

“Evaluation of Other Commercial Credit For Water and Waste Projects”

By: David A. Miller, P.E.
Community Program Director
USDA-Rural Development

A recent national OIG (Office of the Inspector General) audit was critical of the use of Water and Waste Program Grant funds in projects when Agency documentation did not adequately support the need for grant funding and/or the availability of commercial credit to finance all or part of a project. As you know, USDA Rural Development – Rural Utilities Service (RUS) is committed to leveraging the limited grant and loan funds for the maximum benefit to proposed water and waste projects in Rural America. Leveraging funding with commercial lenders will assist in drawing private capital into rural areas.

This need for increased documentation does not change the Agency’s regulations. It does provide for clarification as to what is considered adequate documentation when determining the availability of other commercial credit. The intent of this effort is to ensure that RUS loan and grant funds are used only to benefit applicants unable to viably fund their water and waste projects with Agency assistance. The purpose of our program has not changed. This Agency will continue to “Provide loan and grant funds for water and waste projects serving the most financially needy communities. Financial assistance should result in reasonable user costs for rural residents, rural businesses, and other rural users.”

Our loan terms are usually longer and our interest rates are usually less than commercial credit sources. However, the recent interest rate market has produced commercial rates comparative to RUS rates. In order to extend our budget authority to serve the maximum number of applicants and end users, loan funding will need to be maximized regardless of the source. RUS grant funds may be utilized to subsidize the best loan terms should they be commercial or ours, thus maximizing the limited RUS budget authority.

This Agency will maintain a list of commercial lenders that are interested in providing assistance and, when applicable, refer applicants to them after a preliminary financial analysis. Our National Office will monitor this process on a semi-annual basis. The concept of true “affordability” of utility services has never been more critical. Good projects with broad public support at realistic user costs will be funded.

I encourage you to work with our local service offices and technical assistance providers, as well as, your consultants in developing cost-effective project proposals. As always, I remain available to assist and answer your questions. I may be reached at (315) 477-6427 or email: david.miller@ny.usda.gov.