United States Government Accountability Office

GAO

Report to Congressional Addressees

October 2012

RURAL WATER INFRASTRUCTURE

Additional Coordination Can Help Avoid Potentially Duplicative Application Requirements

GAO-13-111

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Highlights

Highlights of GAO-13-111, a report to congressional addressees

Why GAO Did This Study

Many rural communities with populations of 10,000 or less face challenges in financing the costs of replacing or upgrading aging and obsolete drinking water and wastewater infrastructure. EPA and USDA oversee the three largest federally funded drinking water and wastewater funding programs for these communities. In response to Pub. L. No. 111-139, which directs GAO to identify and report on duplicative goals or activities in the federal government, this report examines the (1) potential for fragmentation, overlap, and duplication between EPA and USDA drinking water and wastewater infrastructure programs and (2) extent to which these agencies coordinate at the federal and state level to fund community water infrastructure projects. GAO analyzed relevant laws and regulations and program data and documents. GAO also visited five states based on high rural funding needs and geographic location (Colorado, Montana, North Carolina, Pennsylvania, and South Dakota) to meet with federal, state, and community officials and visit projects.

What GAO Recommends

GAO recommends that EPA and USDA complete guidelines to help states develop uniform preliminary engineering reports, develop guidelines to help states develop uniform environmental analyses, and reemphasize the importance of state-level coordination. EPA neither agreed nor disagreed with GAO's first two recommendations and concurred with the third. USDA neither agreed nor disagreed with the recommendations.

View GAO-13-111. For more information, contact David Trimble at (202) 512-3841 or trimbled@gao.gov.

What GAO Found

Funding for rural water and wastewater infrastructure is fragmented across the three federal programs GAO reviewed, leading to program overlap and possible duplication of effort when communities apply for funding from these programs. The three federal water and wastewater infrastructure programs—the Environmental Protection Agency's (EPA) Drinking Water and Clean Water State Revolving Fund (SRF) programs and the U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) Water and Waste Disposal program—have, in part, an overlapping purpose to fund projects in rural communities with populations of 10,000 or less. For the 54 projects GAO reviewed in the five states it visited, this overlap did not result in duplicate funding, that is funding for the same activities on the same projects. However, GAO identified the potential for communities to complete duplicate funding applications and related documents when applying for funding from both agencies. In particular, some communities have to prepare preliminary engineering reports and environmental analyses for each program. GAO's analysis showed—and community officials and their consulting engineers confirmed—that these reports usually contain similar information but have different formats and levels of detail. Completing separate engineering reports and environmental analyses is duplicative and can result in delays and increased costs to communities applying to both programs.

EPA and USDA have taken some actions to coordinate their programs and funding at the federal and state levels to help meet the water infrastructure needs of rural communities, but GAO's review in five states showed that their efforts have not facilitated better coordination at the state level in more specific ways. EPA and USDA signed a joint memorandum in 1997 encouraging state-level programs and communities to coordinate in four key areas: program planning; policy and regulatory barriers; project funding; and environmental analyses and other common federal requirements. As of July 2012, EPA and USDA had taken action at the federal level to help the states coordinate better and make programs more efficient for communities applying for funding. For example, EPA and USDA had formed a working group to draft uniform guidelines for preliminary engineering report requirements, but this effort is not yet complete. However, the agencies have not taken action to help states develop uniform environmental analysis requirements, as called for in the 1997 memorandum. Without uniform requirements, communities face a continuing burden and cost of applying for federal and state funds to improve rural water and wastewater infrastructure. Coordination in the four key areas varied across the five states GAO visited. For example, state and federal officials in Montana created a drinking water and wastewater working group to coordinate project funding and to resolve regulatory barriers such as different funding cycles between the programs. In addition, state and federal officials in Pennsylvania coordinated to develop uniform environmental analysis requirements. However, in North Carolina and Colorado, state-level programs did not coordinate well initially about project funding, which resulted in the state-level programs planning to pay for the same projects. The programs were able to avoid paying for the same projects, but state-level RUS programs have or expect to deobligate almost $20 million committed to these projects and return the funding to USDA. Further delays in coordinating programs could prevent funds from reaching needy communities.

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Abbreviations

EPA	Environmental Protection Agency
HUD	Department of Housing and Urban Development
NEPA	National Environmental Policy Act
NIMS	National Information Management System
RUS	Rural Utilities Service
SRF	State Revolving Fund
USDA	U.S. Department of Agriculture

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United States Government Accountability Office
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Congressional Addressees

Many communities with populations of 10,000 or less face significant challenges in financing the costs of replacing or upgrading aging and obsolete drinking water and wastewater infrastructure. The demand for such drinking water and wastewater infrastructure projects in these communities, many of which are considered rural, is estimated by federal agencies to be more than $100 billion in the coming decades. For example, communities may need to upgrade basic wastewater systems, which treat wastes by allowing them to settle out in ponds or lagoons, with more sophisticated equipment that mechanically and biologically removes solids and contaminants. Or, communities may need to upgrade to more expensive filtration equipment to remove contaminants, such as arsenic or excess nutrients, as regulations become more stringent for drinking water quality and wastewater. Communities typically pay for drinking water and wastewater infrastructure through the rates charged to users of the drinking water and wastewater systems. In some cases, however, these communities do not have the number of users needed to spread the cost of major infrastructure projects and still maintain affordable user rates. In addition, unlike larger, urban communities that can issue their own public bonds to pay for major water and wastewater infrastructure improvements, it can be difficult for rural communities to independently finance such major improvements. In many cases, rural communities have limited access to financial markets, restricting their ability to issue bonds to raise capital. As a result, these communities depend heavily on federal and state grants and subsidized loan programs to finance their water and wastewater infrastructure projects.

The Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) oversee the three largest federally funded drinking water and wastewater infrastructure assistance programs. EPA administers the Drinking Water State Revolving Fund (SRF) program, which provides annual funding to states to finance projects for publicly and privately owned drinking water treatment plants, and the Clean Water SRF program, which provides funding to states to finance projects for constructing, replacing, or upgrading publicly owned municipal wastewater treatment plants. EPA allocates its funding in the form of capitalization grants to revolving fund programs administered by each state, and state officials in turn distribute loan funding for qualified drinking water and wastewater infrastructure projects in local

communities. Communities of any size can apply for assistance. When allocating funds to community projects, state officials consider environmental factors, such as the projects' impact on the communities' compliance with federal and state regulations for drinking water and clean water. Over the long term, the state SRF programs are intended to be sustained through communities' repayment of loans, creating a continuing source of assistance for priority drinking water and wastewater infrastructure projects. In fiscal year 2011, the Drinking Water and Clean Water SRF programs received $963 million and $1.5 billion in federal appropriations, respectively.

USDA's Rural Utilities Service (RUS) administers the Water and Waste Disposal program, which provides funding for both drinking water and wastewater projects in low-income rural communities of 10,000 or less.[1] In fiscal year 2011, the program received $516 million in appropriations, which was then allocated to USDA offices located in each state, using a formula based on the state's rural population, number of households in poverty, and rate of unemployment. Each USDA state office reviews project applications and approves funding for communities. If the USDA funds allocated to each state office are not fully obligated, they are pooled by USDA headquarters and redistributed to states that have projects ready to fund.

We have previously reported that fragmentation and overlap among government programs can lead to duplicative program requirements.[2] Fragmentation occurs when more than one federal agency, or more than one organization within an agency, is involved in the same broad area of national need. Overlap occurs when multiple agencies and programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries or recipients. Fragmentation can lead to overlapping programs and can create the potential for inefficiencies

[1]In this report, we refer to the RUS' Water and Waste Disposal program as the RUS program.

[2]GAO, *Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap*, GAO/AIMD-97-146 (Washington, D.C.: Aug. 29, 1997). For more information on fragmentation, overlap, and duplication in federal programs see GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,* GAO-11-318SP (Washington, D.C.: Mar. 1, 2011) and GAO, *Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012).

such as duplication. Duplication occurs when two or more agencies or programs are engaged in the same activities to provide the same services to the same recipients; however, in some instances, duplication may be warranted because of the magnitude or nature of the federal effort. We have also reported that federal programs contributing to the same or similar outcomes should coordinate or collaborate on their efforts. For example, in August 1997, we reported that federal programs contributing to the same or similar outcomes should be closely coordinated, consolidated, or streamlined, as appropriate, to ensure that goals are consistent and that program efforts are mutually reinforcing.[3] Furthermore, we have identified practices that can help enhance and sustain collaboration among federal agencies. In this report, we do not distinguish between the two terms coordination and collaboration.[4]

EPA and USDA have long recognized the potential for fragmentation, overlap, and duplication in their drinking water and wastewater infrastructure programs and the need for coordination to avoid these outcomes. Together with the Department of Housing and Urban Development (HUD),[5] EPA and USDA issued a joint memorandum in 1997 that emphasized cooperation and coordination on jointly financed drinking water and wastewater infrastructure projects to, among other things, foster cooperation among the organizations that administer these programs and minimize duplication of planning efforts.[6] However, in December 2009, we reported that EPA, USDA, and other agencies that fund drinking water and wastewater infrastructure for rural communities along the U.S.-Mexico border lacked coordinated policies and processes

[3]GAO/AIMD-97-146.

[4]GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies,* GAO-06-15 (Washington, D.C.: Oct. 21, 2005). These practices include identifying common outcomes, developing joint strategies, leveraging resources, and establishing compatible policies and procedures across agency boundaries.

[5]HUD disburses grants to states and local governments through the Community Development Block Grant Program to fund housing, infrastructure, and other community development activities, including drinking water and wastewater projects.

[6]Joint Memorandum between USDA, EPA and HUD. *Cooperation and Coordination on Jointly Financed Water and Wastewater Activities.* (Washington, D.C.: April 3, 1997).

and did not efficiently coordinate their programs, priorities, or funding.[7] To better address the needs of the region, we suggested Congress consider establishing an interagency mechanism to coordinate programs and funding, such as a task force on water and wastewater infrastructure or other mechanism, in the border region.

In 2010, Pub. L. No. 111-139 directed that GAO identify and report on federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities.[8] Accordingly, the objectives of this report examine (1) the potential for fragmentation, overlap, and duplication among programs administered by EPA and USDA to address drinking water and wastewater infrastructure needs in rural communities and (2) the extent to which these agencies coordinate at the federal and state level to help meet the water infrastructure needs of rural communities.

To address both objectives, we reviewed relevant statutes, regulations, guidance, budgets, and other documents; interviewed officials from EPA and USDA and representatives from engineering firms, local communities, and relevant nonprofit organizations; and obtained financial and other information about projects funded by at least one of the three programs from fiscal year 2007 through fiscal year 2011. To assess the extent of overlap between the programs, we compared annual funding data from EPA and USDA. We assessed the reliability of these data by interviewing EPA and USDA officials about the quality of the data and determined it to be reliable for our purposes. We visited a nongeneralizable sample of five selected states—Colorado, Montana, North Carolina, Pennsylvania, and South Dakota—to observe federally funded projects and discuss with state and local officials their experiences in disbursing and applying for funding from the EPA and USDA

[7]GAO, *Rural Water Infrastructure: Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region*, GAO-10-126 (Washington, D.C.: Dec. 18, 2009).

[8]Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 note.

programs.[9] From our analysis of EPA and USDA project needs data compiled by state each year, the five states we visited have high levels of drinking water and wastewater infrastructure needs for communities with populations of less than 10,000, in comparison with other states. We assessed the reliability of EPA's data by reviewing its quality control reports. We assessed the reliability of USDA's data by interviewing RUS officials on the quality control steps used in gathering the data. We determined the data were reliable for our purposes of selecting states. In addition, to determine the extent to which agencies coordinate at the federal and state level to help meet the water infrastructure needs of rural communities, we met with federal and state officials and considered EPA's and USDA's efforts to promote the guidance established in the 1997 joint memorandum. Furthermore, we discussed the levels of coordination among federal and state agencies with local community officials who applied for and received funding from one or the other of the programs. To identify leading practices for coordination, we reviewed our prior work on practices that can help enhance and sustain collaboration among federal agencies.[10] A more detailed description of our objectives, scope, and methodology is presented in appendix I.

We conducted this performance audit from September 2011 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[9]We selected these five states on the basis of rural funding needs as identified by EPA and USDA, geographic location, and information provided by federal and state officials on the level of coordination occurring among water infrastructure programs. We selected 31 communities and 54 projects using funding lists provided by state and federal officials to identify projects in communities that had applied for or received funding from the state SRF and RUS programs, or both, as well as recommendations from state and federal officials. Because these are nongeneralizable samples, the information obtained from these visits cannot be generalized to all states, communities, or projects but provides illustrative examples of their experiences in disbursing and applying for funding from the EPA and USDA programs.

[10]GAO-06-15.

Background

Rural communities often have small or aging drinking water and wastewater systems. The need for a water project can arise for multiple reasons, including replacing or upgrading outdated or aging equipment that does not treat water to meet water quality standards and systems that do not produce water to meet new treatment standards. For example, arsenic is often present naturally in groundwater, and to meet new federal arsenic standards for drinking water, many rural communities using groundwater as a drinking water source will have to improve their drinking water systems to remove arsenic. EPA estimates that drinking water and wastewater infrastructure for small communities over the next several decades could cost more than $100 billion.

This section describes (1) federal funding for drinking water and wastewater infrastructure projects in rural communities; (2) the process for applying for these federal funds, including the requirements state and federal agencies must ensure rural communities meet under the National Environmental Policy Act; and (3) our prior work on coordination among federal agencies and rural water infrastructure programs.

Federal Funding for Rural Water Infrastructure Projects

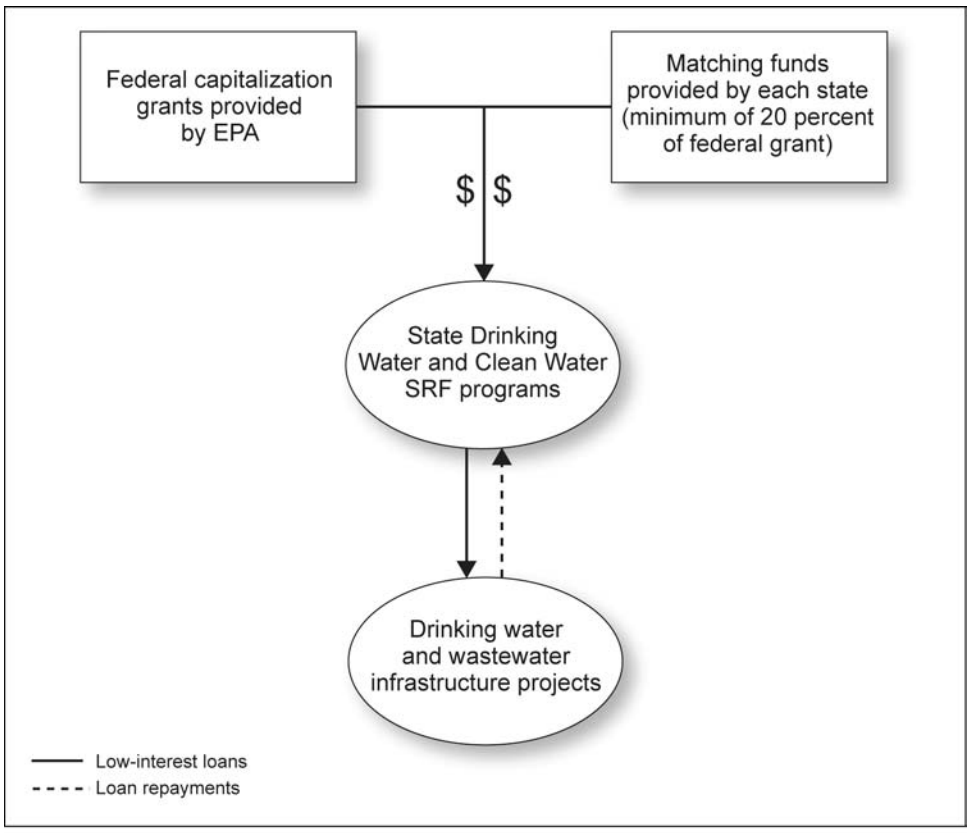
The federal government administers a number of programs that assist rural communities in developing water and wastewater systems and complying with federal regulations, with EPA's drinking water and clean water SRF programs and USDA's RUS program providing the most funding. Communities typically pay for drinking water and wastewater infrastructure through the rates charged to users of the drinking water and wastewater systems. Large communities serve many people and can spread the cost of infrastructure projects over these numerous users, which makes projects more affordable. Small or rural communities have fewer users across which to spread rate increases, making infrastructure projects less affordable and these communities more reliant on federal funding to help lower the cost of projects through lower interest rates or grants that do not need to be repaid.

The Safe Drinking Water Act and the Clean Water Act authorize the Drinking Water SRF and Clean Water SRF programs, respectively, as well as EPA's authority to regulate the quality of drinking water provided by community water supply systems and the discharge of pollutants into the nation's waters. Under the Safe Drinking Water Act, EPA sets standards to protect the nation's drinking water from contaminants, such as lead and arsenic. In 1996, amendments to the act established the drinking water SRF program to provide assistance for publicly and privately owned drinking water systems. Under the Drinking Water SRF

program, states make loans and are required to provide a certain percentage of funding in loan assistance to communities of less than 10,000.[11] The Clean Water Act is intended to maintain and restore the physical, chemical, and biological integrity of our surface waters, such as rivers, lakes, and coastal waters. In 1987, amendments to the Clean Water Act established the Clean Water SRF program to provide assistance to publicly owned wastewater treatment facilities. Using the federal funds EPA provides to capitalize the state SRF programs, states provide loans to communities for drinking water and wastewater treatment projects. In order to qualify, states must contribute an amount equal to 20 percent of the federal capitalization grant. States that qualify for funding are responsible for administering their individual SRF programs, and communities of any size can apply for assistance. Loans are generally provided at below-market interest rates, saving communities money on interest over the long term. As communities repay the loans, the states' funds are replenished, enabling them to make loans to other eligible drinking water and wastewater projects, and creating a continuing source of assistance for communities. See figure 1 for a description of the state Drinking Water and Clean Water SRF program funding sources. Nationwide, there are almost 52,000 publicly and privately owned drinking water systems and 16,000 publicly owned wastewater treatment facilities.

[11]Under the Safe Drinking Water Act, 15 percent of the amount credited to any state revolving loan fund in any fiscal year is to be available solely for providing loan assistance to public water systems that regularly serve fewer than 10,000 persons.

Figure 1: State Drinking Water and Clean Water SRF Program Funding Sources



Source: EPA.

Note: Some states also use the funds provided by EPA to support bond issuances that they then use to fund projects.

USDA's RUS administers a water and wastewater loan and grant program for rural communities with populations of 10,000 or less. The program is designed to address public health concerns in the nation's rural areas by providing funding for new and improved drinking water and wastewater infrastructure. RUS provides a mix of loan and grant funding to communities that have been denied credit through normal commercial channels. Like the SRF programs, the RUS program makes loans at below-market rates to save communities interest over time but, unlike the SRF programs, the RUS program can make loans for up to 40 years, which helps lower communities' annual repayment costs. In addition, communities do not need to repay funds received as grants, further helping to reduce the overall financial burden they incur upon a water project's completion. To determine the amount of loans and grants a

community receives, RUS assesses the potential increase in the water or sewer user rate needed to repay the loan. RUS provides grants to communities when necessary to reduce user rates to a level that the agency determines to be reasonable.

Other federal agencies have programs that provide funds for drinking water and wastewater infrastructure, including HUD's Community Development Block Grant program and the Department of Commerce's Economic Development Administration's Public Works and Economic Development Program. Under HUD's program, communities use block grants for a broad range of activities to provide suitable housing in a safe living environment, including water and wastewater infrastructure. Thirty percent of block grant funds are allocated by formula to states for distribution to communities of 50,000 or less. Drinking water and wastewater needs compete with other public activities for funding and, according to HUD officials, account for about 10 percent of all block grant funds nationally. Economic Development Administration's Public Works and Economic Development Program provides grants to small and disadvantaged communities to construct public facilities, including drinking water and wastewater infrastructure, to alleviate unemployment and underemployment in economically distressed areas. In addition, the U.S. Army Corp of Engineers and the Department of the Interior's Bureau of Reclamation provide financial assistance for some large drinking water and wastewater projects, but these projects must be authorized by Congress prior to construction.

In addition to these federal programs, some states have created their own programs to provide assistance for drinking water and wastewater infrastructure. For example, the North Carolina Rural Economic Development Center provides infrastructure loans for communities in the state's rural counties. In Montana, the Treasure State Endowment Program provides grants to make drinking water and wastewater projects more affordable for the state's communities.

Application Process and National Environmental Policy Act Requirements

The state SRF programs and the RUS program each have their own application process through which communities can apply for funding, although the application processes generally include similar steps: (1) completing an application that asks for, among other things, basic demographic, legal, and financial information associated with the project; (2) developing a preliminary engineering report that provides basic design specifications and other technical information for the project; and (3) conducting an environmental analysis that considers the environmental

effects of the proposed project and alternatives. The state agencies responsible for EPA's SRF programs and USDA state offices review these documents, prioritize the projects based on agency-determined criteria, provide comments to communities on how their applications can be improved, and ultimately approve or reject the request for funding. Communities can choose to apply for funding to different federal and state programs at any stage during the process. In some cases, the SRF and RUS programs will work together to jointly fund the same project if the project is too large for one agency to fund, or if it will make the project more affordable for the community. If their requests are approved, communities design the projects, obtain construction bids, contract to build the projects, and are reimbursed by the funding agency. Communities usually hire a consulting engineer to develop the preliminary engineering reports and conduct the environmental analyses for a project. In addition, EPA and USDA pay for technical service providers that communities can use to help them understand and apply for their programs. Communities can also get assistance from local planning districts, which are voluntary associations of county and municipal governments that provide development assistance to their membership.

A preliminary engineering report describes the proposed project, including its purpose, features of the proposed location, condition of any existing facilities, alternative approaches considered, design features, and costs. Figure 2 shows the application process and timeline that is generally followed for both EPA and RUS programs.

Figure 2: Application Process and Timeline Generally Followed for EPA's SRF and USDA's RUS Programs

Source: GAO analysis of state SRF and RUS program documents.

Note: These steps are a general representation of the funding application and approval process. The exact order and timing of the steps may vary by state or program.

The state SRF and RUS state-level programs review the likely environmental effects of projects they are considering funding using different levels of environmental analysis. These reviews occur either under the National Environmental Policy Act of 1969 (NEPA) for the RUS

program,[12] or for the SRF programs, under a state environmental review process similar to NEPA. EPA regulations define the necessary elements of these state "NEPA-like" reviews.[13] Typically, a proposed water or wastewater project is subject to an environmental assessment or, in the rare case that the project is likely to significantly affect the environment, a more detailed environmental impact statement. If, however, the agency determines that activities of a proposed project fall within a category of activities the agency has determined has no significant environmental impact—a determination called a categorical exclusion—then the project applicant or the agency, as appropriate, generally does not have to prepare an environmental assessment or environmental impact statement.[14] Because many community water and wastewater infrastructure projects either upgrade or replace existing infrastructure, projects rarely result in significant environmental impacts, and NEPA requirements can be satisfied through an environmental assessment or a categorical exclusion. In addition, in some cases, the funding agency may help complete the environmental analysis documents for a planned project.

Federal Agencies' Coordination for Rural Water Infrastructure

Our previous work has raised questions regarding sufficient coordination between drinking water and wastewater infrastructure funding programs, despite federal efforts to improve coordination at the state and local level. In December 2009, we reported that EPA, USDA, and other agencies that fund drinking water and wastewater infrastructure for rural communities along the U.S.-Mexico border, lacked coordinated policies and processes and did not efficiently coordinate their programs, priorities, or funding.[15] Specifically, without efficient coordination, applicants faced significant administrative burdens that, in some cases, resulted in project delays

[12]Pub. L. No. 91-190, 83 Stat. 852 (1970), codified as amended at 42 U.S.C. §§ 4321-4347 (2011). Under NEPA, federal agencies must assess the effects of major federal actions—those they propose to fund, carry out, or to permit—that significantly affect the environment. NEPA has two principal purposes: (1) to ensure that an agency carefully considers detailed information concerning significant environmental impacts and (2) to ensure that this information will be made available to the public.

[13]See 40 C.F.R. 35.3140(b) (CWA); 40 C.F.R. § 35.3580(c) (SDWA).

[14]According to USDA, under RUS regulations, non-administrative categorical exclusions require additional supporting documentation.

[15]GAO-10-126.

because the programs required separate documentation to meet the same requirements and did not consistently coordinate in selecting projects. For example, an engineer in Texas told us that one community applying for funding had to pay $30,000 more in fees because the engineer had to complete two separate sets of engineering documentation for EPA and USDA. As we stated in our December 2009 report, the applicant could have saved these funds had EPA and USDA established uniform engineering requirements. To resolve such inefficiencies, we suggested Congress consider establishing an interagency mechanism, such as a task force, of federal agencies working in the border region. One of the responsibilities of this task force would be to work with state and local officials to develop standardized applications and environmental review and engineering documents, to the extent possible, for the federal and state agencies working in the border region.

Similarly, our October 2005 report discusses collaboration and practices that federal and state agencies can engage in to enhance and sustain interagency collaboration.[16] In the report, we define collaboration as any joint activity that is intended to produce more public value than could be produced when organizations act alone. According to the report, agencies can enhance and sustain interagency collaboration by engaging in one or more of the following practices:

- define and articulate a common outcome;
- establish mutually reinforcing or joint strategies;
- identify and address needs by leveraging resources;
- agree on roles and responsibilities;
- establish compatible policies, procedures, and other means to operate across agency boundaries;
- develop mechanisms to monitor, evaluate, and report on results;
- reinforce agency accountability through agency plans and reporting; and

[16]GAO-06-15.

- reinforce individual accountability for collaborative efforts through performance management systems.

For a number of these practices, the report states that nonfederal partners, key clients, and stakeholders need to be involved in decision making. Additionally, a number of important factors, such as leadership, trust, and organizational culture, are necessary elements for a collaborative relationship.

Consistent with the findings of our October 2005 report, the 1997 joint memorandum signed by EPA, USDA, and HUD encourages cooperation in developing strategic plans for each agency's program and encourages cooperation among program managers at the state level to remove as many barriers as possible in program regulations or policy. In addition, the memorandum encourages the development of common practices across agencies, including regularly communicating and leveraging funds to make the most efficient use of available resources. Moreover, the memorandum encourages the signing agencies to prepare common documents, including one environmental analysis per project, that meet all the federal and state agencies' requirements. This memorandum is similar to governmentwide NEPA regulations and various guidance issued by the Council on Environmental Quality, which emphasize the need for coordination among federal and state agencies on environmental and other requirements.[17] Most recently, the council issued a March 2012 guidance that encourages federal agencies to cooperate with state, tribal, and local governments so that one document satisfies as many applicable environmental requirements as practicable. In addition, the guidance encourages federal agencies to enhance coordination under NEPA by designating a lead agency responsible for conducting an environmental analysis.[18] Furthermore, according to the guidance, a federal agency preparing an environmental analysis should consider adopting another federal agency's environmental analysis if it addresses the proposed

[17]The Council on Environmental Quality, which is part of the Executive Office of the President, coordinates federal environmental efforts in the development of environmental policies and initiatives.

[18]A lead agency must supervise the preparation of an environmental analysis if more than one federal agency either (1) proposes or is involved in the same action or (2) is involved in a group of actions directly related to each other because of their functional interdependence or geographical proximity. 40 C.F.R. § 1501.5(a).

action and meets the standards for an adequate analysis under NEPA and the adopting agency's NEPA guidance.

Fragmentation and Overlap in EPA and USDA Programs Can Result in Potential Duplication of Community Efforts to Apply for Funding

Drinking water and wastewater infrastructure funding is fragmented among the three programs we reviewed—EPA's Drinking Water and Clean Water SRF programs and USDA's RUS program. As a result, overlap can occur when communities with populations of 10,000 or less apply to one of the SRF programs and the RUS program. For the 54 projects we reviewed in the five states we visited, this overlap did not result in duplicate funding or funding for the same activities on the same project. Specifically, for 42 projects that we reviewed, the state SRF programs or the RUS program funded the projects individually, and for the remaining 12 projects that we reviewed, the state SRF and RUS programs each contributed a portion of the overall project cost because none of the programs could cover the full cost individually, according to community officials. However, we identified potentially duplicative efforts by communities to complete funding applications and related documents for both agencies.

The SRF and RUS Programs Provide Overlapping, but Not Duplicative, Funding to Communities with Populations of 10,000 or Less

Overlap can occur among the state SRF and RUS programs because they can each direct funding to communities with populations of 10,000 or less. As a result, these communities are eligible to apply for funding from more than one of these programs. For example, communities of 10,000 or less can apply to the state Clean Water SRF and RUS programs for funds to install or upgrade wastewater treatment plants and sewer lines. In addition, communities of 10,000 or less can apply to the state Drinking Water SRF and RUS programs for funds to install, repair, improve, or expand treatment facilities, storage facilities, and pipelines to distribute drinking water.

The state SRF and RUS programs have funded projects in communities with populations of less than 10,000 in recent years, according to our analysis of SRF and RUS data from July 1, 2007, through June 30, 2011. Specifically, over this time frame, communities with populations of 10,000 or less received $3.2 billion, or 36 percent of total Drinking Water SRF funding. Similarly, such communities received $6.3 billion, or 24 percent

of total Clean Water SRF funding.[19] In accordance with its mission, the RUS program has directed all of its funding for drinking water and wastewater infrastructure projects to such communities, for a total of $11 billion from October 1, 2006, through September 30, 2011. The amount of program funding overlap between the state SRF and RUS programs varies among the states, with some states showing greater overlap than others. State Drinking Water SRF program funding overlap with the RUS program ranged from 7 percent in Rhode Island to 93 percent in Virginia, and state Clean Water SRF program funding overlap with the RUS program ranged from 8 percent in California to 74 percent in Pennsylvania. Additional information about variations in program funding overlap is provided in appendix II.

Overlap in program funding could lead agencies to fund the same project, resulting in the potential for duplication. However, for the state SRF and RUS programs, the majority of projects we reviewed in the five states were funded by either one of the SRF programs or the RUS program, in conjunction with other federal or state program funds, such as HUD's Community Development Block Grant program, Montana's Treasure State Endowment Program, and programs from the North Carolina Rural Economic Development Center.[20] Table 1 shows the funding awards for community projects in states we visited. In the five states we visited—Colorado, Montana, North Carolina, Pennsylvania, and South Dakota—42 of the 54 projects we reviewed received funding from the SRF or RUS programs, in addition to other sources.

[19]EPA's state-level data are provided as a total amount starting from when EPA began providing SRF funds to the states. According to EPA documents, EPA began to provide Drinking Water SRF program funds in federal fiscal year 1997, or starting October 1, 1996, and states reported these data from their corresponding fiscal year—starting on July 1, 1996. Similarly, EPA began to provide Clean Water SRF program funds in federal fiscal year 1988, or starting October 1, 1987; states reported on the funds received beginning in their corresponding fiscal year—starting on July 1, 1987.

[20]The Community Development Block Grant program primarily focuses existing or proposed drinking water and wastewater transmission lines. Because of this specific focus of the program, we determined the possibility for duplication with the EPA and USDA programs was slight. In addition, the five states we reviewed have additional sources of funding for water and wastewater infrastructure. For the projects we reviewed in these states, we did not identify duplicate funding from these sources of funds.

Table 1: Funding Awards for 42 Drinking Water and Wastewater Projects Selected for Review

All amounts in dollars

State/community/project	Clean Water SRF	Drinking Water SRF	RUS	Other	Total
Colorado					
Eckley (DW)		$100,000			**$100,000**
Grover (DW)		518,000			**518,0000**
Grover (WW)			1,019,000	17,500	**1,036,500**
Mack (WW)[a]					**0**
Nunn (DW)		2,424,000	0[a]	10,000	**2,434,000**
Pagosa Springs (WW)	0[b]	0[b]		1,250,000	**1,250,000**
Paonia (DW)		824,780		500,000	**1,324,780**
Salida (WW)			14,719,000	2,918,000	**17,637,000**
Salida (DW)		545,000			**545,000**
Montana					
East Helena (WW)	324,350			303,239	**627,589**
East Helena (WW)	356,215			32,408	**388,623**
East Helena (WW)			5,677,000	850,000	**6,527,000**
Gallatin Gateway County Water and Sewer District (WW)			3,465,000	850,000	**4,315,000**
Valier (DW)			1,977,500	792,200	**2,769,700**
Valier (WW)	600,000			600,000	**1,200,000**
North Carolina					
Clinton (WW)	594,020				**594,020**
Clinton (DW)		285,699			**285,699**
Columbia (DW)		491,401		500,000	**991,401**
Hertford (WW)	854,187				**854,187**
Southeastern Wayne Sanitary District (DW)		515,000		364,850	**879,850**
Southeastern Wayne Sanitary District (DW)		0[a]	6,500,000	38,000	**6,538,000**
Trinity (Phase 1) (WW)	3,000,000				**3,000,000**
Trinity (Phase 2) (WW)			3,377,900	692,100	**4,070,000**
Trinity (Phase 3) (WW)			5,000,000	2,500,000	**7,500,000**
Trinity (Phase 4) (WW)	2,100,000				**2,100,000**
Trinity (Phase 4A) (WW)			4,845,000	1,205,000	**6,050,000**
Tuckaseigee Water and Sewer Authority (WW)			300,000	500,000	**800,000**
Wilkesboro (Combination)			300,000	572,150	**872,150**

All amounts in dollars

State/community/project	Clean Water SRF	Drinking Water SRF	RUS	Other	Total
Wilkesboro (WW)	7,363,544			1,000,000	**8,363,544**
Pennsylvania					
Gratz (DW)			396,000	310,000	**706,000**
Millerstown Municipal Authority (WW)	1,807,500			3,615,000	**5,422,500**
Muddy Run Regional Sewer Authority (WW)			20,144,000		**20,144,000**
Muddy Run Regional Sewer Authority (WW)	571,435				**571,435**
Royalton (WW)			1,140,000		**1,140,000**
South Dakota					
Clay Rural Water System (DW)		844,968			**844,968**
Clay Rural Water System (DW)		2,208,000			**2,208,000**
Clay Rural Water System (DW)		1,369,758		100,000	**1,469,758**
Fall River Water Users System (North Well) (DW)			1,178,500	460,000	**1,638,500**
Faulkton (DW)		511,725			**511,725**
Mobridge (DW)		213,500		25,000	**238,500**
Mobridge (DW)		62,442			**62,442**
Southern Black Hills Rural Water System (DW)			4,517,000	767,098	**5,284,098**

Legend: DW = drinking water project; WW = wastewater project

Source: GAO analysis of federal, state, and local documents.

Notes: “Combination” indicates projects that had both a drinking water and wastewater component. “Other” indicates federal, state, and local funding sources not listed in this table. A blank cell indicates funding was not requested from the specific source. Other sources of funding include HUD’s Community Development Block Grant; state sources such as Montana’s Treasure State Endowment Fund and and programs from the North Carolina Rural Economic Development Center; and the community’s own reserve funds.

We selected communities and projects on the basis of funding data and recommendations provided by state officials. Because these are nongeneralizable samples, the information obtained cannot be generalized to all communities or projects but provides illustrative examples of community experiences in applying for funding from the EPA and USDA programs. See appendix I for additional details.

[a]Community asked for, but did not receive, funding.

[b]Community received funds from SRF and RUS programs, but returned them.

In addition to the 42 projects that were separately funded by the state SRF or RUS programs, 12 projects we reviewed received funding from both the SRF and RUS programs (see table 2 for funding details). Our analysis of these projects showed the programs did not pay for the same activities with their funding, and according to state and community officials, the joint funding for a community's project was beneficial and warranted. Specifically, according to federal, state, and community officials we interviewed, jointly funded projects tended to be relatively expensive projects that exceeded one or the other agency's ability to fund independently or that needed additional funding to make the project affordable for community residents. Following are examples:

- Washington, Pennsylvania, population approximately 3,500, sought funding from both the Clean Water SRF and RUS programs, and other programs, for its nearly $21 million sewer project to install over 200,000 feet of sewer lines. The community initially sought funding from the Clean Water SRF program, but then decided to seek additional funding from the RUS program after realizing the project exceeded available funding from the SRF program, according to the consulting engineer the community used. The Clean Water SRF program provided $10.3 million, and the RUS program provided $5.5 million.

- Hertford, North Carolina, population approximately 2,200 sought funding from the Drinking Water SRF and RUS programs for its project to expand drinking water capacity by drilling wells, installing water supply lines, expanding the water treatment plant, and constructing an elevated storage tank. Similar to the Washington, Pennsylvania, project, community officials said that the Hertford project was too expensive for a single agency to fund. The Drinking Water SRF program provided $2.6 million toward the project, and the RUS program provided $772,000.

- Faulkton, South Dakota, population approximately 800, sought funding from the Drinking Water SRF, the RUS program, and the Community Development Block Grant program to replace water pipelines and install a water tower. The town applied to multiple programs to receive grants to help ensure that the project would be affordable to its residents. The Drinking Water SRF program provided a loan in the amount of $500,000 and immediately forgave the

balance of the loan, effectively providing these funds at no cost to the community.[21] The RUS program provided $2.1 million in funds to this project, including grant funds, which helped keep the project affordable. The Community Development Block Grant program provided approximately $519,000 in additional funds, and the community put forth $149,000.

[21]This is called "principal forgiveness," which means that the state SRF program forgave all or a portion of the remaining loan balance for a community's water or wastewater infrastructure project. Under the American Reinvestment and Recovery Act of 2009 and subsequent appropriations, states were required to use a portion of their capitalization grants, under their state SRF programs, to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants, or any combination of the three.

Table 2: Funding Awards for 12 Drinking Water and Wastewater Projects Selected for Review That Received Funding from an SRF Program and the RUS Program

All amounts in dollars

State/community/project	Clean Water SRF	Drinking Water SRF	RUS	Other	Total
Montana					
Conrad (WW)	$1,335,000		$2,942,400	$1,255,527	**$5,532,927**
North Carolina					
Burgaw (WW)	3,000,000		5,000,000	3,500,000	**11,500,000**
Hertford (DW)		2,569,647	772,000	610,222	**3,951,869**
Tuckaseigee Water and Sewer Authority (WW)	3,000,000		10,250,000	800,000	**14,050,000**
Pennsylvania					
Shamokin Coal Township Joint Sewer Authority (WW)	20,000,000		17,640,000	2,610,000	**40,250,000**
Washington Township (WW)	10,288,000		5,466,300	5,150,000	**20,904,300**
South Dakota					
Fall River Water Users System (North Expansion Project) (DW)		612,000	1,128,000	633,000	**2,373,000**
Fall River Water Users System (System Improvements Project) (DW)		750,000	958,000	6,391	**1,714,391**
Faulkton (DW)		500,000	2,124,000	668,175	**3,292,175**
Mobridge (DW)		500,000	931,000	407,000	**1,838,000**
Selby (DW)		100,000	514,000	310,900	**924,900**
Selby (WW)	$700,000		$1,815,000	$774,000	**$3,289,000**

Legend: DW = drinking water project; WW = wastewater project

Source: GAO analysis of federal, state, and local documents.

Notes: Other indicates federal, state, and local funding sources not listed in this table. A blank cell indicates funding was not requested from the specific source. Other sources of funding include HUD's Community Development Block Grant; state sources such as Montana's Treasure State Endowment Fund; programs from the North Carolina Rural Economic Development Center; and the community's own reserve funds.

We selected communities and projects on the basis of funding data and recommendations provided by state officials. Because these are nongeneralizable samples, the information obtained cannot be generalized to all communities or projects but provides illustrative examples of community experiences in applying for funding from the EPA and USDA programs. See appendix I for additional details.

Fragmentation and Overlap in State SRF and RUS Programs Can Result in Potentially Duplicative Application Efforts by Communities

Program overlap among the state SRF and RUS programs can result in potential duplication of communities' efforts to prepare funding applications and related documents, including preliminary engineering reports and environmental analyses, according to our analysis of project documents and interviews with engineers and community officials in the five states we visited. In these states, as with others, the state SRF and RUS programs require the communities to submit a preliminary engineering report and an environmental analysis as part of their loan applications.

Preliminary Engineering Report

Preliminary engineering reports submitted by communities to the SRF and RUS programs contained many of the same components, but the format and the level of detail required varied. Table 3 shows the similar or common components included in these preliminary engineering reports of four projects we reviewed. We judgmentally selected an example from one community in each state that had at least one jointly funded project or that had applied to both programs for funding, and that prepared preliminary engineering reports.[22]

[22]In Pennsylvania, agencies prepare technical documents, called Act 537 Plans, for wastewater infrastructure projects. These documents are required by Pennsylvania state law and include similar information to preliminary engineering reports. According to Pennsylvania officials, communities applying for funds for drinking water infrastructure projects are required to submit a typical preliminary engineering report, but they told us they have not jointly funded a drinking water project for several years.

Table 3: Similarities in Components of Preliminary Engineering Reports Prepared for the SRF and RUS Programs for Four Selected Projects

	Pagosa Springs, CO Wastewater		Tuckaseigee Authority, NC Wastewater		Faulkton, SD[a] Drinking Water	Conrad, MT[a] Wastewater
Report component	**SRF**	**RUS**	**SRF**	**RUS**	**SRF/RUS**	**SRF/RUS**
Project planning area / summary						
Location	X	X		X	X	X
Environmental resources present	X	X		X	X	X
Wetlands	X	X				X
100-year floodplain analysis	X	X				X
500-year floodplain analysis		X				
Growth areas and population trends	X	X	X	X	X	X
Existing facilities						
Location	X	X		X	X	X
History	X	X	X	X	X	X
Condition of facilities	X	X	X	X	X	X
Financial status of any existing facilities	X	X		X		X
Need for or purpose of project						
Health, safety, and security/compliance	X	X		X	X	X
System operation and maintenance	X	X		X	X	X
Growth	X	X	X	X	X	
Alternative approaches						
Description of alternatives	X	X	X	X	X	X
Design criteria	X	X		X		X
Environmental impacts	X	X	X	X		X
Land requirements/site selection	X	X		X		X
Construction problems	X	X		X		X
Cost estimates	X	X	X	X	X	X
Advantages and disadvantages of alternatives	X	X	X	X		X

Report component	Pagosa Springs, CO Wastewater		Tuckaseigee Authority, NC Wastewater		Faulkton, SD[a] Drinking Water	Conrad, MT[a] Wastewater
	SRF	RUS	SRF	RUS	SRF/RUS	SRF/RUS
Proposed project						
Project design	X	X		X	X	X
Project cost estimates	X	X	X	X	X	X
Annual operating budget		X	X	X	X	X
Income		X	X	X	X	X
Operations and maintenance costs	X	X	X	X	X	X
Debt repayments/service		X	X	X	X	X
Reserves		X			X	
Short-lived assets[b]		X		X	X	
Conclusions and recommendations	X	X		X	X	X
Preliminary implementation schedule	X	X			X	X

Sources: GAO analysis of federal, state, and local documents.

[a]This community produced one preliminary engineering report and submitted it to both programs.

[b]Short-lived assets, for the purpose of these preliminary engineering reports, include equipment that have a planned life less than the repayment period of the loan.

As table 3 shows, the preliminary engineering reports for both programs asked for similar information such as project location, community growth and population, existing facilities, alternative approaches to the project, and environmental and technical details of the project. The preliminary engineering reports prepared for the RUS program also included information on debt service and short-lived assets—those assets that have a planned life less than the repayment period of the loan—while the SRF engineering reports did not include such information.

Engineers and community officials we interviewed in some states told us that they prepare separate preliminary engineering reports for each agency when a community applies for funding from both agencies, which can increase costs to the communities. Specifically, officials and engineers in some states told us the requirements for USDA's RUS preliminary engineering report are generally more rigorous. They stated that these reports contain similar information but with different formats and levels of detail. Examples are as follows:

- In North Carolina, engineers and a technical service provider we interviewed told us that the state SRF and RUS formats for the

preliminary engineering reports differed significantly in format but contained much of the same information. State officials told us the state SRF programs do not typically accept preliminary engineering reports completed for the state-level RUS program because they try to maintain a common format to enable efficient review. Similarly, the state-level RUS program officials said that they do not accept reports completed for the state SRF programs.

- In Colorado, an engineer for several projects we reviewed told us that the engineering firm had to complete preliminary engineering reports for both the state SRF programs and the RUS program even though the reports had similar formats and information.

- In South Dakota, engineers told us that to minimize effort, time, and cost to the community, they prepare preliminary engineering reports to meet state SRF, RUS, and other program requirements even if the community does not initially seek funds from all of these programs. These engineers said doing so helps minimize the additional effort it would take to revise the report at a later time if the community decided to seek additional funds. According to another engineer, if the preliminary engineering report is completed to meet just the SRF programs' requirements, the firm will require additional time and money to meet the additional preliminary engineering report requirements necessary to apply for funding through the RUS program.

Montana and Pennsylvania take a different approach than the other three states we visited as follows:

- Montana has a uniform preliminary engineering report accepted by most federal and state agencies. Engineers said that the agencies ask for some different information, which they gather in amendments to the report instead of having communities submit similar information multiple times.

- In Pennsylvania, officials from state SRF and state-level RUS programs said they encourage communities to apply to either the SRF or RUS programs and do not often jointly fund projects. Officials from both programs told us that when they do fund projects jointly, they try to accept one another's documents to avoid duplicating them.

Environmental Analysis

We also found similarities in the environmental analyses submitted by communities to the SRF and RUS programs for four of the projects in the states we visited. According to our review of environmental analyses

submitted to the state SRF and RUS programs—we judgmentally selected one in each of four communities and states that had jointly funded projects or applied to both programs for funding—each environmental analysis followed a similar overall format and contained many of the same components, but the level of analysis and the level of detail needed to satisfy federal and state requirements varied. Table 4 shows the overall format and similar components for these environmental analyses. The agencies ask for information on many of the same components, including purpose and need, alternatives analysis, and environmental consequences.

Table 4: Similarities in Components of Environmental Analyses Submitted to the SRF and RUS Programs for Four Selected Projects

	Conrad, MT Wastewater		Selby, SD[a] Drinking Water	Mack, CO Wastewater		Hertford, NC[a] Drinking Water
Component	**SRF**	**RUS**	**SRF/RUS**	**SRF**	**RUS**	**SRF/RUS**
Purpose and need	X	X		X	X	X
Alternatives analysis	X	X	X	X	X	X
Environmental consequences						
Land use /geology	X	X	X	X	X	X
Floodplains	X	X	X	X	X	X
Wetlands	X	X	X	X	X	X
Cultural resources and historic properties	X	X	X	X	X	X
Biological resources	X	X	X	X	X	X
Water quality/quantity	X	X	X	X	X	X
Coastal resources					X	X
Air quality	X	X	X	X	X	X
Transportation			X		X	X
Noise	X	X	X	X	X	X
Socioeconomic/environmental justice			X	X	X	X
Mitigation strategy	X	X	X	X	X	X

Sources: GAO analysis of state SRF and RUS data.

[a]Other agencies accepted the SRF environmental analysis for this project.

The extent to which communities duplicate their environmental analyses for each program varies by state, depending on the extent to which water and wastewater infrastructure programs in the state accept each other's work or use each other's documents. In Colorado, North Carolina, and South Dakota, the communities can submit the final approved

environmental analyses prepared for the RUS program to the SRF programs, which eliminates one of the documents they have to prepare. However, in these states, the state-level RUS program will not typically accept the analysis prepared for the SRF program because the state analyses are less rigorous, according to RUS officials. In Pennsylvania, the state programs have agreed to uniform environmental requirements, and the communities therefore submit the same document to both programs. Communities may be required to submit additional information, as needed, to meet requirements specific to each program. In Montana, the state SRF programs prepare an environmental analysis for the community that is primarily based on information that the community submits in the preliminary engineering report, but the community prepares the environmental analysis that it submits to the state RUS program.

Furthermore, in some cases, the state programs may require the same type of environmental analysis for a project but, in other cases, the state programs may require different levels of environmental analysis—such as a categorical exclusion. For example, for a single wastewater project, the town of Conrad, Montana, completed an environmental analysis for the state-level RUS program, while the state SRF program completed the environmental analysis for the town. In contrast, Pagosa Springs, Colorado, submitted an environmental checklist to the state SRF program for its wastewater project and received a categorical exclusion but had to submit an environmental analysis for the application it submitted to the state-level RUS program for the same project. Variation exists across states despite NEPA regulations stating that federal agencies should eliminate duplication with state and local procedures by providing for joint preparation of environmental analyses or by adopting appropriate environmental analyses. According to state SRF officials, state-level RUS officials do not always accept state analyses because NEPA regulations under the RUS program are rigid and because some state RUS officials are not flexible in their interpretation of the requirements for environmental analyses. State RUS officials, however, told us that environmental analyses by some state environmental programs are not sufficient to meet federal NEPA standards, making it difficult for them to accept these environmental analyses.

Potentially duplicative application requirements, including preliminary engineering reports and environmental analyses, may make it more costly and time-consuming for communities to complete the application process. For example, if consulting engineers have to provide similar, or even the same, information, in two different engineering reports or environmental analyses, their fees to the community may be higher. Engineers we

interviewed estimated that preparing additional preliminary engineering work could cost anywhere from $5,000 to $50,000 and that the cost of an environmental analysis could add as little as $500 to a community's costs or as much as $15,000. Moreover, having to complete separate preliminary engineering reports or environmental analyses may delay a project because of the additional time required to complete and submit these documents. State officials in Montana told us that coordination between federal and state programs and the implementation of uniform application requirements could reduce the time it takes an applicant to complete a rural water infrastructure project by up to half.

Federal and State Actions Have Not Fully Facilitated Coordination for Funding Communities' Projects

Our review of five states and local communities in those states showed that EPA and USDA have taken some actions to coordinate their programs and funding at the federal and state level to help meet the water infrastructure needs of rural communities, but not others specified in the 1997 memorandum. Because these federal programs are implemented at the state level, efforts to coordinate between the agencies primarily occur among state officials managing the SRF and other water infrastructure programs, the RUS state-level offices, and the communities whose projects they fund. In some cases, inconsistent coordination at the state level has led to potential duplication for communities applying for funding and inefficiencies in program funding. EPA and USDA, at the federal level, and the state SRF and RUS state-level offices, have taken some actions to coordinate but have not taken others that could help avoid duplication of effort by communities applying for project funding.

Agencies Have Taken Some Actions to Encourage Coordination at the State and Community Level but Not Others

Recognizing the importance of coordinating the SRF and RUS programs at the state level, EPA and USDA agencies have taken some actions at the federal level to encourage coordination between the state-level programs and communities but not other actions specified in the 1997 memorandum. The 1997 joint memorandum signed by EPA and the USDA sought to improve coordination among federal and state agencies as they help fund community projects. It identified four major actions that state and state-level federal offices can take to improve coordination and reduce inefficiencies and potential duplication of effort. These actions are consistent with several of the leading practices we identified in our

October 2005 report on interagency collaboration.[23] These actions are as follows:

Cooperate in preparing planning documents. The memorandum encourages state SRF and RUS programs to cooperate in preparing planning documents, including operating, intended use, and strategic plans that are required under each agency's programs. The memorandum says that the federal and state programs should endeavor to incorporate portions of each agency's planning documents to minimize duplication of planning efforts. This action is consistent with two leading practices for interagency collaboration identified in our previous work—defining and articulating common outcomes and developing joint strategies—through which partner agencies can overcome significant differences in agency missions and cultures, and align their activities and resources to accomplish common goals.

Cooperate to remove policy and regulatory barriers. The memorandum states that agencies should cooperate in removing as many barriers to coordination as possible in program regulations or policy by, for example, coordinating project selection systems and funding cycles. This action is consistent with a leading practice for interagency collaboration identified in our previous work—promoting compatible policies and procedures.

Cooperate on project funding. The joint memorandum encourages state SRF and state-level RUS officials to meet on a regular basis to cooperate in determining what projects will receive funding and which program should fund which project, and to discuss the possibility of jointly funding projects when necessary. This action is consistent with two of the leading practices for interagency collaboration identified in our previous work—agreeing upon roles and responsibilities and leveraging resources. Through such actions, federal and state agencies funding water and wastewater infrastructure can clarify which agencies will be responsible for taking various steps and for organizing joint and individual agency efforts and thereby obtain benefits that they would not have realized by working individually.

Cooperate in preparing environmental analyses and meeting other common federal requirements. The joint memorandum states that,

[23]GAO-06-15.

whenever possible, agencies should cooperate on federal requirements that are common across agencies—environmental analyses and other common documents, such as preliminary engineering reports—in order to create one comprehensive application package per project. This action is consistent with our leading practice for interagency collaboration of establishing compatible policies and procedures for operating across agency boundaries. Through such an action, federal and state agencies would seek to make policies and procedures more compatible.

In February 2012, EPA, USDA, and several other federal and state agencies created a working group to examine the feasibility of developing uniform guidelines for preliminary engineering report requirements. The group plans to develop a draft outline for uniform preliminary engineering report guidelines by September 2012 and has received numerous examples and comments from participating states. According to RUS officials, however, once the draft outline is developed it must be reviewed by participating state and federal agencies before it is considered final, and the final outline could be delayed if agency review and response times are slow. In addition, EPA and USDA have taken action at the federal level to help the states coordinate better and make programs more efficient for communities applying for funding. Specifically, EPA and USDA coordinate at the federal level to encourage states to emphasize coordination between their SRF programs and RUS, as well as with local communities. According to EPA and USDA officials, to inform state officials and communities about the programs and funding opportunities available in their respective states, the federal agencies participate in conferences and workshops, conduct Webinars, and sponsor training. The federal agencies also issue guidance to their programs. For example, EPA issued a report in 2003 providing case studies and innovative approaches on how state SRF programs could better coordinate with other programs with similar purposes. In addition, in June 2011, EPA and USDA signed a Memorandum of Agreement to work together to help communities implement innovative strategies and tools to achieve short- and long-term water and wastewater infrastructure sustainability. Among other things, the memorandum encourages the agencies to share and distribute resources and tools to communities that promote long-term sustainability and to provide training and information that encourages the adoption and adaptation of effective water infrastructure management strategies.

The actions that EPA and USDA have taken to date, such as providing guidance in the 1997 memorandum, have helped states and state-level federal agencies to coordinate generally but have not facilitated better

coordination at the state level in more specific ways. In particular, the federal agencies have not taken actions, highlighted in the 1997 memorandum, to develop common documents for communities to apply to different funding programs. For example, EPA and USDA have not created a working group or taken similar action to work with other federal and state officials to develop a uniform environmental analysis. Making environmental analyses more compatible would be consistent with the March 2012 Council on Environmental Quality guidance on eliminating duplication in federal NEPA efforts. Similar to the 1997 joint memorandum, Council of Environmental Quality NEPA regulations and guidance encourage coordination between state and federal agencies in preparing environmental documents to reduce the time and cost required to make federal permitting and review decisions while improving outcomes for communities and the environment. According to agency officials, the agencies have not taken such action because they believe they have coordinated sufficiently. According to EPA officials, the states conduct NEPA-like analyses but are not required to meet the same NEPA requirements as federal agencies, and EPA cannot therefore dictate what documents the states use. In addition, USDA officials said that the RUS program's NEPA guidance documents already encourage state-level RUS offices to coordinate with the state SRF programs to accept RUS's environmental analyses, as appropriate and consistent with guidance from the Council on Environmental Quality. Without agreement to use common environmental analyses, however, rural communities could continue to spend more effort and resources to meet application requirements for improving their water and wastewater infrastructure.

State-Level Programs Took Varied Actions to Coordinate in Five States We Visited

In the five states we visited, the state-level programs varied in the actions they took to coordinate their water and wastewater infrastructure programs consistent with the 1997 joint memorandum. In some states, the state SRF and RUS programs have developed innovative ways to coordinate and remove barriers to coordination consistent with the 1997 memorandum but, in other states, the state SRF and RUS programs have been less successful, leading to potential duplication for communities applying for funding and inefficiencies in program funding. Table 5 shows the extent of actions to coordinate taken by the state SRF programs and state-level RUS programs in the five states we visited. Some community officials we met with suggested that, for the drinking water and wastewater infrastructure programs, good coordination among state officials would involve meeting on a regular basis to cooperate in determining what projects would receive funding, thereby leveraging agency funds that are increasingly limited.

Table 5: State SRF and RUS Program Activities to Implement 1997 Joint Memorandum on Drinking Water and Wastewater Activities

	Activities to Implement 1997 Joint Memorandum			
States	**Cooperate in preparing planning documents**	**Cooperate to remove regulatory and policy barriers**	**Cooperate on project funding**	**Cooperate on preparation of environmental analysis documents and other common federal requirements**
Colorado	No	No	Partial	No
Montana	No	Yes	Yes	Partial
North Carolina	No	No	Partial	No
Pennsylvania	No	Yes	Partial	Partial
South Dakota	No	Yes	Yes	No

Sources: GAO analysis of state documents and interviews.

In the five states we visited, the state SRF and state-level RUS programs varied in the number and types of action they had taken to coordinate, as described in the memorandum. However, the state-level programs did not take actions to cooperate in preparing planning documents. The extent of actions taken by the five states consistent with the memorandum are as follows:

Cooperate in preparing planning documents. In the states we visited, state SRF and RUS programs do not regularly coordinate when developing agency-specific planning documents. State SRF officials identify the projects that apply to their program in planning documents called intended use plans. In these plans, the states rank projects using state-determined criteria following EPA guidance, such as environmental and health concerns. Similarly, state-level RUS officials develop funding plans in which they separately rank projects applying to their program using national criteria that focus primarily on economic development, as well as environmental and health concerns.

Cooperate to remove policy and regulatory barriers. The state SRF and RUS programs in three of the states we visited had cooperated to remove policy barriers to coordination, such as differences in funding cycles. Specifically, in those states, federal and state officials meet regularly to ensure funding cycles are aligned to avoid unnecessary project delays. For example, in South Dakota, the state's SRF and other state water and wastewater infrastructure funding programs have the same funding cycles and application timelines, which are administered by one agency. State and local officials told us that having the state funding programs aligned

made it easier to navigate differences in funding cycles with RUS and other federal funding programs operating in the state. In addition, Montana officials created a working group to share information across state water and wastewater infrastructure programs and coordinate funding cycles. State and local officials in Montana said that regular coordination between federal and state officials on individual projects helped manage programmatic differences, such as differing funding cycles, to avoid lengthy delays in funding projects. Officials and engineers in both states said that the benefits of these joint efforts included reductions in community costs and administrative burdens for submitting applications and related documents, as well as reductions in the federal and state agencies' time in reviewing the documents. Other states have not worked to remove policy and regulatory barriers to coordination. For example, state and local officials in North Carolina told us that differences in application processes and funding cycles for the federal and state programs, including state SRF programs and the RUS program, increased the complexity and cost of applying for funding. Multiple agencies in the state that fund drinking water and wastewater infrastructure projects, including the SRF programs, have different funding cycles, so that communities have to apply separately to each program and at different times to make the project affordable. State and local officials in Colorado told us that they faced similar barriers.

Cooperate on project funding. Officials in all the states we visited meet at various times during the year, although some meet more frequently and discuss project funding in greater detail. Officials in Montana and South Dakota told us that they meet regularly to discuss upcoming projects, project applications, and coordination of funding, when possible. For example, officials from federal and state drinking water and wastewater funding programs in the Montana working group share information and discuss current projects and communities applying for funding. Community representatives said that state SRF program officials hold monthly meetings between the applicant and other state and federal funders to ensure that adequate funding is available to keep the project moving forward and to resolve any differences between the community and the federal and state programs providing funding. Similarly, in South Dakota, officials for the state SRF and RUS programs told us that they discuss project applications routinely and work closely with officials from local planning districts who, in turn, use their expertise working with federal and state programs to help communities apply for funding. In Pennsylvania, the state SRF and state-level RUS programs coordinate early in the application process by (1) conducting joint outreach sessions with communities interested in applying for drinking water and wastewater

project funding and (2) directing communities to the program that better fits their needs, according to state officials we spoke with. State-level officials and engineers we spoke with identified improvements in the efficiency and effectiveness of the programs because the officials direct communities to the program that best fits their needs or provides the best opportunity for a successful application.

Officials in Colorado and North Carolina also meet but do not regularly discuss project funding or the communities that have applied for funding, and said that they have experienced lapses in program efficiency and effectiveness, such as loss of federal funding for the state. Officials in both states told us coordination is complicated by communities not disclosing that they have applied to other state or federal programs for funding. Specifically, according to federal and state officials, in some cases, communities and the consulting engineers representing them will sign a funding agreement with either the state SRF or state-level RUS program but continue to seek additional grant or subsidized loan funding from other state and federal programs to get additional grant funding or better loan terms. State SRF and state-level RUS program officials in North Carolina and Colorado told us that not disclosing multiple funding sources can lead to inefficiencies when state SRF program officials and state-level RUS officials are unaware that a community has applied to both programs. Specifically, state-level officials who administer the RUS program in North Carolina and Colorado reported having to or expecting to deobligate a total of more than $20 million that they had committed to fully fund projects because they were unaware that the state SRF programs had committed to fully fund the same projects. The state-level RUS program in North Carolina expects to have to deobligate funding for three projects totaling about $4.9 million in loan and grant funding, and the RUS program in Colorado had to deobligate funding for seven projects totaling $15.6 million. The two RUS state offices could not meet internal agency deadlines to fully obligate their available funds and, as a result, had to return these funds to the RUS headquarters pool. State officials in North Carolina recently developed a uniform cover sheet for all state drinking water and wastewater funding program applications that asks communities to disclose other sources of funding. However, in our review of the uniform cover sheet, applicants are not asked to provide information on funding requested from RUS and other federal drinking water and wastewater funding programs.

Cooperate in preparing environmental analyses documents and other common federal requirements. In our visits to Montana and Pennsylvania, we learned that federal and state programs, including the state SRF and

RUS programs, have coordinated to streamline the application process in their states. For example, in Montana, these programs coordinated to develop uniform application materials and preliminary engineering report requirements that are accepted by all federal and state water and wastewater infrastructure programs in the state. Similarly, in Pennsylvania, program officials agreed upon uniform environmental analyses that are accepted by all programs, which reduce the cost and time for completing applications. Other states we visited have not agreed on uniform application requirements. According to federal and state officials in Colorado, North Carolina, and South Dakota, the state SRF and RUS programs have not developed documents with common formats and requirements for drinking water and wastewater infrastructure projects because of difficulty in integrating multiple program requirements. Specifically, state and local officials said that much of the information required in the environmental analyses was the same, but that agencies could not agree on a standard format and level of detail. For example, state SRF and RUS program officials in Montana told us they had tried, but were unable, to develop a uniform format for the presentation of their environmental analyses even though they had done so for their preliminary engineering reports. Furthermore, officials in Colorado and North Carolina expressed concern that having uniform documents that incorporated both state SRF and RUS program requirements would slow the application processes for all three programs and make them more costly. Specifically, officials administering both of the state SRF programs were concerned that, by adopting a format compatible with RUS policies and procedures, they would make the state SRF application process more onerous.

Conclusions

Rural communities rely on federal grants and loans to meet their water and wastewater infrastructure needs and to keep their drinking water and sewer user rates affordable. It is therefore important to make the most efficient use of limited federal funds to help as many communities as possible and to eliminate potential duplication of effort by communities when they apply for funds. EPA and USDA recognized in a 1997 memorandum that it is necessary to more effectively and efficiently coordinate the SRF and RUS programs at the state level through four major actions: in preparing planning documents, removing policy and regulatory barriers, meeting regularly to discuss project funding, and preparing common environmental analyses and other common federal requirements. In addition, EPA and USDA have taken actions to encourage states to improve coordination over the past 15 years. Specifically, recent actions by EPA and USDA, such as their efforts to

inform state officials and communities about the programs and funding opportunities by participating in conferences and workshops, conducting Webinars, and sponsoring training, as well as creating a working group to examine the possibility of developing guidelines to assist states in developing uniform preliminary engineering reports to meet requirements for federal and state programs, are encouraging and will help communities. However, the guidelines have not yet been completed, and EPA and USDA have not initiated a similar effort to develop guidelines for uniform environmental analyses that can be used to meet federal and state requirements. Without uniform documents, rural communities face a continuing burden and additional costs when applying for federal funds to improve their water and wastewater infrastructure. The state-level programs in the five states we reviewed varied in the number and types of actions they had taken to coordinate across the four key areas in the 1997 memorandum. Some state-level programs have developed innovative ways to coordinate and remove barriers to coordination, but in other states, the programs have been less successful, warranting stronger federal attention. Moreover, the state-level programs did not take actions to cooperate in preparing planning documents in any of the states. Until the state-level programs are regularly coordinating across the four key areas in the 1997 memorandum, including when developing planning documents, they will continue to risk potential program inefficiencies. Additional delays in taking actions to help improve such coordination could prevent EPA and USDA from more effectively and efficiently providing limited resources to needy communities.

Recommendations for Executive Action

To improve coordination and to reduce the potential for inefficiencies and duplication of effort, we recommend that the Secretary of Agriculture and the Administrator of EPA take the following three actions:

- ensure the timely completion of the interagency effort to develop guidelines to assist states in developing their own uniform preliminary engineering reports to meet federal and state requirements;
- work together and with state and community officials to develop guidelines to assist states in developing uniform environmental analyses that could be used, to the extent appropriate, to meet state and federal requirements for water and wastewater infrastructure projects; and
- work together and with state and community officials through conferences and workshops, Webinars, and sponsored training to

reemphasize the importance of coordinating in all four key areas in the 1997 memorandum.

Agency Comments and Our Evaluation

We provided EPA and USDA with a draft of this report for their review and comment, and both agencies provided written comments. EPA neither agreed nor disagreed with our first two recommendations but concurred with the third. USDA neither agreed nor disagreed with any of our recommendations. EPA's comments are provided in appendix III and USDA's comments are provided in appendix IV. Both agencies made technical comments that we incorporated as appropriate. In addition, we sent relevant portions of this report to state or federal officials responsible for administering the state SRF programs and state-level RUS programs for their review and technical comment.

In its comments on our first recommendation, that the agencies complete their efforts to develop uniform requirements for preliminary engineering reports, EPA stated that it supported the intent of the recommendation but noted it does not have the authority to require states to adopt a required format and that some states may not utilize it. EPA recommended that we replace the word "requirements" with the word "format." USDA also indicated that EPA and HUD have no authority to require state governments to use a particular preliminary engineering report outline and requested that we therefore change the word "requirements" to the word "guidelines." We recognize and agree that states have discretion to develop their own requirements for their SRF programs. In making our recommendations, we did not intend to limit states' discretion in adopting their own preliminary engineering report requirements. However, we continue to believe that the federal agencies could do more to help states identify common requirements for their own uniform preliminary engineering report documents. We changed our recommendation to reflect that the states do have discretion and that the federal agencies should develop guidelines to help the states develop uniform preliminary engineering report requirements.

In its comments on our second recommendation, to develop uniform requirements for environmental analysis documents, EPA stated that in principle it agreed with our recommendation but said it is not realistic to develop a one-size-fits-all approach. EPA said that developing the "essential elements" for environmental analyses should achieve the same outcome and requested that we change the word "requirements" to "essential elements." USDA stated that it did not necessarily disagree with the intent of the recommendation but noted that EPA has limited

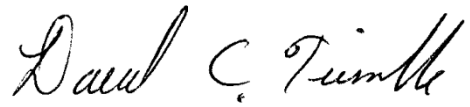
authority to dictate specific requirements to states implementing the SRF program. It also identified several procedural and policy hurdles including the fact that USDA's NEPA requirements are typically more stringent than the reviews under the SRF programs. USDA stated that it would work with EPA to discuss the concept of unified reviews and identify what would be required to achieve such reviews. USDA suggested that the Council on Environmental Quality could be called on to facilitate a working group between federal water and wastewater infrastructure funding programs on NEPA implementation. In making our recommendation, we did not intend to limit states' discretion in adopting their own requirements for environmental analyses. We changed the wording of our recommendation to clarify that the agencies would develop guidelines to assist states in developing common requirements for environmental analyses. We also note that USDA's suggestion for the Council on Environmental Quality to facilitate a working group seems reasonable but did not make this part of our recommendations because we did not review the Council on Environmental Quality as part of our work.

EPA concurred with our third recommendation, that the agencies work together and with state and community officials in all four key areas of the 1997 memorandum, while USDA neither agreed nor disagreed with the recommendation. EPA said that our report showed that little overlap existed between the programs but that state-level coordination should be encouraged more broadly. USDA said that it had no control over communities that choose to change funding sources to a state SRF program after accepting funding from the state-level RUS programs. We understand that communities have the discretion to change funding sources if better loan and grant terms are available, but strong coordination can help the agencies know when communities are applying to other programs and what other communities might need funding. Such coordination, envisioned in the 1997 memorandum, can avoid the loss of funds from states with high needs and other inefficiencies identified in this report. Furthermore, as EPA confirmed in its comments, state-level coordination can be encouraged more broadly to help other state and federal water and wastewater infrastructure funding programs better leverage limited state and federal funds.

Finally, in its general comments on the draft report, USDA commented on GAO's use of a relatively small sample of states for this review and that the RUS programs in those states were experiencing a transition in leadership and had not had time to develop relationships and learn other agencies' programs. We selected states that had high rural water and

wastewater infrastructure needs and a range of experience coordinating their water and wastewater infrastructure funding programs. We clearly state in the report that the sample is small and that our results cannot be generalized to all states. We recognize that the experience and trust established through long-term relationships is critical to the establishment of good coordination between federal and state programs. However, given the amount of time the memorandum has been in place, we believe that if good coordination between state SRF and state-level RUS programs had been established prior to the transition in state-level RUS leadership, it would have facilitated a smoother transition, and many of the challenges identified in our report may have been avoided.

We will send copies of this report to the Administrator of EPA, the Secretary of Agriculture, the appropriate congressional committees, and other interested parties. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov. If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or trimbled@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.



David C. Trimble
Director
Natural Resources and Environment

List of Congressional Addressees

The Honorable Daniel K. Inouye
Chairman
The Honorable Thad Cochran
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Kent Conrad
Chairman
The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable James M. Inhofe
Ranking Member
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Chairman
The Honorable Norm Dicks
Ranking Member
Committee on Appropriations
United States House of Representatives

The Honorable Paul Ryan
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The Honorable Darrell Issa
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The Honorable Elijah Cummings
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Committee on Oversight and Government Reform
United States House of Representatives

The Honorable Bob Gibbs
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The Honorable Tim Bishop
Ranking Member
Subcommittee on Water Resources
and Environment
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Scott Brown
United States Senate

The Honorable Tom Coburn
United States Senate

The Honorable Claire McCaskill
United States Senate

The Honorable Mark R. Warner
United States Senate

Appendix I: Objectives, Scope, and Methodology

The objectives of this report examine (1) the potential for fragmentation, overlap, and duplication between the Environmental Protection Agency's (EPA) Drinking Water and Clean Water State Revolving Fund (SRF) programs and the U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) Water and Wastewater Disposal program, both of which address water and wastewater infrastructure needs in rural communities, and (2) the extent to which these programs coordinate with each other at the federal and state level to help meet the water infrastructure needs of rural communities. We selected these programs for this review because they provided the highest amount of federal funds to water and wastewater infrastructure projects, which include projects in rural communities—defined for this report as communities with populations of 10,000 or less—in fiscal year 2011. The federal government has not established a formal or consistent definition of what constitutes a rural community; however, RUS defines a rural community as having a population of 10,000 or less. EPA, although it does not define communities as rural, gathers data on funding to communities of various sizes, including communities with populations of 10,000 or less. For both agencies, communities can include entities such as towns, cities, or counties, which make the decision whether to apply for funding from the programs. In some cases, regional water utilities or other utility associations can apply on behalf of a community or a group of communities. Using this definition allowed us to obtain and analyze similar data from both agencies.

To address both objectives, we reviewed government reports, statutes, regulations, guidance, budgets, and other relevant documents to identify federal support for rural water infrastructure programs and specifically the support provided by the Clean Water SRF, Drinking Water SRF, and RUS programs. In addition, we interviewed officials from EPA and USDA and from relevant nonprofit organizations, including the environmental finance center at Boise State University and the Council of Infrastructure Financing Authorities to collect financial and other information on the extent of fragmentation, overlap, duplication, and coordination among these rural water funding programs, as well as the current challenges facing rural communities. We then selected a nongeneralizable sample of five states to visit—Colorado, Montana, North Carolina, Pennsylvania, and South Dakota—to review the extent of fragmentation, overlap, and duplication among the EPA and USDA programs and the extent of coordination among the programs at the state level. The information from this sample cannot be generalized to all states but provides illustrative examples of their experiences in applying for funding from the EPA and USDA programs. We conducted site visits to these states to observe

federally funded projects, discuss the funding process, and discuss community experiences applying for funding from the EPA and USDA programs. In each state, we judgmentally selected a nongeneralizable sample of communities to visit and projects to observe by analyzing lists of water and wastewater infrastructure projects we obtained from state SRF and state-level RUS program officials, and obtaining recommendations from officials we interviewed. We used the lists of projects to identify communities and projects that had applied for or received funding from the state SRF and RUS programs, or both. We reviewed a total of 54 projects in a total of 31 communities across five states, all of which had experience in applying for funds for a drinking water or wastewater project, or both, from the SRF or RUS programs. As with the state sample, the information from the communities and projects we selected cannot be generalized to other communities and projects but provide illustrative examples.

To address the first objective, we assessed fragmentation between the Clean Water SRF, Drinking Water SRF, and RUS programs by examining statutes, regulations, and guidance relevant to the programs. To determine overlap between the programs, we calculated the proportion of SRF funding that was allocated to communities with populations of 10,000 or less for state fiscal years 2007 through 2011 (state fiscal years generally start in July and end in June). We used data from EPA's National Information Management System (NIMS), which collects and summarizes data on Clean Water and Drinking Water SRF program funding directed to communities of populations of all sizes, including communities with populations of 10,000 or less by states—the same size of communities toward which RUS directs its funding.[1] We conducted interviews with EPA officials to assess the reliability of the NIMS data and found it reliable for our purposes of identifying state SRF funding for communities with populations of 10,000 or less. We compared this proportion of SRF funding with total RUS funding provided from USDA's accounting system. We interviewed RUS officials about how these funding data are maintained and determined that it was reliable for our purposes of identifying USDA funding for communities with populations of 10,000 or less.

[1]Data for the Drinking Water SRF program are reported for communities with populations of 10,000 or less. Data for the Clean Water SRF program are reported for communities with populations of 9,999 or less.

To determine the potential for duplication at the project and activity level, we collected funding data for projects that had been funded by the state SRF programs, the state-level RUS programs, or both, as well as funding data from the communities we visited or whose officials we spoke with. In addition, we spoke with state SRF, state-level RUS, and community officials and consulting engineers to assess the extent to which projects were funded separately by state SRF or state-level RUS programs, or were jointly funded by these programs, and what activities were conducted. Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same recipients; however, in some instances, duplication may be warranted because of the magnitude or nature of the federal effort. Further, we collected and analyzed application materials—preliminary engineering reports and environmental analyses—from communities if the community had a project that was jointly funded by both the SRF and RUS programs or had applied to both programs for the same project. On the basis of this criterion, we obtained preliminary engineering reports for four projects in four states and environmental analyses for four projects in the same four states. To analyze the documents, we identified the components of each document and compared them with the others to determine those that were similar and different. We spoke with consulting engineers in those communities to determine whether the communities were required to submit separate documents with similar information to both programs. Because of the limited size of each sample, the results of our analysis are not generalizeable to all such documents.

To address the second objective, we reviewed documents and initiatives, including a 1997 joint memorandum signed by EPA and USDA promoting better coordination between the state SRF and state-level RUS programs and interviewed headquarters officials at EPA and USDA to identify national efforts to encourage better coordination at the state level. To analyze whether EPA and USDA efforts and initiatives incorporated leading practices for interagency collaboration, we compared guidance in the 1997 memorandum with our prior work on practices that can help federal agencies enhance and sustain collaboration.[2] In the states we visited, to determine how closely the state SRF and state-level RUS programs coordinate and whether their efforts to coordinate are consistent with the 1997 memorandum, we reviewed state-level guidance

[2]GAO-06-15

and documentation from state coordinating bodies and interviewed state-level SRF and RUS program officials, community officials, consulting engineers, and technical assistance providers. We identified actions taken by states that were consistent with actions identified in the 1997 memorandum and assessed whether these fulfilled the actions identified in the memorandum using "yes" to indicate the action was fully taken, "no" to indicate that it was not taken at all, and "partial" to indicate the action had not been fully taken.

We selected the five states we visited using a multistep process and several sources of information: funding needs for rural areas; geographic location; and level of coordination between state and community partners. We first narrowed the number of states we could visit to 15 states by analyzing EPA and USDA data on funding needs. To do so, we determined the relative level of funding needed in each state using the following data, by state, for communities with populations of 10,000 or less: (1) per capita needs for drinking water infrastructure, (2) per capita needs for clean water infrastructure, (3) drinking water infrastructure needs as a percentage of total state drinking water needs, (4) clean water infrastructure needs as a percentage of total state clean water needs, (5) the number of backlogged RUS water and wastewater infrastructure project requests, and (6) the total amount of RUS loan and grant funding requested for the backlogged projects. We obtained and analyzed these six categories of data from EPA's Drinking Water and Clean Water Needs Assessment reports, and USDA's data on backlog of funding applications. To assess the reliability of EPA's data, we reviewed the agency's quality control efforts over the data. To assess the reliability of the USDA data, we interviewed RUS officials on how they obtained and verified the data. We determined that both sets of data were sufficiently reliable for our purposes of selecting a sample of states to visit. Because not all states had complete data, we created three groups of states for analysis: 35 states had full data, or data for all 6 categories; 11 states had partial data, or data for 4 of the 6 categories; and 4 states had mixed data that we determined was not sufficient to analyze. Because the amount of data varied for each group, we determined that we would sample from each group separately.

Next, for the 35 states that provided complete data, we ranked the states from highest to lowest (numbering the highest 1 and so on) within each of the six categories, basing the ranking on either percentage or dollars, depending on the category. We then identified the top 10 states in each category, selected the 10 states that appeared in three or more of the six categories and added the scores across the six categories for each state.

We then conducted a very similar process for the 11 states that had partial data, except that we identified the states with the top five highest values in each of the four categories of data and then selected the three states that appeared in at least three of the four categories. This parallel analysis gave us 10 states from the full data group and 3 states from the partial data group. We then selected 2 states from the third group of states, which had mixed data available, on the basis of their physical size and the fact that they had the most data available in the group.

We further narrowed down the number of states we could visit using geographic dispersion as a criterion. We located the 15 states selected through our analysis of funding data in six Department of Census divisions and selected five that were ranked first according to the six categories.[3] We also selected 2 states from the partial-data group and one state from the mixed-data group, for a total of 8 states.

From the eight remaining states, we selected Colorado, Montana, North Carolina, Pennsylvania, and South Dakota to visit based on the extent of coordination among the state SRF and RUS programs and the communities they served. We called the state SRF and RUS state-level officials to discuss whether the programs met and how frequently they jointly funded projects. We considered the range of coordination in each of the eight states to judgmentally select the five states we visited.

We conducted this performance audit from September 2011 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[3]The Census groups states and the District of Columbia into four regions and nine divisions within those regions. In the Northeast region, there are two divisions, the Mid-Atlantic Division and the New England Division. In the Midwest Region, there are two divisions, the East North Central and West North Central divisions. In the Southern Region, there are three divisions, the South Atlantic Division, the East South Central Division, and the West South Central Division. Finally, in the Western Region, there are two Divisions, the Mountain Division and the Pacific Division.

Appendix II: Drinking Water and Clean Water State Revolving Fund Program Funds Provided to Communities with Populations of 10,000 or Less

Table 6 provides information on the percentages and amounts of funding provided, by state, through EPA's Drinking Water and Clean Water SRF programs to communities with populations of 10,000 or less.

Table 6: Drinking Water and Clean Water SRF Program Funds Provided to Communities with Populations of 10,000 or Less

Dollars in millions

	Drinking Water SRF		Clean Water SRF	
	July 1, 1996-June 30, 2011[a]		July 1, 1987-June 30, 2011[b]	
State	Percentage of statewide funds	Amount of funding	Percentage of statewide funds	Amount of funding
Alabama	33%	$115.4	20%	$204.1
Alaska	44	106.7	33	127.3
Arizona	25	160.9	27	370.8
Arkansas	36	68.2	37	198.8
California	16	196.2	8	409.1
Colorado	44	174.9	43	394.0
Connecticut	24	27.4	19	314.9
Delaware	31	43.6	57	146.6
Florida	33	203.2	19	682.3
Georgia	50	143.9	22	291.6
Hawaii	30	35.7	24	122.5
Idaho	76	132.4	52	215.2
Illinois	44	325.0	23	703.2
Indiana	44	206.1	28	701.6
Iowa	52	260.5	47	635.2
Kansas	43	195.9	44	447.0
Kentucky	28	58.5	29	286.7
Louisiana	33	64.6	19	128.5
Maine	70	115.8	55	320.6
Maryland	49	93.5	22	322.6
Massachusetts	9	111.4	10	486.5
Michigan	39	257.6	13	456.9
Minnesota	53	336.3	33	862.3
Mississippi	40	87.4	26	160.5
Missouri	55	167.6	24	523.4
Montana	66	115.2	56	201.0
Nebraska	81	144.7	53	208.6
Nevada	45	72.3	13	49.8

Dollars in millions

	Drinking Water SRF		Clean Water SRF	
	July 1, 1996-June 30, 2011[a]		July 1, 1987-June 30, 2011[b]	
State	Percentage of statewide funds	Amount of funding	Percentage of statewide funds	Amount of funding
New Hampshire	55	75.8	30	189.9
New Jersey	13	95.9	14	567.1
New Mexico	33	35.0	23	71.3
New York	42	1,304.1	9	1,084.3
North Carolina	31	88.8	33	431.3
North Dakota	40	114.2	30	93.2
Ohio	30	248.8	26	1,397.9
Oklahoma	26	156.3	22	185.5
Oregon	71	173.4	48	429.1
Pennsylvania	44	298.9	74	1,755.9
Puerto Rico	27	49.4	33	137.3
Rhode Island	7	15.3	17	189.2
South Carolina	12	21.1	19	149.7
South Dakota	42	121.6	31	136.2
Tennessee	51	83.0	23	257.9
Texas	27	283.2	18	1,016.7
Utah	71	108.5	41	154.4
Vermont	89	102.4	66	137.3
Virginia	93	211.0	23	569.5
Washington	59	250.0	52	616.0
West Virginia	69	100.3	68	530.0
Wisconsin	40	145.2	23	452.1
Wyoming	41%	$67.8	20%	$68.3
Total		**$8,170.9**		**$20,591.7**

Source: GAO analysis of EPA data.

Note: For the Clean Water SRF program, EPA began to provide SRF funds in federal fiscal year 1988, or on October 1, 1987; states reported on the funds received beginning in their corresponding fiscal year—starting on July 1, 1987—according to EPA documents. Similarly, for the Drinking Water SRF program, EPA began to provide funds in federal fiscal year 1997, or on October 1, 1996, and states reported these data from their corresponding fiscal year—starting on July 1, 1996—according to EPA documents.

[a]Data for the Drinking SRF program are reported for communities with populations of 10,000 or less.

[b]Data for the Clean Water SRF program are reported for communities with populations of 9,999 or less.

Appendix III: Comments from the Environmental Protection Agency

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

SEP 18 2012

OFFICE OF WATER

David C. Trimble
Director, Natural Resources and Environment
Government Accountability Office
441 G Street N.W.
Washington, D.C. 20548

Dear Mr. Trimble:

Thank you for the opportunity to comment on your office's draft report, *Rural Water Infrastructure, Additional Coordination Can Help Avoid Potentially Duplicative Application Requirements*. This letter will respond briefly to the overall findings, with more detailed responses to your recommendations enclosed.

The draft report found that the three federal water and wastewater infrastructure programs—the Environmental Protection Agency (EPA) Clean Water and Drinking Water State Revolving Fund (SRF) programs and the U.S. Department of Agriculture (USDA) Rural Utilities Service (RUS) Water and Environmental Programs—have a partially overlapping purpose to fund projects in rural communities of 10,000 or less and, therefore, the potential exists for communities to complete duplicate funding applications and related documents when applying for funding from both agencies. In particular, your office found that completing separate preliminary engineering reports and environmental analyses was duplicative and could result in increased costs and delays for assistance recipients. To address this finding, the draft report recommends that the EPA and the USDA complete efforts for uniform preliminary engineering report requirements, develop uniform environmental analysis requirements, and re-emphasize the importance of state-level coordination between agencies.

The EPA is fully committed to working with federal and state partners to ensure that federal funding supports the missions of our respective agencies and is accessible to communities in need. For well over a decade, the EPA has worked with the USDA to coordinate our programs and ensure that they work together to finance cost-effective projects meeting the needs of the people they serve. In evaluating the potential for, and actual occurrence of, duplicative application requirements, it is essential to understand the statutory foundation of each program and each program's principal mandate.

The principal purpose of the SRF programs is to assist communities of all sizes in achieving compliance with the Clean Water and Safe Drinking Water Acts. The principal purpose of the USDA-RUS program is to facilitate development in rural America by providing access to piped water and wastewater management. The EPA provides financial assistance to a larger subset of communities than the RUS because the RUS only funds projects in communities with populations of 10,000 or less. Another distinction between the USDA-RUS and the SRFs is in how assistance is provided. The RUS provides direct federal assistance to communities, whereas the SRFs are state-run programs that the EPA funds in

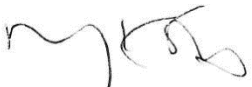
the form of capitalization grants. States, in turn, provide financial assistance to communities. The SRF programs are managed and implemented by the states and states have considerable flexibility in establishing program requirements. The EPA provides oversight to ensure that federal requirements are met.

Out of the GAO sample of fifty four projects reviewed, twelve (22%) received co-funding from the USDA and the EPA for different phases of the project. The EPA believes this figure shows that there is limited overlap between the programs, while also demonstrating that the programs are able to work together to support projects in communities that can qualify for funding from both programs.

The USDA, the EPA, and the Department of Housing and Urban Development issued a joint memorandum in 1997 to foster cooperation among the programs at the delivery level. This memorandum, which provides the framework for many of the findings in the GAO report, was intended to encourage state-level program managers to develop policies and processes that would best work within their State, rather than prescribe a national approach. The EPA believes this interpretation is consistent with the spirit and intent of the Clean Water and Drinking Water SRF programs as authorized by the Clean Water and Safe Drinking Water Acts. The SRF programs are capitalized by the federal government but are state run programs. Although the EPA fully supports interagency coordination to the extent that statute and regulations allow, we believe state flexibility in overseeing the SRF operations is critical to the success of the programs and should be encouraged. The enclosed comments reflect this belief and also provide details about several current interagency initiatives that demonstrate the ongoing cooperation between the EPA and the USDA in implementing our respective programs.

Thank you again for the opportunity to comment on the draft report. If you have questions regarding our comments, please contact William Anderson, Office of Wastewater Management, at (202) 564-6448.

Sincerely,



Nancy K. Stoner
Acting Assistant Administrator

Enclosure

Enclosure 1
EPA Response to Recommendations for Executive Action

Recommendation 1: Ensure timely completion of the interagency effort to develop uniform requirements for preliminary engineering reports.

Response: The EPA supports the intent of this recommendation, though urges the GAO to revise the recommendation to read: *Ensure timely completion of interagency effort to develop a uniform **format** for preliminary engineering reports.* Since February 2012, the EPA has been participating on an interagency workgroup of federal and state partners that includes representatives from USDA, HUD, IHS and 13 states. The purpose of this workgroup is to establish a "best practice" format, not uniform requirements, for preliminary engineering reports across funding agencies. The word requirement mischaracterizes the outcome that workgroup members have agreed upon.

To date, the workgroup has produced a draft interagency memorandum explaining the purpose of the workgroup, a general outline of a preliminary engineering report, and a detailed template of each desired component. The EPA is committed to conducting the necessary outreach, in coordination with workgroup partners, to ensure that these resources are fully understood and can be utilized by state partners. While we agree with the recommendation pending the revised language, the EPA does not have the authority to require states to adopt the "best practice" format and acknowledges that some states may not utilize it.

Recommendation 2: Work together with state and community officials to develop uniform requirements for environmental analyses that could be used, to the extent appropriate, for water and wastewater infrastructure funded by state SRF and RUS programs.

Response: In principle, the EPA supports the GAO recommendation because we acknowledge that a burden can be placed on communities that receive funding from a SRF and USDA-RUS when the same environmental analysis is not accepted by both programs. However, we do not believe that the development of "uniform requirements for environmental analyses" is realistic for the state-run SRFs and the federal USDA-RUS program because a one-size-fits-all approach does not acknowledge a fundamental principle of the SRFs – that each state implements and oversees SRF operations. The development of **essential elements** for environmental analyses, on the other hand, should achieve the same outcome while acknowledging the unique requirements of each funding program. Such elements would have to be developed at the state level, led by USDA-RUS and the SRFs, and would ideally eliminate incompatible aspects of the respective environmental analyses. We request that the GAO revise the recommendation to read: *Work together with state and community officials to develop **essential elements** for environmental analyses that could be used, to the extent appropriate, for water and wastewater infrastructure funded by state SRF and RUS programs.*

While USDA-RUS must follow the NEPA procedures at 40 CFR Part 6, Subpart E and related subparts, the drinking water and wastewater SRFs may elect to apply these procedures or apply their own "NEPA-like" state environmental review process (SERP) for conducting environmental reviews. Before a state may utilize a "NEPA-like" process it must first receive approval from the appropriate EPA Region. The

purpose of allowing states to adopt their own "NEPA-like" SERP was not to deviate from NEPA, but rather, to delegate environmental review responsibility to the States while still conforming to NEPA.

The draft report indicated that in several of the states surveyed, state level RUS offices will not accept the analyses prepared for the SRF programs because they contend the analyses are less rigorous. At the federal level, the EPA cannot speak to why this is the case, since "NEPA-like" processes are meant to fully comply with NEPA. While we cannot require states to use a more uniform environmental review process, the EPA will work with USDA to determine what specific issues they have with SRF environmental analyses. After this information has been obtained we can work with state partners to examine the possibility of whether their SERP can be modified or whether some other option can be pursued.

Recommendation 3: Work together and with state and community officials through conferences and workshops, webinars, and sponsored training to reemphasize the importance of coordinating in all four key areas of the 1997 memorandum.

Response: The EPA concurs with this recommendation and looks forward to continued dialogue with USDA to explore how we can encourage states to continue the development of policies and processes that align with the key areas of the 1997 memorandum. The GAO report identified states where SRF programs and USDA-RUS are coordinating regularly at the state level to fund and construct projects in a manner that minimizes the potential for duplication of effort. While the EPA believes that there is limited overlap between the programs, we also believe that this model of state-level coordination can be encouraged more broadly.

The Agency remains fully committed to working with federal and state partners to ensure that federal funding supports the missions of our respective agencies and is accessible to communities in need. Ongoing examples of our commitment include the EPA's collaboration with (1) the Small Communities Water Infrastructure Exchange (SCWIE), a network of federal and state water infrastructure funding officials, that holds quarterly calls to discuss best practices and (2) the Council of Infrastructure Financing Authorities (CIFA), a national organization of state, regional and local financing authorities that meets twice a year to discuss pressing issues related to the nation's growing infrastructure needs. The EPA and USDA meet regularly with these groups, and the EPA will continue to explore opportunities to work with USDA to reemphasize the importance of the 1997 memorandum through conferences, workshops, webinars and trainings.

In light of emerging sustainability and water workforce issues facing communities across the United States, the EPA and USDA-RD-RUS signed a memorandum of agreement (MOA) last year to lay the groundwork for a series of joint activities to increase the sustainability of rural water and wastewater systems. The four areas addressed by the MOA include: 1) Sustainability of Rural Communities, 2) System Partnerships, 3) Water Sector Workforce, and 4) Compliance of Small Rural Public Water and Wastewater Systems with Drinking Water and Clean Water Regulations. To date, the two agencies have conducted joint activities to promote water sector careers and system partnerships and have conducted workshops with small water systems focusing on sustainability. The MOA is a clear example of our continued commitment to work collaboratively and leverage resources so that our programs are implemented efficiently and effectively.

Appendix IV: Comments from the U.S. Department of Agriculture's Office of Rural Development

United States Department of Agriculture
Rural Development
Office of the Under Secretary

SEP 1 2 2012

David C. Trimble
Director, Natural Resources and Environment
United States Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Trimble:

Thank you for providing the United States Department of Agriculture's (USDA) Rural Utilities Service (RUS) your Government Accountability Office (GAO) draft report entitled, "Rural Water Infrastructure: Additional Coordination Can Help Avoid Potentially Duplicative Application Requirements," Report Number GAO-12-931 for review. USDA offers the following comments to the draft report and requests that a copy of these comments be included in your final report. USDA's response is limited to portions of the GAO report relating to USDA.

We commend GAO for providing this report and recommendations on improving coordination and to reduce the potential for inefficiencies and duplication of efforts among Federal agencies. The report is based on a small sampling of five States. Program Directors located in the States manage the USDA programs in their respective States and are charged with working with other agencies to help identify projects to fund and different funding scenarios that best meet the needs of the applicant. It takes time to establish relationships and to fully learn other agencies available programs. It should be noted that of the five States visited in this report, two of the Program Directors had been in office for only a year and four of the five for less than 5 years. USDA in the last year has implemented a training program for new Program Directors on coordinating with other Federal agencies to better serve the applicants.

Many of the findings and recommendations in the report hinge on a joint memorandum signed by Environmental Protection Agency (EPA) and USDA in 1997. Both authorizing legislation and codified regulations for the two agencies differ significantly although the programs' focus is similar. Since the memorandum was signed, the water industry has seen social, economic and regulatory changes. USDA in recent years has identified several pressing issues that faced the water industry such as a declining workforce and the need to develop employment training and job markets to replace retiring water system operators. USDA also identified the need to ensure water systems were sustainable and affordable to the end-user customers. As a result, USDA

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Committed to the future of rural communities.

began discussions with EPA and forged a new Memorandum of Agreement to help the water industry address these issues. USDA and EPA hosted joint coordinated meetings, webinars and conferences to recommend solutions to the water industry challenges.

In response to your Recommendations for Executive Action, USDA offers the following:

Recommendation: Ensure the timely completion of the interagency effort to develop uniform requirements for preliminary engineering reports.

USDA Response: The interagency working group's goal is to develop a draft for a uniform preliminary engineering report outline by September 2012. Once the draft outline is developed, it will be reviewed by many State and Federal agencies before it is considered final. The number of stakeholders and their review are critical to the success of this effort. We look forward to working with all partners and would like to emphasize collaboration and success of the effort, which may impact the timing of final requirements.

Please note that within the working group both Department of Housing and Urban Development (HUD) and EPA have indicated that they have no authority to require State governments to use a particular preliminary engineering report outline or even any outline. Therefore, EPA and HUD have indicated the outline will have to be issued as guidance only, not a requirement placed upon States. We intend to obtain concurrence in the outline from all the Federal agencies involved and we hope that as many State agencies as possible will adopt the outline. We have incorporated many State agencies into the working group to further this objective. We therefore request the word "requirements" be changed to "guidelines" for this recommendation.

Recommendation: Work together and with State and community officials to develop uniform requirements for environmental analyses that could be used, to the extent appropriate, for water and wastewater infrastructure projects funded by State Drinking Water and Clean Water State Revolving Fund (SRF) and RUS programs.

USDA Response: USDA has regularly encouraged and supported efforts by State Offices to minimize duplication of efforts and paperwork, including thorough preparation of joint environmental review documents. The Agency also endorses that GAO's recommendation applies to EPA; any such effort would need to be jointly formulated. However, any effort to develop uniform requirements for environmental review documents would need to be in the context of an overall uniform application process. Environmental review documents are not prepared in isolation; they are prepared at the appropriate time in the application process (procedurally they should be prepared during a proposal's early planning and design process), and if these processes are not synchronized, it would be difficult to ensure that a single environmental review document could serve as the applicable environmental decision document for each agency. Also, as USDA has noted in our engineering related comments, EPA has indicated to us that they have limited authority to dictate specific requirements to States implementing the SRF program. Since EPA delegates' authority on a state-by-state basis, each State environmental review process can be unique, so a nationwide uniform environmental review document would be a significant challenge; it would need to be done state-by-state as

well. Following are some additional considerations that would require factoring in to any joint environmental review process or documents:

- Full implementation of such joint processes may require legislative or policy changes. USDA, for example, lacks the authority to demand that EPA or HUD require State governments to follow this approach in their implementation of the SRF or Community Development Block Grant (CDBG) programs; changes to or addition of State regulations may also be necessary;

- Communities tend to 'play the field' in an effort to secure funding at the most attractive rate or in the most timely fashion. Thus a uniform document may not be possible in cases where an applicant may switch or add funding sources at different times (such examples are alluded to in the draft GAO report, e.g., Washington, Pennsylvania (pp. 17-18), and Faulkton, South Dakota (p. 18);

- As noted in the draft report, USDA's National Environmental Policy Act (NEPA) requirements are typically more stringent than the State-implemented environmental reviews under SRF (this seems to be inconsistent in that State SRFs are supposed to comply with EPA's NEPA procedures and other applicable Federal environmental and historic preservation statutes and regulations), so therefore a less-detailed or incomplete review may not be consistent with USDA's current regulations and could put the Agency at risk for legal challenges or lead to disputes with other Federal environmental regulatory, natural resource agencies or State Historic Preservation Offices because of their expectations of the Agency. RUS would not be able to reduce its environmental review requirements without a change to current Agency regulations. Thus any joint or uniform review process would likely require additional review or coordination efforts on the part of States, which again may entail regulatory changes or additional cost/staffing;

- In addition to NEPA, the challenge remains in coordinating each Federal agencies' (applies to SRF and CDBG) consultation requirements under the National Historic Preservation Act (NHPA), Section 106 and the Endangered Species Act (ESA), Section 7. To be consistent with NHPA and ESA these consultation requirements must be completed prior to the obligation of Federal funds.

In summary, USDA does not necessarily disagree with the intent of the recommendation, and notes that it would further the NEPA efficiency goals recently articulated by the Council on Environmental Quality (CEQ). But meeting the recommendation does face several procedural and policy hurdles, as articulated here and indeed noted throughout the GAO report itself. USDA will request a meeting with the EPA program counterparts to meet and discuss the concept of unified reviews for these programs, identify and describe what would be required to achieve such reviews, and if agreed that it is an achievable pursuit, establish a working group to map out a process. Asking CEQ to facilitate such a working group amongst Federal infrastructure funding agencies could even be more productive because they have oversight authority for all Federal agencies implementation of NEPA.

Recommendation: Work together and with State and community officials through conferences and workshops, webinars, and sponsored training to reemphasize the importance of coordinating in all four key areas in the 1997 memorandum.

USDA Response: USDA plans to continue to work with other Federal and State funding agencies to try and coordinate efforts in funding water infrastructure projects. As noted above there are many challenges to accomplishing this task. USDA sets clear policy and goals from the National Office while EPA's National Office has little or no control over the funding once it is issued to the States. Many times USDA funds projects with the understanding that the community has exhausted all efforts to obtain funding from other sources including EPA. However, there are times when EPA funds become available after USDA funds have been obligated. If EPA's funding appears more favorable to the applicant, they may elect to change Federal funding sources programs in mid project. USDA has no control over this. In cases where the community was not in the running for EPA funds at the time USDA proceeded with the funding package, coordination efforts may have been minimal. USDA has several programs available to help communities develop applications, including the development of environmental reports and preliminary engineering reports, such as the Predevelopment and Planning Grant Program and the Special Evaluation Assistance for Rural Communities and Household Program. For communities that qualify, grant funds can be used to help develop water infrastructure applications with USDA, or other funding agencies, including EPA. USDA plans to continue joint presentations on coordinating funding activities at trade shows including the National Rural Water Association and the Rural Community Assistance Program's annual conferences.

Thank you for the opportunity to comment on the report. If you have any questions, please contact John Dunsmuir, Acting Director, Financial Management Division, at (202) 692-0080.

Sincerely,

Dallas Tonsager
Under Secretary

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

David C. Trimble, (202) 512-3841or trimbled@gao.gov

Staff Acknowledgments

In addition to the individual above, Susan Iott, Assistant Director; John Barrett; Elizabeth Beardsley; Mark Braza; Elizabeth Curda; Richard Johnson; Micah McMillan; Sara Ann Moessbauer; Dan Royer; Tina Sherman; Carol Herrnstadt Shulman; and Kiki Theodoropoulos made key contributions to this report.