant assistance under other federal grant-in-aid programs. Under a memorandum of understanding, this program is administered by the Water and Environmental Program for water and sewer projects in rural areas.

The Rural Development mission is to target federal assistance to rural communities to help them develop community facilities and infrastructure to improve the quality of

lives of rural America. Current issues include decreased grant appropriation, user affordability, co-funding/leveraging, other credit underwriting, technical assistance, and homeland security.

Discussion

A recent trend in reducing grant funding appropriations increases the need for leveraging USDA Rural Development funding with others to meet the ever-increasing demand in the program to achieve affordable infrastructure improvements. The threshold of “affordability” is addressed by developing the capacity of local representation to local and state groups and associations. The emphasis on strategic planning developed through open, public meetings has never been more critical. Where possible, infrastructure development should support local and regional visions 5, 10, and 20 years out. Communities should focus on infrastructure improvements that support housing, jobs, tourism, etc., and the investment should be thought of as a “business investment.” Business investment carries a risk. However, those projects that are well planned (phasing, intermunicipal agree-

ments, regionalization, shared operations and maintenance agreements, etc.) and have completed their environmental, legal, and preliminary engineering stand the best opportunity for receiving funding. There is technical assistance available to guide communities along this process. This agency is proactively seeking additional funding through private sector lenders by developing other credit/underwriting criteria in conjunction with bond counsel, underwriters, and fiscal advisors.

Homeland security issues are given priority when developing scoring criteria for funding. Fencing, telecommunications, video security systems, and other types of enhancements are eligible for funding in this program when incorporated into new construction and infrastructure improvements.

David Miller, PE, is the community programs director for the USDA Rural Development in New York State. For further or more detailed information, you can contact him at david.miller@ny.usda.gov or 315-477-6427, or you can access the USDA Rural Development website at www.rurdev.usda.gov.

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