

April 1995

RURAL DEVELOPMENT

Patchwork of Federal Water and Sewer Programs Is Difficult to Use





United States
General Accounting Office
Washington, D.C. 20548

**Resources, Community, and
Economic Development Division**

B-260991

April 13, 1995

The Honorable Pete V. Domenici
Chairman, Committee on the Budget
United States Senate

Dear Mr. Chairman:

This briefing report responds to your request that we provide additional information on issues raised in our report entitled Rural Development: Patchwork of Federal Programs Needs to Be Reappraised.¹ Specifically, you asked us to provide information on the (1) federal programs providing assistance to rural areas for constructing, expanding, or repairing water and wastewater facilities; (2) similarities and differences in the programs' objectives and eligibility criteria; (3) problems rural areas have encountered in dealing with these federal programs; and (4) views of groups representing rural areas concerning the possible consolidation or elimination of some of these programs.

On April 6, 1995, we briefed your office on these issues. This briefing report summarizes the information we presented in that briefing.

In summary, we identified 17 different programs, administered by eight federal agencies, that are designed specifically for, or that may be used by, rural areas for constructing, expanding, or repairing water and wastewater facilities. Overall, the 17 programs have the common objectives of improving the economy of rural areas by improving their infrastructure and of helping rural residents achieve basic, healthy living conditions. While the programs' objectives are closely aligned, eligibility criteria vary considerably. For example, one program requires applicants to be low-income, elderly individuals, while other programs specify the maximum population for a town.

As we previously reported, because of the complexity and number of programs available, each with its somewhat different application requirements, many rural areas are unable to apply for and administer federal grants or loans without using a consultant. In addition to this overarching problem, our discussions with rural areas disclosed other difficulties that hamper rural areas' ability to utilize the programs. These difficulties include (1) coordinating funding from federal programs whose timetables for awarding loans and grants differed, (2) contending with

¹GAO/RCED-94-165, July 28, 1994.

duplicative application and administrative requirements when multiple programs are used for project financing, and (3) coping with federal requirements that hold very small projects to the same standards as large projects.

Groups representing rural areas—the National Rural Development Partnership, the Council of State Community and Development Agencies, the National Association of Development Organizations, the National Association of Counties, and the National Governors' Association—generally agree that the current system of federal assistance needs reform. They all call for a process that would give states and local areas much more involvement, but some express concern that state governments may not be any more responsive to the needs of local communities than the federal government has been.

Section 1 of this briefing report provides additional information on the federal programs providing assistance to rural areas for water and wastewater facilities. Section 2 discusses the similarities and differences in the programs' objectives and eligibility criteria. Section 3 describes some of the problems rural areas have encountered in dealing with the federal water and wastewater facilities programs. Section 4 presents comments from groups representing rural areas concerning the possible consolidation or elimination of these programs.

To determine which federal programs provide grants, loans, technical assistance, or other resources to rural areas for water and wastewater facilities, we searched the 1994 Catalog of Federal Domestic Assistance, reviewed program descriptions, and contacted agency staff. We also used the Catalog to determine each program's objectives and eligibility requirements.

To determine what problems rural areas encounter in availing themselves of the programs, we reviewed pertinent documentation and met with selected rural areas and organizations that had assisted rural areas with the programs. We also solicited written comments from groups representing rural areas concerning requirements imposed by the multiple federal programs for water and wastewater facilities.

We performed our work during February and March 1995 in accordance with generally accepted government auditing standards.

We did not obtain written agency comments on a draft of this briefing report. However, we discussed a draft of the report with the Acting Assistant Administrator, Water and Waste-Rural Utilities Service, U.S. Department of Agriculture; the Director, Community Development, Appalachian Regional Commission; and the Director, National Rural Development Partnership, National Office. These officials generally concurred with the information presented in the briefing report.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this briefing report until 30 days from the date of this letter. At that time, we will send copies of this briefing report to the Senate and House Committees on Agriculture, interested Members of Congress, and the Secretary of Agriculture. We will also make copies available to others upon request.

Please contact me at (202) 512-5138 if you or your staff have any questions. Major contributors to this briefing report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink, reading "John W. Harman". The signature is written in a cursive style with a large initial "J" and "H".

John W. Harman
Director, Food and
Agriculture Issues

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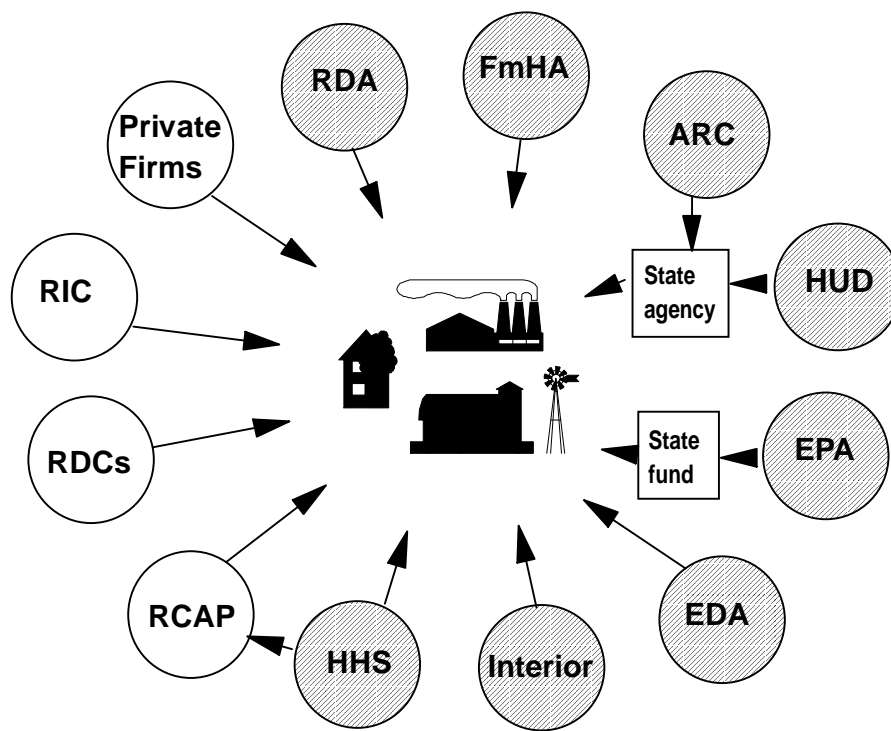
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Abbreviations

ARC	Appalachian Regional Commission
CDBG	Community Development Block Grant
COSCDA	Council of State Community and Development Agencies
DOI	Department of the Interior
EDA	Economic Development Administration
EPA	Environmental Protection Agency
FmHA	Farmers Home Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
NACo	National Association of Counties
NADO	National Association of Development Organizations
NGA	National Governors' Association
RDA	Rural Development Administration
RDC	Regional Development Center
RCAP	Rural Community Assistance Program
RIC	Rural Information Center
USDA	United States Department of Agriculture

Federal Agencies and Others That Can Assist Rural Areas With Water and Wastewater Facilities

GAO Federal Agencies and Others Providing Assistance to Rural Areas



**Federal Agencies and
Organizations That Can
Assist Rural Areas With
Water and Wastewater
Facilities**

The 1994 Catalog of Federal Domestic Assistance cites eight federal agencies with programs that are either designed specifically for, or that may be used by, rural areas for assistance in constructing water and/or wastewater facilities. The federal agencies include the following:

- U.S. Department of Agriculture's (USDA) Rural Development Administration (RDA),²
- USDA's Farmers Home Administration (FmHA),³
- Appalachian Regional Commission (ARC),
- Department of Housing and Urban Development (HUD),
- Department of Commerce's Economic Development Administration (EDA),
- Environmental Protection Agency (EPA),
- Department of Health and Human Services (HHS), and
- Department of the Interior (DOI).

In addition, we identified other organizations that assist rural areas in identifying, applying for, and administering program grants, loans, and technical assistance. Included among such organizations are

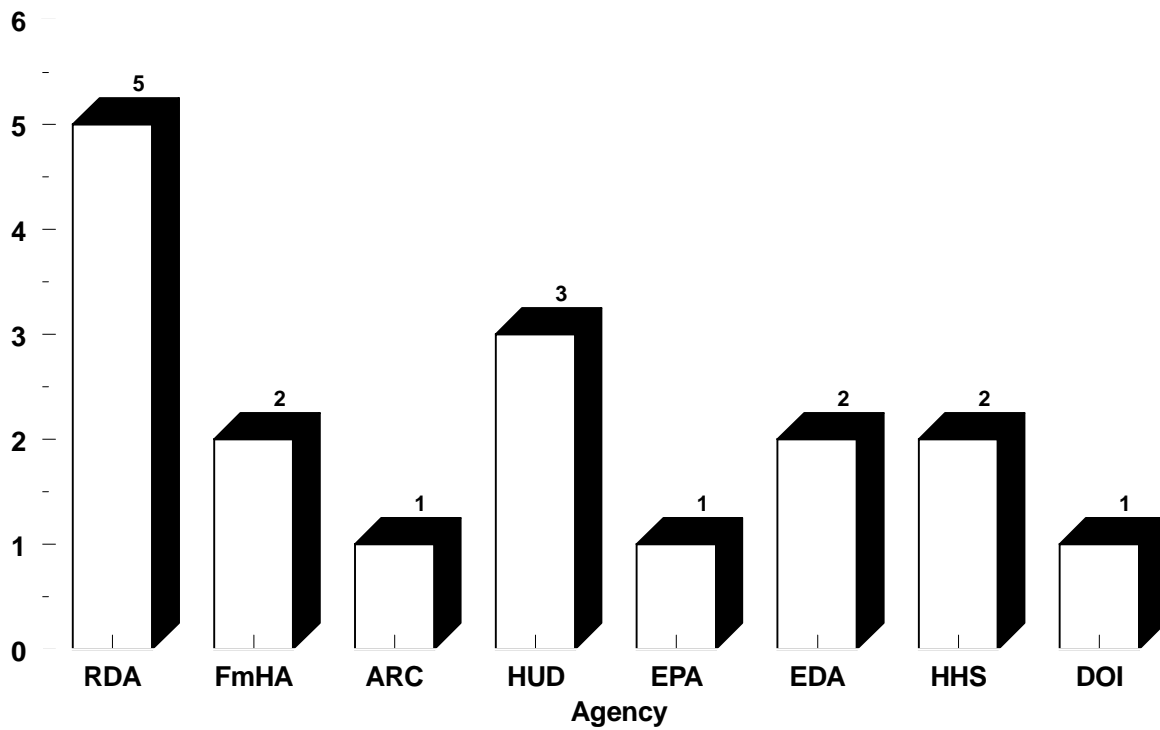
- Regional Development Centers (RDCS),
- Rural Information Center (RIC),
- Rural Community Assistance Program (RCAP), and
- Private firms.

Appendix II contains a general description of these organizations.

²In 1994, USDA reorganized, and RDA's water and wastewater facility programs were transferred to the Rural Utilities Service. This report continues to refer to RDA since the period covered by our review was prior to the reorganization.

³In the 1994 reorganization of USDA, FmHA's housing loan program was transferred to the Rural Housing and Community Development Service. This report continues to refer to FmHA since the period covered by our review was prior to the reorganization.

GAO Number of Rural Water and
Wastewater Programs by Agency



**Briefing Section 1
Federal Agencies and Others That Can
Assist Rural Areas With Water and
Wastewater Facilities**

**Seventeen Programs
Provide Assistance to
Rural Areas for Water and
Wastewater Facilities**

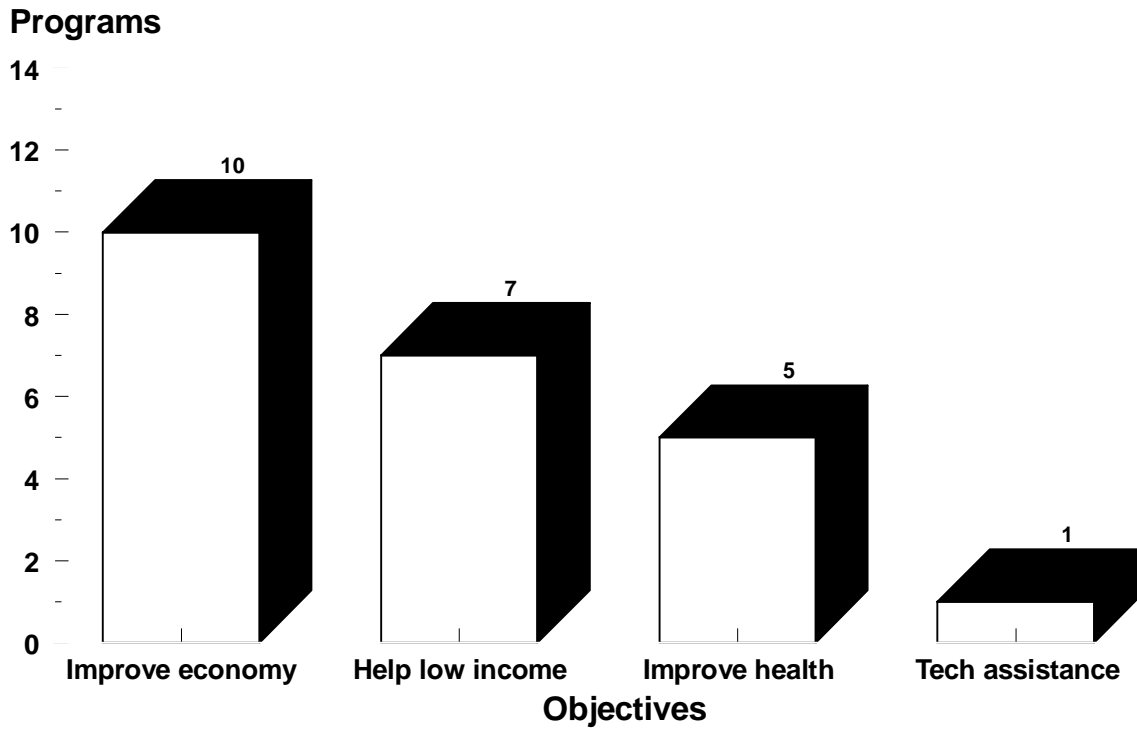
The Catalog of Federal Domestic Assistance cites 17 programs, spread among eight federal agencies, that either are specifically designed to provide assistance to rural areas for water and/or wastewater facilities or may be used for that purpose. Table 1.1 lists these programs by agency.

**Table 1.1: Programs That Provide
Water and Wastewater Facilities
Assistance to Rural Areas**

Agency	Program name
RDA	Water and Waste Disposal Systems for Rural Communities
	Technical Assistance and Training Grants
	Emergency Community Water Assistance Grants
	Rural Development Grants
FmHA	Water and Waste Disposal Loans and Grants
	Rural Housing Site Loans
ARC	Very Low-Income Housing Repair Loans and Grants
	Appalachian Supplements to Federal Grant-in-Aid
HUD	Community Development Block Grants/Small Cities Program
	Community Development Block Grants/States Program
	Indian Community Development Block Grant Program
EPA	Capitalization Grants for State Revolving Funds
EDA	Economic Development—Grants for Public Works and Development Facilities
	Special Economic Development and Adjustment Assistance Program—Sudden and Severe Dislocation
DOI	Economic and Political Development of the Territories and the Trust Territory of the Pacific Islands
HHS	Surplus Property Utilization
	Community Services Block Grant—Discretionary Awards

Primary Objectives and Eligibility Criteria of Federal Water and Wastewater Programs for Rural Areas

GAO Primary Program Objectives: Help Rural Residents



**Programs Share Common
Objectives, but Have
Different Eligibility
Criteria**

For the 17 programs we reviewed, the most common objective is to improve the economy of rural areas by creating an infrastructure to support economic growth.⁴ Closely aligned to that mission are the other major objectives: (1) helping low- and moderate-income individuals achieve basic, healthy living conditions and (2) identifying technical solutions to rural communities' water and wastewater problems.

Although the programs' objectives are similar, their eligibility criteria are significantly different. For instance, FmHA's Very Low-Income Housing Repair Loans and Grants Program provides grants to low-income, elderly homeowners for repairs to their home's water or waste disposal system, but other programs require the applicant to be a state, municipality, nonprofit business, or Indian tribe. Population size is also sometimes a factor. For example, RDA's Water and Waste Disposal Systems for Rural Communities Program and FmHA's Rural Housing Site Loan Program are generally available only in areas with a population of 10,000 or less; RDA's Emergency Community Water Assistance Grants are for areas with a population of less than 15,000; and RDA's Rural Development Grants Program is available to any community outside a city with a population of 50,000 or less.

⁴Since the Community Development Block Grant Program has multiple objectives, the number of program objectives (23) is greater than the number of programs (17).

Problems Rural Areas Have in Using Federal Water and Wastewater Programs

GAO Complexity and Number of Programs Cause Problems for Rural Areas

- Grant and loan award timetables often differ
 - Multiple agencies can result in duplicated costs
 - Very small projects held to the same standard as very large ones
-

**Experience in Three Rural
Areas Underscore
Difficulties in Using
Federal Programs**

According to federal and state officials and private groups that help rural areas obtain federal assistance, rural areas experience difficulty in identifying, comprehending, and using the multiplicity of federal programs. Our July 1994 report highlighted the fact that rural areas have difficulty in identifying the federal program(s) they should apply to for needed assistance because of these programs' complexity and number.⁵

For those federal programs that assist rural communities with their water and wastewater facility needs, we also found that (1) differences among the agencies in their timetables for grant and loan awards can delay needed financing, which in turn delays project construction; (2) the need to seek funding from multiple sources can require the applicant to duplicate essentially similar processes, which increases overall project costs; and (3) requiring small projects to meet the same standards as large projects can delay the development of small but important projects.

The difficulties three rural areas in Georgia—the town of Blue Ridge, Franklin County, and Taylor County—experienced in accessing water and wastewater programs exemplify the problems local communities have in dealing with federal rural development programs. These difficulties echoed problems identified in our earlier report. Also, according to the Director of the National Rural Development Partnership, as well as other members of the partnership, these problems are pervasive, occurring in all states.

⁵Rural Development: Patchwork of Federal Programs Needs to Be Reappraised (GAO/RCED-94-165, July 28, 1994).

GAO Differing Timetables for Grant and Loan
Awards Delay Blue Ridge Project

- Blue Ridge needed a new wastewater treatment plant
 - Textile plant planned to expand, which would add 100 new jobs
 - ARC and RDA funds totaling \$4.1 million approved
 - Project delayed because funds from ARC and RDA not available at same time
-

**Differing Timetables for
Grants and Loans Delayed
Blue Ridge Project**

Federal programs' timetables for processing applications and awarding grants and loans are sometimes different. Consequently, applications for assistance from different agencies must be closely coordinated to avoid project delays. The experience of Blue Ridge, Georgia, in obtaining Appalachian Regional Commission (ARC) and Rural Development Administration (RDA) funding for its wastewater treatment project, as described by the RDC representative, illustrates this difficulty. The town's immediate incentive for completing the project was to increase employment opportunities: A textile manufacturer had agreed to expand operations and hire about 100 people, within a year of the project's completion. The project's total cost was an estimated \$4.1 million. The community sought an ARC grant of \$0.3 million, with RDA to provide a \$2.7 million grant and a \$1.1 million loan. In December 1993, RDA told town officials that the project was eligible for funding, pending completion of the town's application. ARC approved the project for funding in April 1994.

The RDA process allows project approval to stand from one fiscal year to the next without reapplication. Once final approval is given, the limiting factor is the availability of funds. In contrast, the ARC process dictates that funds be committed for projects by September 30 or the project must be resubmitted for funding during the next fiscal year.

In 1994, two problems arose that delayed the project. First, environmental concerns about the project required that a new site be selected. Second, in May 1994, town officials expressed concerns about the sewer rates the users would have to pay. Although these issues were resolved by the summer of 1994, RDA no longer had grant funds, and new funds would not be available until October 1. Because the ARC timetable requires that funds be committed by September 30, Blue Ridge would have had to resubmit the project for funding during fiscal year 1995. However, ARC was able to reallocate funds from other projects and, by December 1994, all funding was secured. However, this coordination problem has delayed project completion from Spring 1996 to Spring 1997.

GAO Dealing With Multiple Agencies Leads
to Delays in Franklin County Project

- Developer proposed a truck service center that would add 185 jobs
 - County needed to expand water and sewer system, estimated at \$1.8 million
 - To obtain funds, county prepared six applications and three environmental impact reports
 - Duplicated administrative work increased time and costs
-

**Dealing With Multiple
Agencies Delayed Franklin
County Project and
Increased Costs**

Franklin County's experience in obtaining funds for its water and sewer project illustrates how having to deal with multiple agencies to finance a project can result in excessive costs and delays. In 1989, a developer proposed building a 36,000-square-foot truck stop and service center that would employ about 185 people. To solidify the proposal, the county needed to revamp its water and sewer system, at an estimated cost of about \$1.8 million. Franklin County contracted with an engineering firm with experience in applying for and administering federal and state grants and loans, as well as in designing water and sewer projects.

Franklin County sought the project's funds from a variety of sources that had different application requirements. The county got approval for a \$200,000 Community Development Block Grant (CDBG) from the Department of Housing and Urban Development. The CDBG funds, however, could not be provided until total financing was arranged. The county then received approval for a \$200,000 ARC grant but was told it would have to wait 6 months to receive the funds. The Georgia Environmental Protection Division approved a grant for \$150,000, but it wanted assurance that all other financing had been secured before it would provide funds. The Georgia Environmental Facilities Authority approved two loans totaling \$690,000, and EDA then approved a \$555,000 grant. The project was finally completed in 1994—5 years after it was proposed.

Franklin County had to prepare six different loan/grant applications because there was no standard application package and none of the agencies would accept the application used for another agency. Three different environmental impact reports also had to be prepared before financing could be secured. According to an official of the engineering firm that performed the administrative work for the project, one report would have cost the county about \$8,000, whereas the three reports cost about \$16,000. He also said construction of the water and sewer project was delayed by about 1 year because the county had to deal with multiple agencies.

GAO Taylor County's Small Project Faced
Same Requirements as Large Projects

- County needed to extend a water main to serve 20 residents who were not on water system
- \$118,555 estimated cost
- County followed lengthy procedure even though project was small

**Taylor County's Small
Project Required to Meet
Standards Designed for
Large Projects**

In May 1991, Taylor County wanted to extend a water main from a nearby water source to serve 20 residents who were not on the water system. The county proposed a project that involved installing a 6-inch line about 1 mile down the rights-of-way of existing roads. An engineer estimated the project would cost \$118,555 and take about 60 days to complete. The county approached FmHA for a loan/grant, and began the pre-application process. As with larger projects, this process required the county to

- print a public notice for 3 consecutive days,
- identify any businesses and major developments that would benefit from the project,
- provide a map of the area and describe present use,
- provide air quality data,
- provide data on water quality,
- indicate the types and quantities of solid wastes,
- describe the available transportation facilities,
- indicate the major sources of noise,
- identify any historic/archeological resources,
- identify any wildlife and endangered species,
- describe energy supplies available to the project,
- identify construction methods to be employed,
- describe any toxic, hazardous, or radioactive substances
- disclose any objections made to the project,
- describe any alternatives to the project,
- identify any permits of an environmental nature, and
- identify any other federal programs being used to fund the project.

Taylor County met all these requirements and completed the pre-application process after 1 year. At that time, after having spent about \$3,800, the county officials decided that they did not want to proceed with the project because they believed the rates charged would be excessive.

Views of Groups Representing Rural Areas

GAO Consolidation: Positions of Rural
Development Organizations

- Groups generally agree the current system of federal assistance for water and wastewater projects needs reform
 - All call for more state or local involvement
 - They differ somewhat in how to increase state involvement
-

Groups Representing Rural Interests Provided Their Views on Federal Programs

In January 1995, we asked the National Rural Development Partnership to respond to our 1994 report by developing a position paper on the possible consolidation and/or elimination of federal rural economic development and infrastructure programs. Accordingly, 12 members of the Partnership produced a position paper entitled Consultation on Alternatives to A Patchwork of Federal Rural Development Programs.

At our invitation, other groups representing rural areas submitted statements clarifying or expanding the views expressed in the position paper. These groups included the Council of State Community and Development Agencies (COSCDA), the National Association of Development Organizations (NADO), the National Association of Counties (NACo), and the National Governors' Association (NGA).

These groups generally agreed that the current system of federal assistance needs reform. They all called for involving states and local officials much more in the process of allocating federal funds to rural areas, but they differed somewhat on how to foster this involvement. Partnership members favored a block grant approach that gives governors more control over the distribution of federal funds to rural areas in their state. Distribution in states should be tailored to the particular problems of a rural area. In contrast, COSCDA questioned several aspects of the block grant concept. COSCDA questioned whether block grants should be allocated on the basis of a formula or a competition, or whether they should be a combination of formula and competitive funding. Furthermore, COSCDA asked how a block grant could be designed to, among other things, encompass the various objectives, eligibility criteria, and intended beneficiaries of the programs that would be consolidated under a block grant.

NADO and NACo agree in their concern that under a block grant scenario, the states may take funds previously available to local communities and use them for state-directed projects and/or state administration. They believe that funds should flow through states, not to states, and that guarantees are needed to ensure that local governments will be active partners in the allocation of funds. NGA responded that the federal government should consolidate individual federal rural development programs into fewer, more flexible programs to provide states with development grants, loans, research grants, and technology transfer support for rural development.

This section presents the views of each of these groups in more detail.

GAO National Rural Development
Partnership

- Set up block grant "partnership" with states
 - Improve distribution of resources
 - Delegate authority
 - Focus on program outcomes
 - Become more efficient through multiyear funding
-

National Rural
Development Partnership

The National Rural Development Partnership, created in 1991, has as its objective the promotion of (1) innovative and strategic approaches to rural development and (2) collaboration among federal and state agencies involved in rural development. It also helps identify and resolve intergovernmental and interagency impediments. The partnership's members are drawn from federal agencies involved in rural development, the 39 state rural development councils, and national organizations such as COSCDA, NADO, NACo, and NGA.

In its response to our request for its views, the Partnership reported, "The need for federal resources and federal partnerships is vital to rural development, but the current system does not effectively offer either. Meaningful reform is needed, which must go well beyond a simple repackaging of the current programs." The Partnership further held that a new federal approach was needed that would support the strategies of rural areas and assist them in achieving their goals. The Partnership offered the following framework for a new federal rural policy:

- States should be encouraged to build sustainable communities.
- Federal funds should be allocated as block grants to states on the basis of the needs of rural areas.
- Decisions on fund allocation within the states should rest with the governors and rural areas.
- Accountability for use of federal funds should focus on outcomes, not inputs, and performance, not compliance.
- The use of block grants should be made more flexible. This could yield savings in administrative costs; savings and efficiency could be maximized with multiyear funding.

GAO Council of State Community and
Development Agencies

Posed following questions:

- Should block grants devolve to states or have some entitlements?
 - Should they be strictly formula, competitive, or a mix?
 - How can the design of a block grant reconcile all different characteristics, such as eligible applicants, activities, match requirements, types of assistance, and targeted populations?
-

**Council of State
Community and
Development Agencies**

COSFDA is primarily concerned with promoting states' common interests for comprehensive community and economic development. Founded in 1974, COSFDA has 50 members who are the directors or staff of state community affairs agencies.

In response to our request for their views, COSFDA provided comments in a report entitled Brainstorming on Block Grants. This report addresses the possibilities of putting into block grants programs for rural development, community facilities and infrastructure, and housing. It poses the following questions for each of the scenarios it presents:

- Should the block grants be devolved entirely to states or should there be entitlement components?
- Should block grants be allocated strictly according to a formula or to competitive bidding, or should they be a mixture of the two?
- How can the design of a block grant reconcile all the different characteristics of the various programs, such as eligible applicants, eligible activities, matching requirements, types of assistance, and targeted populations?

GAO National Association of Development Organizations

- Guarantees are needed to ensure local government will be active partner
 - Funds should flow through states
 - States may use funds for state-directed projects or administration, rather than for communities
 - Block grant funds should not be administered solely by governor
-

National Association of
Development
Organizations

NADO's goals are to (1) promote economic development, focusing primarily on rural areas and small towns; (2) serve as a forum for communication and education; and (3) provide technical assistance to its members. Founded in 1967, NADO has 280 members drawn primarily from multicounty planning and development agencies.

In response to our request for its views on consolidation and/or elimination of federal rural economic and infrastructure programs, NADO stated:

“Rural economic development and infrastructure programs have the greatest effectiveness when they help meet locally established goals. While state government is physically closer to local communities than the federal government, the state level is not the same as the local level. We question whether state governments can or will be any more responsive to the needs of local communities than the federal government has been.”

NADO recommends that the Congress investigate ways to reduce mandates or other impediments that interfere with the effective coordination and delivery of existing programs. If block grants are to be pursued, it believes that the following issues need to be addressed:

- Certain guarantees that local governments will be an active partner need to be built into any block grant program.
- Funds should flow through states, not to states. Local communities should have a real voice in the use and allocation of block grant funds, as well as in the creation of new federal block grant programs.
- Ensure that states will not take funds previously available to local communities and use them for state-directed projects and/or state-level administration.
- Block grant funding should be used in accordance with state law, rather than administered solely by the governor.

GAO National Association of Counties

- NACo agrees with NADO's position

Section 4
Views of Groups Representing Rural Areas

**National Association of
Counties**

NACo provides research and reference services for county officials and represents county officials at the national level. One of its committees is concerned with agriculture and rural affairs. Founded in 1935, NACo has 1,750 members who are primarily elected and appointed county governing officials and their deputies.

According to NACo's Director of Public Policy, NACo agrees with NADO's position.

GAO National Governors' Association

- Consolidate programs
 - Continue support for National Rural Development Partnership
 - Permit states to use regional partnerships
 - Give Secretary of Agriculture authority to ensure all federal efforts can be coordinated at state level
-

National Governors'
Association

NGA represents governors at the national level to inform the federal government of the needs and views of the states. The Association also provides technical assistance to the governors and serves as a vehicle for sharing information. Founded in 1908, NGA has 55 members, including the governors of the 50 states, and representatives from Guam, American Samoa, the U.S. Virgin Islands, the Northern Mariana Islands, and the Commonwealth of Puerto Rico.

In response to our request, NGA stated that the states need a federal policy that clearly defines rural and economic development initiatives and goals. This policy should include more effective targeting of federal resources through greater reliance on states, increased flexibility for states in using federal programs, and improved coordination between federal programs and state services. NGA believes the federal government should take the following actions:

- Consolidate individual federal rural development programs into fewer, more flexible programs that provide states with development grants, loans, research grants, and technology transfer support for rural development.
- Continue support for the Partnership, which can help to more effectively target both state and federal resources.
- Permit states to utilize regional partnerships when using federal rural development programs. Federal programs should permit flexibility for “cross-border” uses and joint strategic planning.
- Give the Secretary of Agriculture the authority to ensure that all federal efforts can be coordinated at the state level. USDA needs greater authority as a lead agency to enforce coordination to promote greater efficiency.

Objectives, Type of Assistance, and Eligibility Criteria of Water and Wastewater Programs for Rural Areas

This appendix presents information on the objectives, type of assistance, eligibility criteria, and intended beneficiaries of the water and wastewater programs we reviewed. This information is based upon information contained in the 1994 Catalog of Federal Domestic Assistance.

RURAL DEVELOPMENT ADMINISTRATION WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES

Objectives. The program's objectives are to provide basic human amenities, alleviate health hazards, and promote the orderly growth of the nation's rural areas by meeting their need for new and improved water and waste disposal facilities.

Type of assistance. Grants, direct loans, and guaranteed/insured loans.

Eligibility criteria. Eligible applicants include rural communities, nonprofit corporations, and Indian tribes. The service area cannot include any area in any city or town with a population of more than 10,000. Eligible applicants may reside in rural areas of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, American Samoa, and to the extent the Secretary determines feasible and appropriate, the Trust Territory of the Pacific Islands.

The recipient must (1) be unable to finance the proposed project from its own resources or through commercial credit at reasonable rates and terms and (2) have the legal authority necessary for constructing, operating, and maintaining the proposed facility or service and for obtaining, giving security for, and repaying the proposed loan. Recipients must develop plans that comply with state and local health and pollution regulations and other requirements.

Intended beneficiaries. The program is targeted to farmers, ranchers, rural residents, rural businesses, and other users in eligible applicant areas.

RURAL DEVELOPMENT ADMINISTRATION TECHNICAL ASSISTANCE AND TRAINING GRANTS

Objectives. This program provides assistance in (1) identifying and evaluating solutions to water and waste disposal problems in rural areas, (2) preparing applications, and (3) improving operations and maintenance of water and waste disposal facilities in rural areas.

**Appendix I
Objectives, Type of Assistance, and
Eligibility Criteria of Water and Wastewater
Programs for Rural Areas**

Type of assistance. Project grants.

Eligibility criteria. Tax-exempt, private nonprofit organizations are eligible for this program. Applicants must have proven ability, background, experience, legal authority, and capacity to provide technical assistance and/or training on a regional basis.

Intended beneficiaries. This program is designed to provide assistance to entities that may be eligible for water and waste disposal loans and grants, such as municipalities, counties, districts, water or sewer authorities and other political subdivisions of a state; associations, cooperatives or private corporations operated on a not-for-profit basis; and Indian tribes on federal and state reservations and other federally recognized Indian tribes.

RURAL DEVELOPMENT ADMINISTRATION EMERGENCY COMMUNITY
WATER ASSISTANCE GRANTS

Objectives. This program provides financial assistance to rural communities that have experienced a significant decline in their quantity or quality of water. Funds can be used to obtain adequate quantities of water that meet the standards of the Safe Drinking Water Act.

Type of assistance. Project grants.

Eligibility criteria. Public entities, private nonprofit corporations, political subdivisions of a state, and Indian tribes may be eligible for this program.

Intended beneficiaries. The program is intended to benefit those who meet the eligibility criteria.

RURAL DEVELOPMENT ADMINISTRATION RURAL DEVELOPMENT
GRANTS

Objectives. This program is intended to facilitate the development of small and emerging private businesses and industry in order to boost employment and improve the economy in rural communities. Water and wastewater treatment projects may be funded under this program.

Type of assistance. Grants.

Eligibility criteria. Eligible applicants are public bodies and nonprofit corporations serving rural areas, including Indian tribes on federal and

**Appendix I
Objectives, Type of Assistance, and
Eligibility Criteria of Water and Wastewater
Programs for Rural Areas**

state reservations. For purposes of this program, a rural area is defined as all areas in a state that are not within the outer boundary of any city having a population of 50,000 or more, according to the latest decennial census of the United States. Areas having a population of not more than 25,000 are given priority in funding decisions.

Intended beneficiaries. This program, for water and wastewater facilities, is primarily targeted to private businesses that (1) will employ 50 or fewer new employees and (2) have less than \$1 million in projected gross revenue.

RURAL DEVELOPMENT ADMINISTRATION WATER AND WASTE
DISPOSAL LOANS AND GRANTS

Objectives. This program provides financial assistance for building water and waste disposal facilities and services in low-income rural communities whose residents face significant health risks.

Type of assistance. Project grants; direct loans.

Eligibility criteria. Local governments, federally recognized Indian tribes, U.S. territories and possessions, and nonprofit associations can receive assistance under this program. Except for rural areas known as “Colonias” along the U.S./Mexican border, the projects funded under this program must primarily provide water and/or waste disposal services to residents of a county where the per capita income of the residents does not exceed 70 percent of the most recent national average per capita income, as determined by the Department of Commerce, and where the residents’ unemployment rate is not less than 125 percent of the most recent national average unemployment rate, as determined by the Bureau of Labor Statistics. In addition, residents must face significant health risks because they do not have access to an affordable community water and/or waste disposal system.

Intended beneficiaries. This program is targeted to public entities such as towns and counties, private nonprofit corporations; cooperatives, political subdivisions of a state, and Indian tribes.

FARMERS HOME ADMINISTRATION RURAL HOUSING SITE LOANS

Objectives. This program is intended to provide affordable housing sites. It provides these sites by providing financial assistance to public or private

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nonprofit organizations so that they can purchase and develop land in rural areas. This land is subdivided into building sites and sold for the cost of developing the site. Purchasers include families eligible for low- and very low-income loans, and cooperatives.

Type of assistance. Direct loans.

Eligibility criteria. Private or public nonprofit organizations are eligible for program funds if they provide developed sites to qualified borrowers for the cost of developing the site. The site must be located in sparsely populated areas, towns of 10,000 or less, and certain locations with up to 25,000 citizens. Applicants from towns with populations of 10,000 to 25,000 need to have their eligibility determined on a case-by-case basis. Assistance is available to eligible applicants in the 50 states, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands.

Intended beneficiaries. Low- and very low-income families are the targeted population for this program.

FARMERS HOME ADMINISTRATION VERY LOW-INCOME HOUSING
REPAIR LOANS AND GRANTS

Objectives. This program is intended to give very low-income rural homeowners an opportunity to make essential repairs to their home, including water and waste disposal systems, that will make the home safe and/or remove health hazards that threaten the family or the community.

Type of assistance. The program provides both direct loans and project grants. Grant funds may only be used to repair the foundation, roof, or basic structure; build or repair water and waste disposal systems; and weatherize the home.

Eligibility criteria. Applicants must own and occupy a home in a rural area and be a citizen of the United States or a legal resident. Loan recipients must have sufficient income to repay the loan. Grant recipients must be 62 years of age or older and be unable to repay any assistance received as a grant. An applicant's income may not exceed the very low-income limit specified in FmHA's instructions. These limits range from \$8,450 to \$22,050 per household, depending on an area's median income.

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Intended beneficiaries. Very low-income owner-occupants in rural areas whose homes need repairs to address safety or health hazards are the target beneficiary population.

APPALACHIAN REGIONAL COMMISSION (ARC) APPALACHIAN
SUPPLEMENTS TO FEDERAL GRANT-IN-AID (COMMUNITY
DEVELOPMENT)

Objectives. This program is intended to meet the basic needs of local areas and to assist in job creation in the private sector by funding such facilities as water and sewer systems, sewage treatment plants, and industrial sites. It is also intended to provide basic water and sewer facilities in designated “distressed” counties. Grants may supplement other federal grants or, when sufficient federal funds are unavailable, this program may fund an entire project.

Type of assistance. Project grants.

Eligibility criteria. States, their subdivisions and instrumentalities, and private nonprofit agencies are eligible for this program.

Intended beneficiaries. Residents of the designated states and counties of Appalachia are eligible for program funds.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS/SMALL CITIES
PROGRAM

Objectives. The primary objective of this program is to develop viable communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. Rural areas in the states of New York and Hawaii can also receive funds under this program since HUD continues to administer the Small Cities Program for the areas of those states that are not automatically entitled to grants, within the jurisdictions of those states.

Type of assistance. Project grants.

Eligibility criteria. Eligible applicants are local governments, including counties, except for metropolitan cities, urban counties, or units participating in an urban county’s Community Development Block Grant (CDBG) program, and certain Indian tribes.

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Intended beneficiaries. The principal beneficiaries of CDBG funds are low- and moderate-income persons. For nonmetropolitan areas, low and moderate income is generally defined as 80 percent of the median income for nonmetropolitan areas of the state, as adjusted by family size.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATES PROGRAM

Objectives. This program's objectives include that of developing viable rural communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

Type of assistance. Formula grants.

Eligibility criteria: Funds go to state governments, which must distribute them to local governments that do not receive entitlement grants. Large cities receive CDBG grants as an entitlement.

Intended beneficiaries. The principal beneficiaries of CDBG funds are low- and moderate-income persons. For nonmetropolitan areas, low and moderate income is generally defined as 80 percent of the median income for nonmetropolitan areas of the state, as adjusted by family size.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HOUSING
INDIAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Objectives. Unlike the other CDBG programs, this program targets Indian communities. It provides assistance to Indian tribes and Alaskan Native Villages in order to develop viable Indian communities.

Type of assistance. Project grants.

Eligibility criteria. This program provides funding to any Indian tribe, band, group, or nation, including Alaskan Indians, Aleuts, and Eskimos; and any Alaskan Native Village that is eligible for assistance under the Indian Self-Determination and Education Assistance Act, or which had been eligible under the State and Local Fiscal Assistance Act of 1972.

Intended beneficiaries. The principal beneficiaries of CDBG funds are low- and moderate-income persons. For nonmetropolitan areas, low and

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moderate income is generally defined as 80 percent of the median income for nonmetropolitan areas of the state, as adjusted by family size.

ENVIRONMENTAL PROTECTION AGENCY CAPITALIZATION GRANTS
FOR STATE REVOLVING FUNDS

Objectives. This program is designed to help finance construction of municipal wastewater treatment facilities and implementation of other water quality management activities. It does so by creating state revolving funds through capitalization grants to states to provide a long-term source of state financing for wastewater projects.

Type of assistance: Capitalization grants based upon formula.

Eligibility criteria. Eligible recipients for this program include states, territories, and possessions of the United States, including the District of Columbia. Indian tribes are not eligible to receive capitalization grants.

Intended beneficiaries. Local communities, pairs or groups of communities, state, interstate agencies, and Indian tribes are eligible for loans and other financial assistance (but not grants) for wastewater treatment facilities. If specified in approved state nonpoint source management programs and comprehensive conservation and management plans, these entities are also eligible for assistance.

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) ECONOMIC
DEVELOPMENT—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT
FACILITIES

Objectives. This program provides grants to promote long-term economic development and assist in the construction of public works and development facilities. These facilities must be needed to initiate and encourage the creation or retention of permanent jobs in the private sector in areas experiencing severe economic distress.

Type of assistance. Project grants.

Eligibility criteria. Eligible entities under this program include states, cities, counties, and other political subdivisions, Indian tribes, the Federated States of Micronesia, the Republic of the Marshall Islands, commonwealths and territories of the U.S. flag, and private or public nonprofit organizations or associations representing a redevelopment area

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or a designated Economic Development Center. For-profit corporations and associations are not eligible.

Intended beneficiaries. This program is intended to benefit local economies, unemployed and underemployed persons, and/or members of low-income families by creating new jobs or by helping to retain jobs.

EDA SPECIAL ECONOMIC DEVELOPMENT AND ADJUSTMENT
ASSISTANCE PROGRAM—SUDDEN AND SEVERE ECONOMIC
DISLOCATION AND LONG-TERM ECONOMIC DETERIORATION

Objectives. This program is intended to assist state and local areas develop and/or implement strategies designed to address adjustment problems resulting from sudden and severe economic dislocation. These dislocations may be caused by plant closings, military base closures and defense contract cutbacks, and natural disasters. This program is also designed to help areas experiencing long-term economic deterioration.

Type of assistance. Project grants.

Eligibility criteria. Eligible entities for this program include states, cities, counties or other political subdivisions of a state; a consortia of such political subdivisions; public or private nonprofit organizations representing redevelopment areas designated under the Public Works and Economic Development Act of 1965, Economic Development Districts established under Title IV of the act, or Indian tribes.

Intended Beneficiaries. This program is designed to target geographic areas, usually counties, or groups of counties, that meet either the long-term and/or sudden and severe eligibility criteria. The statistical factors used to determine long-term eligibility are (1) very high unemployment; (2) low per capita income; and (3) chronic distress. For sudden and severe eligibility, the economic dislocation must exceed certain job loss thresholds for the area.

DEPARTMENT OF THE INTERIOR ECONOMIC AND POLITICAL
DEVELOPMENT OF THE TERRITORIES AND THE TRUST TERRITORY
OF THE PACIFIC ISLANDS

Objectives. This program is intended to promote the economic, social, and political development of the territories, leading toward greater self-government for each of them.

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Type of assistance. Project grants.

Eligibility criteria. Eligible applicants are the U.S. territories of Guam, the U.S. Virgin Islands, American Samoa, the Northern Mariana Islands; the Trust Territory of the Pacific Islands; and the freely associated States of the Federated States of Micronesia and the Republic of the Marshall Islands.

Intended beneficiaries. The beneficiaries are those entities meeting the eligibility criteria.

DEPARTMENT OF HEALTH AND HUMAN SERVICES SURPLUS
PROPERTY UTILIZATION

Objectives. This program is designed to convey or lease all surplus federal real properties made available by the disposal agency that are needed and can be used by eligible organizations and institutions to carry out health programs, including the development of water and wastewater facilities.

Type of assistance. This program sells, exchanges, or donates federal property and goods.

Eligibility criteria. Eligible entities for this program include states, their political subdivisions and instrumentalities; tax-supported public health institutions, and nonprofit institutions.

Intended beneficiaries. This program is designed to aid anyone attending, working with or for, or served by the eligible applicants. Therefore, beneficiaries may include hospitals, public health clinics, water and sewer systems, institutions for the rehabilitation of the mentally or physically handicapped, health research institutions, homeless assistance facilities, and other institutions with basic health programs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES COMMUNITY
SERVICES BLOCK GRANT—DISCRETIONARY AWARDS

Objectives. This program is designed to support program activities of national or regional significance that alleviate the causes of poverty in distressed communities. The program activities must promote (1) full-time permanent jobs for low-income residents of the assisted area; (2) income and/or ownership opportunities for low-income community members; (3) a better standard of living for rural low-income individuals in terms of

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housing or water and wastewater treatment; (4) the implementation of projects, including projects proposing new and innovative strategies for addressing the special needs of migrants and seasonal farm workers; and (5) national or regional programs designed to provide instructional activities for low-income youth.

Type of assistance. Direct payments for specified use.

Eligibility criteria. For economic development projects, eligibility is restricted to private, locally initiated, nonprofit community development corporations (or affiliates of such corporations) governed by a board consisting of residents of the community and business and civic leaders. For all other projects, the Secretary is authorized to make direct grants to states, cities, counties, and private nonprofit organizations.

Intended beneficiaries. The ultimate program beneficiaries are specific segments of low-income individuals or families, as identified by the assisted projects. The official poverty line established by the Director of the Office of Management and Budget, published annually by HHS, is used as a criterion of eligibility in this program.

Stakeholders Who Assist Rural Areas

This appendix provides information on the different types of entities that rural areas can call upon to identify and help access and administer federal programs for rural assistance.

Rural Community Assistance Program

The Rural Community Assistance Program is the oldest nonprofit organization in the United States providing small rural communities with training and on-site technical assistance in a variety of areas. These areas include water and wastewater treatment, solid waste disposal, and related issues concerning environmental health and rural development. The program has a national office and six regional offices with over 150 field staff in all 50 states, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. The program receives funds from a variety of sources, such as USDA, HHS, and nonprofit organizations. Its services are free to the small communities it assists.

Regional Development Centers

Regional Development Centers (or Economic Development Districts, as they are known in some states) are multicounty, special-purpose districts that promote the economic development of their member counties. Center activities include preparing economic development plans for the district as a whole, as well as assisting member counties and communities with their applications for assistance from federal (or state) programs. Typically, a center's activities are overseen by a board of directors composed of county commissioners and other elected officials from the counties served. Center operations are funded by local taxes, and centers often also receive some state funds and federal planning funds from the Economic Development Administration. In addition, other federal agencies often contract with centers to manage specific federal programs, such as Job Training Partnership Act.

Rural Information Center

The Rural Information Center serves as an information clearinghouse on topics important to rural areas, such as economic revitalization programs, local government planning, and rural health programs and services. The center was created in 1987 as a joint project of USDA's Extension Service and National Agricultural Library. The center's information and referral services are available to a wide range of organizations and individuals, including local, state, federal officials; health professionals; and rural

electric and telephone cooperatives. Users can access the center through an 800 telephone number, an electronic bulletin board, and the Internet.

Private Firms

A large number of for-profit firms and individuals help rural communities obtain federal and other assistance for water and wastewater treatment projects. Engineering firms, for example, not only assist rural communities with the engineering design and construction of water and wastewater facilities but also often help rural officials identify funding sources, prepare the applications, and coordinate with the regional development centers and the supporting federal and state agencies.

Individual consultants or consulting firms also help rural communities identify funding sources, prepare the necessary applications, and coordinate with Rural Development Centers and federal and state agencies. However, they may also provide other assistance, such as helping local officials manage the loan or grant funds the community receives and ensuring that any reporting or other program requirements are met. Costs related to project engineering are usually paid with program funds. Application and other administrative costs are usually paid from community funds, but some federal programs allow the community to use a certain amount of these funds to pay for administrative costs.

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