

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
ENVIRONMENTAL FINANCIAL ADVISORY BOARD**

August 27, 2003

Honorable Marianne L. Horinko
Acting Administrator
U. S. Environmental Protection Agency
Washington, D.C. 20460-0001

Dear Acting Administrator Horinko:

I am pleased to provide you with the Environmental Financial Advisory Board's latest report, "*Coordination of USEPA/SRF and USDA/RUS Water and Sewer Loan Assistance.*" The development of this report was led by the Board's Public Finance Workgroup chaired by Sonia Toledo of Lehman Brothers. In particular, the Board recognizes and thanks member John McCarthy for his important contributions to the report. Mr. McCarthy is a Program Director with the Northeastern Rural Community Assistance Program.

This report examines the operations and interactions of the United States Environmental Protection Agency (USEPA) Clean Water and Drinking Water State Revolving Loan Fund Programs (SRFs) and the United States Department of Agriculture (USDA) Rural Utility Service (RUS) Water and Environment Programs. All of these programs provide significant financial assistance in the form of loans and/or grants for small rural communities to use in developing water-related environmental infrastructure.

In essence, the report looks at the issue of coordination between these programs and considers whether improved coordination would result in more efficient use of federal resources and improved environmental and public health protection. The report includes recommendations and next steps for USEPA to consider regarding the future interaction of these important federal assistance efforts. In this regard, the Board concludes that improved coordination is needed and strongly recommends that USEPA commit to working with USDA to achieve closer cooperation between the programs. The Board further recommends that these cooperative efforts focus on integrating program priorities, coordinating interest rates charged for loan assistance, and harmonizing their respective affordability standards.

The Board hopes that the Agency will find the report and its suggestions constructive and useful. It is prepared to discuss the findings and recommendations, and to take any follow-up actions that are consistent with its charter. If you or your staff have questions regarding the report, or would like to arrange a meeting, please let us know. We greatly appreciate the opportunity to serve the Agency.

Sincerely,

/s/

A. Stanley Meiburg
Executive Director

Enclosure

cc: Stephen L. Johnson, Acting Deputy Administrator
G. Tracy Mehan, III, Assistant Administrator for Water
Linda M. Combs, Chief Financial Officer
Michael W. S. Ryan, Deputy Chief Financial Officer
Joseph L. Dillon, Comptroller