

GAO Highlights

Highlights of [GAO-15-450T](#), a testimony before the Subcommittee on Environment and the Economy, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

The nation faces costly upgrades to aging and deteriorating drinking water and wastewater infrastructure. Many rural communities face significant challenges in financing the costs of replacing or upgrading aging and obsolete drinking water and wastewater infrastructure. The costs of replacing infrastructure in these communities are estimated by federal agencies to be almost \$190 billion in the coming decades.

A number of federal agencies provide funding and technical assistance to rural communities for infrastructure development. GAO has previously reviewed these federal agencies and the funding they provide rural communities. The agencies define rural differently, according to their individual authorizations and guidelines.

This testimony is based on reports GAO issued from September 2007 through October 2012, with updated information, as appropriate, through February 2015. It focuses on (1) the federal agencies that provide funding or technical assistance to rural communities and fiscal year 2014 funding and (2) issues identified in GAO's work that affect rural communities' ability to obtain funding for water and wastewater infrastructure.

GAO made recommendations in its reports to improve federal agencies' coordination of funding programs for rural communities. EPA and USDA generally concurred with the recommendations, have taken action on some, and are beginning to take action on others.

View [GAO-15-450T](#). For more information, contact Alfredo Gomez, (202) 512-3841, gomezj@gao.gov

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RURAL WATER INFRASTRUCTURE

Federal Agencies Provide Funding but Could Increase Coordination to Help Communities

What GAO Found

Seven federal agencies provide funding or technical assistance to rural communities in developing drinking water and wastewater systems and complying with federal regulations. The Environmental Protection Agency's (EPA) Drinking Water and Clean Water Revolving Funds (SRF) are the largest source of funding and assistance receiving \$907 million and \$1.45 billion respectively in fiscal year 2014, some of which goes to rural communities. The Department of Agriculture's (USDA) Rural Utilities Service provides the next largest source of funding at \$485 million in fiscal year 2014. The other five federal agencies that provide funding or technical assistance to rural communities are the Department of Housing and Urban Development; Department of Health and Human Service's Indian Health Service; Department of Commerce's Economic Development Administration; U.S. Army Corps of Engineers; and Department of the Interior's Bureau of Reclamation.

GAO's work on rural water infrastructure funding found the following issues that affect the ability of rural communities' to fund water and wastewater infrastructure.

- Communities typically paid 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 did not have the number of users needed to share the cost of major infrastructure projects while maintaining affordable user rates. As a result, they depended heavily on federal and state grants and subsidized loan programs.
- Some rural communities did not have technical expertise and had to hire consultants and engineers to help design water or wastewater projects and complete the technical documents necessary to apply for funding. This included developing preliminary engineering plans and environmental documents. Some federal and state programs pay for technical service providers that communities can use to help them design and finance their projects, and apply for funding.
- Rural communities faced potentially duplicative application requirements when applying to multiple state or federal programs, making it more costly and time-consuming to complete the application process. For example, engineers GAO interviewed estimated that preparing additional preliminary engineering work could cost anywhere from \$5,000 to \$50,000 and that the cost of an additional environmental analysis could add as little as \$500 to a community's costs or as much as \$15,000. As of February 2015, EPA, USDA, and several of the other federal agencies had taken steps to improve coordination of funding and assistance to rural communities. Most notably, the agencies developed a standard engineering report that communities can use to apply for funding from multiple agencies.