

EPA's Clean Water and Drinking Water Infrastructure

Sustainability Policy

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## Statement of Policy

The Environmental Protection Agency (EPA), working with states and local governments, will develop guidance, provide technical assistance, and target federal SRF capitalization assistance to support increasing the sustainability of water infrastructure in the U.S. and the communities it serves

Sustainable water infrastructure is critical to providing the American public with clean and safe water. Further, water infrastructure can only be sustainable if the communities it serves are sustainable, and if local decision makers and citizens understand the value of water infrastructure and the services provided. Federal investments, policies, and actions should support water infrastructure in more efficient and sustainable locations to best support existing communities, enhance economic competitiveness, and promote affordable neighborhoods. Drinking water and wastewater systems should use robust and comprehensive planning processes to pursue water infrastructure investments that are cost-effective over their life cycle, are resource efficient, and are consistent with community sustainability goals. Systems should also employ effective utility management practices, including consideration of alternatives such as natural or “green” systems and potential climate change impacts, to build and maintain the technical, financial, and managerial capacity necessary to ensure long-term sustainability. Further, systems should have an on-going collaborative process with all stakeholders to determine where and how water infrastructure investments are made in their communities. Within their capability, customers and local governments should provide appropriate financial support to ensure the sustainability of funded projects.

Communities who lack the technical, managerial, and financial capacity to become and remain sustainable should be encouraged to acquire it as a condition of financial assistance. Federal and state programs should provide technical assistance to small and disadvantaged communities, who face a particularly daunting array of challenges in providing safe and reliable wastewater and drinking water services to their customers. In some instances, this may include facilitating collaboration and partnering relationships with higher capability entities.

In implementing this Policy, EPA will work with its partners to help move the water industry along a continuum to increased sustainability. Federal SRF capitalization funds, though the largest source of federal funding for water infrastructure, currently finance a relatively small portion of the capital projects undertaken across the water sector—and none of the operations and maintenance. Therefore, targeting of efforts, along with broader outreach, training, and technical assistance beyond the SRFs are important to the success of this strategy. Finally, measuring the progress of implementing this Policy is essential to adaptive management and ensuring the ultimate effectiveness of the Policy.

## **Implementation Activities**

Recognizing that the first priority of water infrastructure is to protect public health and water quality, EPA will work with its partners to build upon existing efforts that support sustainable water infrastructure and community sustainability. This partnership will be built around the following areas:

### **Promoting planning processes that support sustainability:**

In order to affect the sustainability of water infrastructure projects throughout the nation, EPA, along with states and other partners, will work to impact the planning that takes place in the project development phase, before the infrastructure solution is selected and designed, and encourage utilities to actively consider the impact that water infrastructure decisions may have on other community priorities during this process. Planning processes should reflect public health, water quality, and climate change considerations, the desired level of service, conservation of natural resources, alternative approaches such as natural or “green” systems, decentralized solutions, or other innovative approaches, and the full life-cycle costs on infrastructure investments. Utility planning processes should also reflect appropriate rate structures, and actions to ensure that water infrastructure planning and investments support other community infrastructure investments and sustainability goals in areas like transportation and housing.

In order to help communities implement planning processes and make infrastructure investments that help ensure that projects are sustainable, EPA will work with partners to pursue the following initial actions:

- 1) Develop guidance for utilities describing how they should enhance system-wide planning processes including consideration of other community sustainability goals, life-cycle cost analyses, and evaluation of alternatives, such as natural or “green” systems, to traditional solutions to help ensure that projects and communities are sustainable.
- 2) Promote the use of available DWSRF set-asides to assist in technical assistance, asset management, rate evaluations, and project feasibility studies for development, planning, and design.
- 3) Develop and disseminate information to potential borrowers on the eligibility of project development and long-term planning for SRF funding assistance.
- 4) Evaluate barriers to access to funding for small and disadvantaged communities, and develop approaches to improve access.

### **Encouraging community sustainability:**

Sustainable water infrastructure is critical to ensuring the sustainability of communities. EPA will work with its state and federal partners to encourage community sustainability as follows:

- 1) Work with three state CWSRF programs on a pilot basis to identify actions that can be taken to integrate the principles of the HUD-DOT-EPA Sustainable Communities Partnership into their CWSRF programs through potential changes to intended use plans, project priority systems, and other funding guidance documents. Information on the results of these pilots will be shared with state CWSRF and DWSRF programs.
- 2) Compile a “Best Practices” guide including case studies and lessons learned from the state pilots and other state SRF programs documenting their experiences to support community sustainability.
- 3) Work with other federal partners in support of the HUD-DOT-EPA Partnership on Sustainable Communities to help ensure that respective infrastructure programs support integrated planning and project implementation.

**Promoting sustainable water and wastewater systems:**

Recognizing that sustainable water infrastructure must be effectively managed, EPA, in concert with states, professional associations, and other partners, will promote sustainable water and wastewater systems through the *Attributes of Effectively Managed Utilities*<sup>1</sup> and the Safe Drinking Water Act’s Capacity Development program. Since small and disadvantaged communities may face particular challenges in attaining and maintaining the technical, managerial, and financial capacity necessary to be sustainable in the long-term, EPA and states will continue to reach out to these systems and work with other federal agencies (e.g. USDA-Rural Development and the Indian Health Service) to help these systems become and remain sustainable. The Safe Drinking Water Act (SDWA) has several existing authorities to ensure systems build and maintain this capacity, including requirements to be eligible for Federal construction funds. These authorities do not exist under the Clean Water Act.

We are pursuing the following to promote sustainable water and wastewater systems:

- 1) Promoting effective utility management more broadly through state Capacity Development programs and by continuing to work with state SRF and Capacity Development programs and utilities to provide information and training on asset management, environmental management systems, integrated water resource management, and energy management..
- 2) Working with industry to develop a methodology to help utilities benchmark their performance based on the *Attributes* and associated best practices and metrics.
- 3) Working with states, key associations and representatives of small utilities to help them determine the benefits and challenges of adopting effective utility management strategies.
- 4) Working with a representative group of states to examine ways in which the existing SDWA Capacity Development program can be enhanced to increase the technical, financial and

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<sup>1</sup> Supported by EPA and national water Associations

managerial capacity of public water systems and educate public officials on the value of infrastructure and water services, especially small systems and those serving disadvantaged communities.

- 5) Examining the use of DWSRF set-asides and subsidy assistance, and providing information and “best practices” to continue to encourage effective use of these programs to build capacity.
- 6) Considering approaches to promote collaborative and partnership relationships between more capable and less capable utilities where appropriate.

**Targeting SRF assistance:**

The following principles will guide EPA’s implementation of this Policy in the SRF programs, in partnership with states:

- Public health and water quality protection are the primary goals of the SRFs and should be principal factor used to determine funding priorities.
- States retain their role as primary implementers of SRF programs with the flexibility to manage funds and support the directions set forth in the law and this Policy consistent with local conditions and challenges—building on the successes and experiences gained in implementing these programs since their inception.
- Through their SRF programs, states will continue to encourage a range of practices that support sustainable water infrastructure and overall system sustainability. EPA will work with states to encourage additional practices, including up-front planning, effective utility management, asset management, integrated water resource management, and energy management to build a “pipeline” of sustainable projects eligible to receive federal SRF capitalization grant funding and advance sustainable practice by systems throughout the water sector irrespective of SRF funding.
- SRF programs will continue to be maintained primarily as loan programs, but strategic use of targeted subsidies will be used to promote sustainable systems and assist disadvantaged communities, where appropriate.
- Among projects with comparable public health and water quality benefits, priority for federal SRF construction financing and related subsidies will be given to communities that could not otherwise obtain financing and for:
  - projects that are based on a “fix it first” approach that focuses on system upgrade and replacement in existing communities.
  - investigations, studies, or plans that improve the technical, managerial and financial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and

- preliminary planning, alternatives assessment and eligible capital projects that reflect the full life cycle costs of infrastructure assets, conserve natural resources, or use alternative approaches to integrate natural or “green” systems into the built environment.

These priorities are reflected in the President’s 2011 Budget which requests authority (with a ceiling) for the use of some of the CWSRF appropriation as additional subsidization in the form of principal forgiveness or negative interest rates. If enacted by Congress, EPA would continue to promote its use for up-front planning; investigations, studies, or plans that improve the technical, managerial and financial capacity of assistance recipients; and construction of projects that emerge from a robust and comprehensive planning processes to identify water infrastructure that is cost-effective over its life cycle, resource efficient, and consistent with community sustainability goals. EPA will continue to promote the use of funding under the DWSRF program for these priorities, consistent with existing statutory authorities under the Safe Drinking Water Act (SDWA).

**Measuring success:**

In order to measure the effectiveness of these reforms, we will be exploring potential measures and methods of obtaining information to evaluate the effectiveness of this Policy, including exploring the need to pursue approval of additional Information Collection Requests.

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**Background**

The United States Environmental Protection Agency has prepared the Clean Water and Drinking Water Infrastructure Sustainability Policy (Sustainability Policy) to provide the Agency’s vision for promoting sustainable water infrastructure, as well as to respond to an FY 2010 President’s budget request. In developing the Policy, EPA reached out to state and local officials to obtain their input. These stakeholders provided a number of key insights for EPA’s consideration in developing this Policy as follows:

- Substantial emphasis should be placed on encouraging low-cost, front end planning by utilities.
- Effective utility management approaches and supporting materials should be based on established frameworks endorsed by the water sector and made “scalable” to incorporate differences in utility size, condition, and capability;
- Higher capability utilities can play an important role in advancing sustainable management through partnerships with lower capability utilities ranging from sharing equipment, to providing functional support, to consolidation;
- Educating local decision makers and customers on the value of sustainable water infrastructure is critical.

These stakeholders also provided the following insights on the SRFs for EPA’s consideration in developing this Policy and any program reforms

- SRF programs should retain the primary goals of public health and water quality protection.
- State SRF programs are currently employing a range of effective practices that support water infrastructure sustainability as outlined above. Any program reforms should enhance state efforts, not constrain them.
- SRF programs should be maintained as primarily loan programs, but strategic use of targeted subsidies can help spur sustainable management and projects; and
- States should retain their role as primary implementers of SRF programs with the flexibility to manage funds consistent with local conditions and challenges.

Clearly, stakeholders believed that the sustainability policy should influence what gets built. There is in both underlying statutes a strong emphasis on compliance with public health and water quality requirements, which should be retained. In addition, there is a long-term public interest in conservation of natural resources, and reaping the multiple benefits of natural “green” systems integrated into our built environment.

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This document provides a Statement of Policy to EPA Regions, States and the general public on how EPA intends to exercise its discretion regarding sustainability. The statutory provisions and EPA regulations described in this document contain legally binding requirements. This document does not substitute for those provisions or regulations, nor is it a regulation itself.