JOINT MEMORANDUM

APR 3 1997

SUBJECT: Cooperation and Coordination on Jointly Financed Water and Wastewater Activities

TO: USDA Rural Development State Directors
EPA Regional Offices
State Revolving Fund Administrators
HUD Field Office CPD Directors
State CDBG Grantees

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The U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS), the U.S. Environmental Protection Agency (EPA), and the U.S. Department of Housing and Urban Development (HUD) have financial assistance programs that assist all communities, including small and rural communities to meet their water and wastewater needs. Applicants for these funds have indicated that the process of jointly funding projects could be more efficient. The purpose of this joint memorandum is to foster cooperation among the various organizations that administer these programs at the Federal, State, and local level, that in turn will encourage more efficient use of funds and reduce administrative inefficiencies.

The RUS Water and Waste (WW) loan and grant programs assist eligible applicants in rural areas and cities and towns of up to 10,000 people. Drinking water, sanitary sewer, solid waste disposal and storm drainage facilities may be financed with direct and guaranteed loans and grants. Applicants must be unable to finance their needs through their own resources or with credit from commercial sources. About $1.2 billion is available for loans and grants during fiscal year 1997. The programs are administered by State and local USDA Rural Development offices.

The EPA makes annual capitalization grants to the States to be used for loans to municipalities under the Clean Water State Revolving Fund (CWSRF) loan program for various wastewater projects authorized by the Clean Water Act. The CWSRF program can be used for traditional wastewater projects, agricultural and urban runoff, storm water, combined sewer overflows, and estuary management programs. A Drinking Water State Revolving Fund (DWSRF) has been recently authorized by the Safe Drinking Water Act to promote safe and more affordable drinking water across the nation. In addition to providing loans for infrastructure, a State may provide additional loan subsidies (including forgiveness of principle) for drinking water projects. A State may also elect to use a portion of the funds for other eligible activities that emphasize preventing contamination of drinking water supplies through source water protection and enhanced water system management. State agencies can administer both SRF's in accordance with their own laws and in compliance with the Federal requirements. While certain Federal laws and regulations apply to loans made from the Federal funds, loans made from State match and loan repayments have less stringent Federal requirements. EPA's two SRF programs provide approximately $1.8 billion of financial assistance primarily in the form of loans to municipalities annually.

HUD makes block grants to States under its Community Development Block Grant (CDBG) program for smaller communities (those not eligible to receive CDBG funds directly from HUD). Grants in both the HUD-administered and State CDBG programs are distributed to units of general local government (which are generally cities that have a population of less than 50,000 and counties with a population of less than 200,000) which implement the approved activities. The CDBG program is part of HUD's consolidated planning process, which includes funding for the CDBG, HOME, Emergency Shelter Grant Program, and the Housing Opportunity for Persons With AIDS Program, and provides a holistic way of looking at a State's community development and housing needs. In FY 1997, HUD will provide almost $1.3 billion for non-entitlement communities. Water and wastewater projects as well as individual hook-up's, planning and technical assistance are eligible uses of CDBG funds as long as they meet a national objective (usually primarily benefiting low-and-moderate-income persons). In the latest year for which data is available, States made about $317 million available for these activities.

The RUS, the EPA, and HUD support improved coordination and cooperation among their water and wastewater infrastructure financing programs at the Headquarters, Regional, and State levels. There are many opportunities to cooperate, both at the program and project levels, and we urge our field programs to make the best of them. Since the need for water and wastewater facilities in rural areas far exceed the financial resources available, it is important that each Agency cooperates in the effort to maximize the benefits achieved. This memorandum is an effort to publicize and formalize these efforts. Therefore, the RUS, the EPA, and HUD agree to:

1. Encourage administrators of the State CDBG programs, the State SRF programs and the USDA Rural Development State Directors to cooperate in preparing the consolidated, operating, intended use, and strategic plans that are required under the three Agency's programs. We should endeavor to incorporate portions of each Agency's plan to minimize duplication of planning efforts. Headquarters offices will publish information on enhanced coordination efforts that have already been undertaken in selected States to provide models or examples for other State programs.

2. Create an environment that encourages cooperation among program managers at the State level to remove as many barriers as possible in program regulations or policy. For example, coordination of funding cycles and selection systems on a State-by-State basis or sharing common information submitted with applications are areas where State SRF, State CDBG, and USDA Rural Development State officials could work together. Headquarters programs will provide case studies which may assist other State program officials in improving their coordination of funding cycles and selection systems.

3. Cooperate on the preparation of environmental review documents on jointly funded projects. The goal is to have one environmental document per project that meets all three Agency's requirements. Whenever possible the agencies involved in a project should jointly complete the environmental document under the leadership of a lead Agency. We have chosen not to prescribe a formula for choosing the leader, because we believe that is best left up to the parties involved at the State and local level. We recognize that the environmental responsibility for the State CDBG program is with the unit of general local government (UGLG) that is administering the project. The UGLG is permitted to accept another Agency's environmental assessment as the basis for making its certifications under §104(g) of the Housing and Community Development Act of 1974, as amended. Other options include adopting other Agency's environmental reviews when permissible under Agency regulations, jointly gathering data, and utilizing each other's data to reduce the number of separate documents needed.

4. Cooperate on meeting/complying with Federal "cross-cutter" requirements on jointly funded projects. Cross-cutting authorities are the requirements of Federal laws and authorities (e.g. executive orders) that apply by their own terms in Federal financial assistance programs. The goal is to have one Federal cross-cutting document package per project that meets all three Agency's requirements. Whenever possible the agencies involved in a jointly funded project should complete the cross-cutting document package under the leadership of the lead Agency.

5. Continue to work together to improve the effectiveness of each Agency's programs for the residents of Rural America.

6. Encourage State program officials of the State CDBG program, State SRF program, and the USDA Rural Development State Directors to meet on a regular basis to cooperate in determining what projects will receive funding awards, to the extent permitted by law.

7. Jointly fund projects when applicants meet the requirements of all programs involved. We recognize that joint funding is not the objective -- making the most efficient use of resources is. For example, it may be more efficient for one Agency to fund a specific project, which would allow another Agency to separately fund another project.

To provide the staff necessary to increase cooperation between HUD, EPA, and RUS, we are appointing the following headquarters staff to provide national leadership:

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It is our intention that this group will meet as needed on an informal basis to foster continued and increased cooperation between and among agencies involved in the financing of water and wastewater facilities in rural areas. The group will be available to field staff for consultation and advice. In addition, the group will be responsible for evaluating suggestions that have the potential for increasing cooperation.

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