



**Memorandum of Agreement Between
the United States Environmental
Protection Agency and the Rural
Utilities Service of the United States
Department of Agriculture**



***Assisting Small Community Water Systems in Complying with the Public Health
Standard for Arsenic in Drinking Water.***

Objective

The objective of this Memorandum of Agreement (MOA) is to help the U.S. Environmental Protection Agency (EPA) and the Rural Utilities Service (RUS) of the U.S. Department of Agriculture (USDA) better serve the American people through coordinated technical and financial assistance programs. The agencies seek to jointly offer the maximum possible support to small water systems in complying with the new public health standard for arsenic in drinking water. EPA and RUS commit to full coordination and cooperation among their regulatory and water infrastructure financing programs at the Headquarters, Regional, and State levels. Both agencies urge our respective staff and colleagues at all levels to take full advantage of the many opportunities to cooperate, both with respect to programs and specific projects.

RUS and EPA share the objective of ensuring safe, reliable and affordable drinking water for the residents of rural America. Both agencies recognize that small systems serving rural areas face great challenges in providing the additional public health protection benefits envisioned in the Safe Drinking Water Act (SDWA). On January 22, 2001, EPA established a revised public health based regulatory standard for arsenic in drinking water of 10 parts per billion (ppb). This is one of a series of regulatory actions being taken by EPA to fulfill the statutory requirements of the 1996 amendments to the SDWA. EPA and USDA are establishing this MOA, specifically addressing the arsenic standard, because this standard will require a greater number of small systems to install treatment than has any previously promulgated SDWA public health standard.

Background

RUS and EPA have financial programs that assist eligible communities, including small and rural communities to obtain safe and affordable drinking water. The RUS Water and Environmental Programs (WEP) 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 \$1.45 billion is available for loans and grants during fiscal year 2002. Of this total, typically \$750 million will be utilized for drinking water projects of all types. State and local USDA Rural Development offices

administer the programs. A current listing of USDA Rural Development staff responsible for the Water and Environmental Programs is available at www.usda.gov/rus/water.

The EPA makes annual capitalization grants to the Drinking Water State Revolving Fund (DWSRF) of each State as authorized by the Safe Drinking Water Act to promote safe and affordable drinking water. In addition to providing low-interest rate loans for infrastructure, a State may provide additional loan subsidies (including forgiveness of principal) for drinking water projects. A State may also elect to use a portion of its capitalization grant for other eligible activities that emphasize preventing contamination of drinking water supplies through source water protection and enhanced water system management. State agencies administer their DWSRF in accordance with state laws and in compliance with Federal requirements. Through EPA's DWSRF program, States annually provide approximately \$1.2 billion of financial assistance primarily in the form of loans to water systems. EPA's Regional Office contacts are available at www.epa.gov/safewater/dwsrf.html.

Both EPA and RUS provide funding to non-profit technical assistance organizations that offer direct training and one-on-one assistance to small rural water systems. The National Rural Water Association receives funding from both agencies to provide training and technical assistance to systems serving fewer than 10,000 persons. The Rural Community Assistance Program receives funding from both agencies to provide training and technical assistance to small, primarily disadvantaged communities. RUS provides funding to support the operation of the National Drinking Water Clearinghouse at West Virginia University. The clearinghouse offers technical assistance via a toll-free hotline and produces a number of technical resources including a quarterly newsletter. Finally, EPA provides funding for a network of university based technology assistance centers. These centers conduct research, and offer training and technical assistance to small systems.

The New Public Health Standard for Arsenic

Beginning in January 2006 (or later if a system has obtained an exemption under SDWA), both community water systems (CWSs) and non-transient, non-community water systems (NTNCWSs) are required to maintain the arsenic concentration in their drinking water systems at or below 10 ppb. Some systems, especially small systems serving fewer than 10,000 persons, may lack the technical, financial, and managerial capacity needed to achieve compliance. About 3,000 (or 5.5 percent) of the nation's 54,000 CWSs and 1,100 (or 5.5 percent) of the 20,000 NTNCWSs will need to take measures to lower arsenic in their drinking water. Of the 4,100 affected systems, approximately 3,900 serve fewer than 10,000 people.

The 4,100 affected systems serve a total of about 13 million people. The 3,900 systems serving fewer than 10,000 persons each, altogether serve 20 percent of that 13 million person total. Yet these same systems account for over 40 percent of the total annual

compliance cost for all affected systems. Small systems need help to develop the technical, financial, and managerial capacity to address the disproportionate burden they face in providing essential public health protection.

Actions

EPA and RUS will coordinate activities to ensure that the maximum possible assistance is available to small systems needing help in achieving compliance with the arsenic standard. The agencies will use their technical assistance and financial assistance resources to assist eligible systems in obtaining the technical, financial, and managerial capacity necessary to realize the public health protection benefits of compliance with the new standard.

The agencies agree to the following actions:

1. Consistent with its regulations, RUS will assign funding priority to projects needed for compliance with the arsenic public health standard for drinking water. Rural Development State staff will be encouraged to assign discretionary points in the "project selection criteria" to such projects. In the commitment of funds from the national office reserve, the RUS National Office will give the highest consideration to funding of projects for compliance with the arsenic public health standard.
2. EPA will strongly encourage State agencies administering the Drinking Water State Revolving Fund (DWSRF) to coordinate funding decisions with RUS via Rural Development state staff. RUS will direct Rural Development State staff to likewise coordinate funding decisions with State DWSRF agencies. The goal is to make the most efficient use of resources and reduce the burden on small water systems seeking capital improvement funds to meet the arsenic rule.
3. EPA and RUS will continue and expand efforts at the national office level to coordinate programs and policies and will seek to identify other potential funding partners in both the public and private sectors. EPA and RUS encourage State Rural Development officials and state agency officials responsible for the DWSRF to meet at least semiannually to update each other on their programs. Other interested parties such as the EPA Regional Office, state financing programs and other federal agencies, are also encouraged to attend.
4. The agencies will establish, as a priority use of technical assistance resources, efforts to help systems comply with the new public health protection standard for arsenic. Emphasis will be given to building the technical, financial, and managerial capacity of systems to enable them to achieve and consistently maintain compliance. RUS and EPA will work with NRWA and RCAP through each agency's agreement with the respective service provider. EPA and RUS will coordinate "in-service" training for the field staff of NRWA and RCAP. Both EPA and RUS will coordinate their efforts with NRWA and RCAP to ensure that

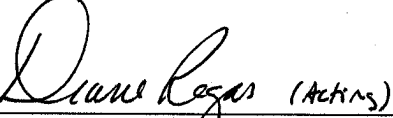
systems identified as needing capital improvements for arsenic compliance will have access to information and assistance relative to compliance options (including alternative source, restructuring, central treatment, and centrally managed Point of Use treatment) and project funding. RUS staff and service providers will be available to assist with preparing applications for loans and grants.

Many very small systems, both community water systems and non-transient, non-community water systems, may find it difficult to acquire and operate the technologies necessary to achieve compliance. EPA and RUS will encourage such actions as reorganization and consolidations that will strengthen a system's ability to better finance capital improvement and operate complex technologies. RUS, through its technical assistance providers, will expand its efforts to assist very small systems to take better advantage of economies of scale.

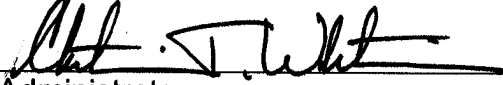
Expiration

This memorandum of agreement between RUS and EPA will remain in effect for 4 years from the date here of unless terminated earlier by either party.

United States Environmental Protection Agency

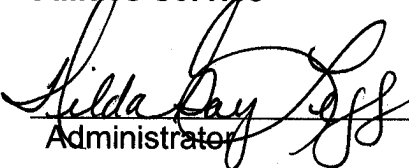

Assistant Administrator for Water

4/29/02
Date


Administrator

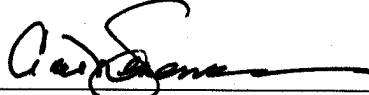
4/29/02
Date

Rural Utilities Service


Administrator

4-29-02
Date

United States Department of Agriculture


Secretary

April 29, 2002
Date