

United States Department of Agriculture
Rural Utilities Service

Water and Waste Disposal Programs
Fiscal Year 2003

Assistant Administrator
Water and Environmental Programs
USDA - RUS
Washington, D.C. 20250
Telephone: (202) 720-9583

Internet Address: <http://www.usda.gov/rus/water/>

United States Department of Agriculture

Rural Utilities Service

Water and Waste Disposal Programs

The Rural Utilities Service (RUS), the Rural Business-Cooperative Service, and the Rural Housing Service comprise USDA's **Rural Development** mission area. As the name suggests, the three agencies' programs are designed to meet the needs of people who live in rural areas -- including infrastructure, housing, health and medical, education, and employment. The Rural Utilities Service's **Water Programs Division** has four programs which provide financial and technical assistance for development and operation of safe and affordable water supply systems and sewage and other forms of waste disposal facilities:

- **Water and Waste Disposal Loans and Grants**
- **Emergency Community Water Assistance Grants**
- **Technical Assistance and Training Grants**
- **Solid Waste Management Grants**

These programs are administered by USDA Rural Development offices. There are 47 State Offices, as well as Local or Area Offices. Brief descriptions of the programs are provided below.

WATER AND WASTE DISPOSAL LOANS AND GRANTS¹

RUS provides loans, guaranteed loans, and grants for water, sewer, storm water, and solid waste disposal facilities in cities and towns up to 10,000 people and rural areas with no population limits.

Who May Receive Assistance?

- ❖ Recipients must be public entities. These can include municipalities, counties, special purpose districts, Indian tribes, and corporations not operated for profit, including cooperatives. A new entity may be formed to provide the needed service if an appropriate one does not already exist.
- ❖ Applicants must:

¹ Authorized by Section 306 of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926).

- (1) Be unable to obtain needed funds from commercial sources at reasonable rates and terms.
 - (2) Have the legal capacity to borrow and to repay loans, to pledge security for loans, and to operate and maintain the facilities.
 - (3) Propose facilities that are consistent with any development plans of the State, multijurisdictional area, counties, or municipalities where the project is to be located. All facilities must comply with Federal, State, and local laws, including those involving zoning regulations, health and sanitation standards, and water pollution control.
- ❖ Grants may be provided when necessary to reduce user costs to a reasonable level. They may cover a maximum of 75 percent of eligible facility development costs.
 - ❖ Loan guarantees may be available for up to 90 percent of any eligible loss incurred by the lender. Lenders pay a 1 percent guarantee fee, which may be passed on to the loan recipient.
 - ❖ Direct loans and/or grants have been set aside for:
 - ◆ Communities along the U.S.-Mexico border designated as "colonias."
 - ◆ Areas designated Empowerment Zones/Enterprise Communities and Rural Economic Area Partnership Zones.
 - ◆ Certain projects where at least 50 percent of the users of the facility/project are Native Americans.
 - ◆ Rural Alaskan villages.
 - ◆ Water emergencies and disaster relief.

How May Funds be Used?

- ❖ Loan and grant funds may be used to:
 - (1) Construct, repair, modify, expand, or otherwise improve water supply and distribution systems and waste collection and treatment systems, including storm drainage and solid waste disposal facilities. Certain other costs related to development of the facility may also be covered.
 - (2) Acquire needed land, water sources, and water rights.
 - (3) Pay costs such as legal and engineering fees when necessary to develop the facilities.

What are the Loan Terms?

- ❖ The law authorizing the program allows a maximum repayment period of 40 years. However, the repayment period cannot exceed the useful life of the facilities financed or any statutory limitation on the applicant's borrowing authority.

What is the Interest Rate?

- ❖ Three interest rates are used. They are set periodically based on an index of current market yields for municipal obligations. The most current rates are available on the RUS Water and Environmental Programs Home Page on the Internet at <http://www.usda.gov/rus/water/>.
- (1) **Poverty Rate** - The poverty interest rate is currently 4.5 percent. The poverty rate applies when:
 - (a) the primary purpose of the loan is to upgrade existing facilities or construct new facilities required to meet applicable health or sanitary standards; and
 - (b) the median household income (MHI) of the service area is below the poverty line for a family of four² or below 80 percent of the Statewide Nonmetropolitan MHI (SNMHI).
- (2) **Market Rate** - The market rate is set quarterly based on the average of the “Bond Buyer” 11-Bond Index over a four week period prior to the beginning of the quarter. It applies to loans for projects where the MHI of the service area exceeds the SNMHI.
- (3) **Intermediate Rate** - The intermediate interest rate is the poverty rate plus half of the difference between the poverty rate and the market rate, but not to exceed 7 percent. It applies to loans that do not meet the criteria for either the poverty rate or the market rate.
- ❖ Borrowers may choose the interest rate in effect on the date of loan approval or on the date of loan closing.

Is Collateral Required?

- ❖ Loans are secured so as to adequately protect the Government’s interest. Bonds or notes pledging taxes, assessments, or revenues may be accepted if they meet statutory requirements. A mortgage or other lien may also be taken on the applicant’s property when State laws permit.

Where Should Applications be Filed?

- ❖ Applications may be filed with the USDA Rural Development office serving the applicant’s area. Detailed information and applications are available through USDA Rural Development State, Local, and Area Offices. State Office locations and telephone numbers may be obtained from the office of the Assistant Administrator, Water and Waste, at (202) 720-9583. They are also available on the Internet.

What Should Be Included in an Application?

- ❖ Primary Documents:

² As defined in Section 673 (2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

- (1) Form SF 424, "Application for Federal Assistance (For Construction)."
- (2) State intergovernmental review comments and recommendations (Clearinghouse Comments). For States without a Clearinghouse, the USDA Rural Development office will instruct the applicant on the appropriate process.
- (3) Supporting documentation needed to determine eligibility, such as financial statements, audits, organizational documents, existing debt instruments, and engineering reports. Applicants will be advised what documentation is necessary.

Funds Available.

		FY 2003
❖	Direct Loans	\$797,567,000
❖	Guaranteed Loans	\$ 75,000,000
❖	Grants	\$425,000,000

Emergency Community Water Assistance Grants³

Emergency Community Water Assistance Grants may be available to rural communities when disaster strikes. Congress may appropriate funds for the program after a flood, earthquake, or other disaster if Federal assistance is warranted.

Who May Receive Assistance?

- ❖ Applicants must demonstrate that a significant decline in quantity or quality of water occurred within two years of the date the application was filed with RUS.
- ❖ Public bodies and nonprofit corporations serving rural areas, including cities or towns whose population does not exceed 10,000 people may be eligible. Public bodies include Indian Tribes on Federal and State reservations and other Federally recognized Indian Tribal groups.

How May Grant Funds be Used?

- ❖ Funds may be used to:
 - (1) Extend, repair, or perform significant maintenance on existing water systems; construct new water lines, wells or other sources of water, reservoirs, and treatment plants; replace equipment; and pay costs associated with connection or tap fees.
 - (2) Pay related expenses such as legal and engineering fees and environmental impact analyses, or acquire rights associated with developing sources of, treating, storing, or distributing water.
 - (3) Achieve compliance with the requirements of the Federal Water Pollution Control Act (33 U.S.C. 1 et seq.) or with the Safe Drinking Water Act when noncompliance is directly related to a recent decline in quality of potable water.

³ Authorized by Section 306A of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926a)

What is the Maximum Grant?

- ❖ Grants made to alleviate a significant decline in quantity or quality of water available from the water supplies in rural areas that occurred within two years of filing an application with the Agency cannot exceed \$500,000.
- ❖ Grants made for repairs, partial replacement, or significant maintenance on an established system to remedy an acute shortage or significant decline in the quality or quantity of potable water cannot exceed \$75,000.
- ❖ Subject to the above limitations, grants may be made for 100 percent of eligible project costs.

Where Should Applications be Filed?

- ❖ Applications are filed with any USDA Rural Development State or District office.

What Should be Included in an Application?

- ❖ Primary Documents:
 - (1) Form SF 424, "Application for Federal Assistance (For Construction)."
 - (2) State Intergovernmental Review.
 - (3) Supporting documentation which includes a preliminary engineering report, population and median household income of the service area, nature of the emergency that caused the problems associated with the project, and evidence that the significant decline in quantity or quality of water occurred within two years of filing the application.
- ❖ **Funds Available.** FY 2003 - \$21,700,000

Technical Assistance and Training Grants⁴

Technical Assistance and Training Grants are made available from at least one percent and not more than three percent of the funds appropriated for Water and Waste Disposal Grants.

Who May Receive Assistance?

- ❖ Private nonprofit organizations may receive grants. They must have tax exempt status granted by the Internal Revenue Service (IRS).
- ❖ Applicants must have the proven ability, background, experience, legal authority, and actual capacity to provide technical assistance and/or training to associations.⁵

⁴ Authorized by Section 306 (a)(14) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926 (a)(14)).

⁵ An association is an entity, including a small city or town, that is potentially eligible for water and waste disposal assistance under 7 CFR 1942.17 or 1942.356.

How May Grant Funds be Used?

- ❖ Funds may be used to:
 - (1) Identify and evaluate solutions to water and/or waste related problems of associations in rural areas.
 - (2) Assist entities with preparation of applications for Water and Waste Disposal loans and grants.
 - (3) Provide training to association personnel in order to improve the management, operation and maintenance of water and/or waste disposal facilities.
 - (4) Pay expenses related to providing the technical assistance and/or training.

What is the Maximum Grant?

- ❖ Grants may be made for up to 100 percent of eligible project costs.

When Should Applications be Filed?

- ❖ Preapplications must be filed between October 1 and December 31 of each fiscal year.

Where Should Applications be Filed?

- ❖ Applicants proposing to provide technical assistance and/or training in only one State will apply through the appropriate USDA Rural Development State Office.
- ❖ Applicants proposing to provide technical assistance and/or training in more than one State will apply through the Administrator, RUS, Washington, D.C. 20250.

What Should Be Included in an Application?

- ❖ Primary documents include:
 - (1) SF 424, "Application for Federal Assistance (For Non-construction)."
 - (2) Evidence of applicant's legal existence and authority.
 - (3) Evidence of tax exempt status from the Internal Revenue Service.
 - (4) Narrative of the proposed technical assistance and/or training services to be provided, method for selecting association(s) to receive the service, applicant's experience, service area, related costs, applicant's financial information, etc.

Funds Available. ❖ FY 2003 - \$18,213,835

Solid Waste Management Grants⁶

Solid Waste Management Grants are made available from an amount which is usually stipulated by Congress when it appropriates funds for Water Programs Grants.

Who May Receive Assistance?

- ❖ Private nonprofit organizations that have been granted tax exempt status by the IRS and public bodies, including local government-based multi-jurisdictional organizations, may be eligible for assistance.
- ❖ Applicants must have proven ability, background, experience, legal authority, and actual capacity to provide the proposed services.

How May Grant Funds be Used?

- ❖ Funds may be used to:
 - (1) Evaluate landfill conditions to determine threats to water resources.
 - (2) Provide technical assistance and/or training to help communities reduce the solid waste stream; enhance operator skills in operation and maintenance of active landfills, or assist operators of landfills which are closed, or will be closed soon, with the development and implementation of the plans for closing and future land use.

What is the Maximum Grant?

- ❖ Grants may be made for up to 100 percent of eligible project costs.

Where Should Applications be Filed?

- ❖ Applicants proposing to provide technical assistance and/or training in only one State will apply through the appropriate USDA Rural Development State office.
- ❖ Applicants proposing to provide technical assistance and/or training in more than one State will apply through the Administrator, RUS, Washington, D.C. 20250.

What Should be Included in an Application?

- ❖ Primary documents include:
 - (1) SF 424, "Application for Federal Assistance (For Non-Construction)."
 - (2) Evidence of applicant's legal existence and authority.
 - (3) Evidence of tax exempt status from the IRS.

⁶ Authorized by Section 310B(b) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1932).

- (4) Narrative of the proposed technical assistance and/or training services to be provided, method for selecting association(s) to receive the services, applicant's experience, service area, related costs, applicant's financial information, etc.

Funds Available.

- ❖ FY 2003 - \$3,500,000

Where Can Additional Information or Material Be Obtained?
--

- ❖ Forms, documents, and information may be obtained from any of the 47 USDA Rural Development State, Local, or Area Offices, USDA Service Centers, or the Administrative Services Division, RUS, Washington, D.C. 20250.
- ❖ Any questions can be answered by the State Director, USDA Rural Development, or by the Water Programs Division, Washington, D.C. at (202) 720-9583.
- ❖ A considerable amount of information is available on the Water Programs Internet home page. The address is:

<http://www.usda.gov/rus/water/>