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MEMORANDUM

SUBJECT: Environmental Review Process Coordination Best Practices

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TO: State SRF Coordinators/State Environmental Coordinators
State Revolving Funds/Water and Waste Disposal Loan and Grant Programs

Introduction

The United States Environmental Protection Agency's Clean Water and Drinking Water State Revolving Fund programs (collectively, the SRF programs) and the United States Department of Agriculture's Water and Waste Disposal Loan and Grant Program comprise the three largest federal drinking water and wastewater infrastructure financing programs in the United States. These programs yield substantial public health and environmental benefits and provide affordable financing for a variety of water infrastructure projects in communities across the country.

In October 2012, The Government Accountability Office published the report "*Rural Water Infrastructure: Additional Coordination Can Help Avoid Potentially Duplicative Application Requirements*," comparing the SRF and WWD programs loan application processes. GAO reviewed 54 drinking water and wastewater projects in five states: Colorado, Montana, North Carolina, Pennsylvania, and South Dakota. GAO selected these states based on need for rural funding and geographic location. GAO assessed the level of inter-agency funding coordination and examined the potential for fragmentation, overlap and duplication of effort between EPA and USDA drinking water and wastewater infrastructure financing programs. GAO acknowledged that EPA and USDA have taken meaningful steps toward coordinating their programs at the federal and state levels; GAO, however,

recommended further coordination to fulfill the agencies' previous commitments. GAO did not believe the agencies had fulfilled all of the goals stated in the 1997 EPA/ USDA joint memorandum, which committed the agencies to take action to help states develop uniform application requirements.¹

In this report, GAO highlighted environmental reviews as one of the specific areas with potential for increased coordination. Both USDA and EPA are committed to reducing inefficiency and improving inter-agency collaboration; coordination efforts, however, are limited because each agency administers their programs through different jurisdictional authorities. Federal USDA staff, who work within states, directly implement the WWD program, whereas state agencies implement the SRF programs. Any project receiving direct federal assistance through the WWD program must conduct environmental reviews in accordance with federal environmental laws, including the National Environmental Policy Act of 1969. With capitalization from federal funding through EPA, states implement SRF programs, which must have "NEPA-like" processes that EPA Regions review and approve. The Clean Water Act and Safe Drinking Water Act delegate the authority to conduct environmental reviews to the state SRF programs. By design, these processes fully meet federal NEPA requirements, but provide states with the flexibility needed to fit their unique circumstances. Through review of their respective authorities, EPA and USDA determined that they could not create a federal uniform process (as recommended by GAO) without infringing on the states' authority to establish their own "NEPA-like" requirements. Even so, the agencies have identified opportunities to facilitate improved inter-agency coordination at the state level to reduce potential duplication of effort.

In January 2013, EPA and USDA initiated a series of meetings to discuss environmental review processes and inter-agency funding coordination with the objective of identifying potential duplicative processes, specific inefficiencies and potential solutions from within existing state practices. The agencies began information-gathering efforts with discussions with USDA field staff and several listening sessions with the SRF programs. Based on these discussions and to address the concerns identified in GAO's report, this memorandum highlights best practices currently employed in some states to eliminate duplicative environmental reviews and more broadly facilitate funding coordination between the SRF programs and USDA.

Key Issues

EPA and USDA identified several key issues after talking with states and USDA staff. These issues are not pervasive throughout the SRF programs and WWD program; rather, the responses suggest that successful inter-agency coordination and co-funding of projects regularly occur. The issues identified by EPA and USDA were typically confined to a limited number of states and were straightforward in nature, such that modest changes to program policies and operations could achieve an immediate, tangible increase in efficiency and reduce potential duplication of effort. The recurring issues are:

- Inconsistent adoption of documentation prepared by the other agency. The following were identified as perceived barriers to adoption:
 - More stringent and/or different content requirements;
 - Different formatting requirements;
 - Missing information; or
 - Need to publish own decision documents.

¹ Joint Memorandum between USDA, EPA, and HUD. *Cooperation and Coordination on Jointly Financed Water and Wastewater Activities*. (Washington, D.C.: April 3, 1997).

- Incompatible project sequencing.
 - Application deadlines can be at different phases of the project or at different times of year.
 - The community has to complete the environmental reviews before submitting an application for WWD, whereas that is often not the case for SRF applications.
 - Applicants will approach one agency for primary financing, and request financing from the other later.

- Misunderstanding the other agencies' NEPA or "NEPA-like" responsibilities and authorities.

Best Practices

The following best practices outline existing methods some states are using to foster inter-agency collaboration, including reducing potential duplication of effort during the environmental review process. Methods range from simple application review policies to uniform application processes to more complex organizational structures. To facilitate co-funding across agencies further and eliminate potential duplication of effort, EPA and USDA encourage state programs to evaluate these best practices and incorporate them into their own operations where applicable.

Process Improvement:

Agencies should periodically reexamine internal processes to identify opportunities for streamlining and increase coordination between all funding partners.

LEAN Exercise in Washington

The Washington State Department of Ecology has been proactively improving their internal processes and conducted a LEAN exercise. The agency used LEAN principles to map out the workflows, identify waste and streamline 26 funding opportunities offered through the agency (including SRF) into one workflow. As a result, the agency was able to develop the Ecology Administration of Grants of Loans (EAGL) system around one standard workflow for all applicants seeking funding from the agency. In addition, all agencies that participate in the State's Infrastructure Assistance Coordinating Council (IACC) developed and signed a MOU to improve interagency coordination.

Common Loan Pre-Application or Application:

Funding agencies at the state level could adopt common loan pre-application or application materials to avoid duplicative effort, ensure the community provides a minimum level of information to satisfy application requirements across multiple agencies and direct applicants to funding sources that provide the best fit for their needs. These common applications can reduce time and expense for communities when applying to multiple agencies for financial assistance. For example, having a common preliminary engineering report template, such as the inter-agency PER template developed in January 2013, would reduce potential duplication of effort.

Uniform Application in Montana

Montana's Water, Wastewater and Solid Waste Action Coordination Team (W2ASACT) adopted a uniform application in 1997 that all six state agencies involved in W2ASACT use for their projects. This uniform application contains common forms, requirements and checklists that communities must submit when applying for financial assistance to any of the six state funding programs. W2ASACT developed the uniform application to reduce the time, effort and expense that local governments incur when applying to multiple agencies (for financial assistance). Communities can copy and submit the uniform application to any of the six programs.

Inter-Agency Preliminary Engineering Report Template

In 2013, EPA and USDA along with two other federal partners developed a common preliminary engineering report template. This template is a best practice for the development of preliminary engineering reports in support of funding applications for development of drinking water, wastewater, stormwater and solid waste systems. The federal agencies that cooperatively developed the PER template strongly encourage its use by funding agencies as part of the application process or project development. The PER template (USDA-RUS Bulletin 1780-2) can be found on USDA's website at: http://www.rd.usda.gov/files/UWP_Bulletin_1780-2.pdf

Common Environmental Review Process:

Funding agencies could adopt a common environmental review process to avoid duplicative effort and ensure a minimum level of information to satisfy application requirements across agencies. In states where separate agencies manage the SRF programs, both funding agencies should be encouraged to adopt the common review process.

Pennsylvania's Uniform Environmental Review

The Uniform Environmental Review (UER) process is intended to standardize the process for documenting the environmental effects of proposed drinking water and wastewater infrastructure projects requesting financial assistance from various federal funding sources in Pennsylvania, including the CWSRF, DWSRF, USDA, and HUD. The UER streamlines environmental review and facilitates interagency communication allowing assistance recipients to avoid duplication of effort, particularly where multiple sources of funding are involved. Once the funding source(s) are determined, communities can provide any supplemental information required for that specific program. Guidelines for Pennsylvania's UER can be found at <http://www.elibrary.dep.state.pa.us/dsweb/Get/Document-47475/381-5511-111.pdf>.

Joint Marketing/Outreach:

Communities often do not realize which funding program might be best for their project or that program requirements often overlap and they can reuse documents for each program. States could develop web-based marketing resources or create other opportunities for potential applicants to learn about all available funding resources, including what the environmental review requirements are for each program. This effort may allow communities to select just one funding agency to apply to for funding, thus reducing potential duplication of effort.

California Infrastructure Funding Fair

In July of 2015 the California State Water Resources Control Board (SWRCB) held a free infrastructure funding fair in the Los Angeles area. The funding fair included representatives from seven funding agencies including the California Conservation Corps, SWRCB, California Department of Water Resources, California Infrastructure and Economic Development Bank, Southern California Edison, Southern California Gas Company, and the United States Bureau of Reclamation. These agencies used the fair as an opportunity to provide information on available grant, loan and bond financing options to potential assistance recipients. Local government representatives, economic development and engineering professionals, water and irrigation district managers, financial advisors and project consultants attending the fair were able to speak directly with funding program staff about specific projects and issues affecting their communities.

Participation in Statewide Support/Coordination Groups:

EPA and USDA consider overall coordination to be a best practice and can lead to reduced duplication of effort for all parties involved. Many states have developed statewide support groups composed of representatives from funding agencies and technical assistance providers. Statewide support groups meet at least annually (either formally or informally) to discuss current initiatives, issues and funding coordination. Statewide support groups can identify barriers to accepting other agencies' documentation and examine what steps are needed to overcome these barriers. Group feedback could lead to additional measures such as the adoption of a common pre-application or application process. To find out if your state has a statewide support group, or learn what other states are doing, visit the Small Community Water Infrastructure Exchange's website: <http://www.scwie.org/>.

Ohio's Small Community Environmental Infrastructure Group

Ohio has been on the forefront of inter-agency coordination. The Finance Committee of SCEIG meets six times a year with representatives of the community and with the community's consulting engineer. The group assists small communities to identify the most appropriate resources to help them resolve their problems. The Finance Committee is not a decision making body, as funding decisions are left to the individual agency, but the committee provides advice such as timing, funding amounts, funding combinations and funding programs. Over 300 communities have been served in the last 20 years. Ohio staff are also responsible for the creation of the Small Community Water Infrastructure Exchange, which is a nationwide network of water funding officials who communicate quarterly about environmental infrastructure needs.

Small Community Water Infrastructure Exchange

The Small Community Water Infrastructure Exchange (SCWIE) is a network of water funding officials. Under the auspices of the Council of Infrastructure Financing Authorities (CIFA), a group of public and non-profit environmental funding and technical assistance officials have come together to create SCWIE. The main purpose of SCWIE is to facilitate communication among peer group members through the United States about what they are doing in their respective states to assist small and/or rural communities with their environmental infrastructure needs. SCWIE recently undertook an effort to update its information by issuing a survey to states about their currently level of activity in Statewide Support Groups. More information about SCWIE can be found here: <http://www.scwie.org/>.

Looking Ahead

Our nation's water and wastewater infrastructure faces substantial economic and environmental challenges. Our infrastructure needs continue to grow, putting additional strain on limited community resources and underscoring the need for affordable financing. Inter-agency partnerships to alleviate the administrative burden on applicants are another critical step in maximizing the accessibility of federal and state funding. EPA and USDA remain committed to pursuing the partnership goals put forth in the 1997 memorandum that will play a crucial role in supporting their joint mission of protecting public health and the environment. By recommending the incorporation, whenever possible, of the best practices outlined above, program implementation and partnerships can become more efficient and effective.