



State of Louisiana
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF THE SECRETARY

December 1, 2009

Lisa P. Jackson, EPA Administrator
US EPA Ariel Rios Building
1200 Pennsylvania Avenue NW
Washington, DC 20004

Dear Administrator Jackson:

Thank you for your letter dated November 24, 2009 to Governor Bobby Jindal where you reference the American Recovery and Reinvestment Act (ARRA), the state's allocation of \$43,081,400 for the Clean Water State Revolving Fund (CWSRF) and your concerns about the number of Louisiana loans that have closed and will be under contract by the February 17, 2010 ARRA deadline.

We appreciate your concern. Let me begin our response to your inquiries by assuring you that the state of Louisiana has taken meticulous care to not only serve as diligent stewards of the funds but more importantly to distribute the limited funding allocation we received to as many communities as possible, especially to those small municipalities that simply do not have the ability to borrow and repay a traditional wastewater improvement loan. With the submission of our Intended Use Plan (IUP) to the EPA, 100 percent of our ARRA-CWSRF funds have been obligated to 55 municipalities in 42 parishes across the state. The mayors and/or parish presidents of the 55 municipalities have submitted signed statements to the Louisiana Department of Environmental Quality (LDEQ) certifying that their project will be under contract by February 17, 2010 (see **Attachment A** - Signed Certification Statements by Mayors and Police Jury/Parish Presidents).

To ensure that the benefits from the stimulus package are used statewide, LDEQ looked at compliance issues of our municipalities and regional diversity to ensure there would be widespread sewer system improvements and benefits across the state. The department also looked at projects where there was a possibility to eliminate any imminent threats to human health or the environment. Financial constraints of communities were also taken under consideration and communities not having the ability to repay traditional CWSRF loans were targeted.

The average median household income for the 55 selected municipalities in 42 parishes is \$22,785; well below the state's median household income. Additionally, LDEQ considered criteria involving project cost; population served, requested amount, a community's ability to assume additional debt, and projects that would provide economic recovery (see **Attachment B** – Louisiana map showing the ARRA CWSRF statewide coverage). Our approach has received high praise from Mr. Steve Brown, the Executive Director of the Environmental Council of the States (ECOS), when in an email to LDEQ he stated, “.... *I agree and think the way you focused on the compliance angle is a very important story. We are noting that states that elected to help a lot of municipals are somewhat at a disadvantage on reporting their successes compared to states that picked one or two really big projects. I intend to educate folks about the advantages of the approach that Louisiana (and similar states) took. Thanks so much for the info. – Steve* (see **Attachment C** – Email from Steve Brown, Executive Director, ECOS).

It is important to note that while the federal stimulus package allows states to keep up to four percent of their award, which for LDEQ is approximately \$1.7 million, to date we have opted to keep none of the allowable administrative set-aside dollars. Instead those funds will be used to support additional wastewater improvement projects across the state.

The 55 selected municipalities across 42 parishes do not have to repay their "loan awards" because the LDEQ is using the maximum subsidization allowed by ARRA. Each of the 55 recipient municipalities is awarded a zero percent interest loan with 100 percent principal forgiveness. However, each of the 55 recipients must go through the standard loan process, since the CWSRF program is not set up to offer grants.

The department's engineering and fiscal staff spent most of its time, prior to November 2009, guiding and assisting the municipalities through the CWSRF process (ensuring correct engineering plans and specs, meeting shovel-ready criteria such as environmental reviews, going before the state's bond commission, the public bid process, etc) (see **Attachment D** - LDEQ ARRA CWSRF Timeline).

With respect to the timeline for loan closings and getting municipalities under contract, we developed, in consultation with the municipalities and their consulting engineers, an updated tracker which we shared with Maurice Rawls, Tyrone Hoskins, Acting EPA Region 6 Administrator Larry Starfield and other EPA staff on November 2, 2009, once we were in a position to start closing the loans (see **Attachment E** - most recent communiqués with EPA Region 6). We have and continue to fully engage EPA Region 6.

As of December 1, 2009, we have closed ARRA-CWSRF Loans in the amount of \$10,503,285 or 24.4 percent of our \$43 million allocation. A breakdown is as follows: Clayton - \$527,651; Sicily Island - \$525,992; Urania - \$1,581,642 (under contract) West Monroe - \$4,750,000 (two of three under contract); Hammond - \$800,000 (under contract); Benton - \$418,000; Delcambre - \$900,000 (under contract); Ball - \$1,000,000 (see **Attachment F** - Sewer Revenue Bonds issued for ARRA Closed Projects). Since the contract bid process is complete, we expect the remaining loans to be under contract within the next two weeks. A select sample of press articles is attached documenting the loan closings completed to date (see **Attachment G** - ARRA CWSRF Articles and Press Releases).

LDEQ is scheduled to close \$15,608,777 loans in December 2009. The scheduled loan closings in December 2009 are as follows: **(the total loan closings for November and December are expected to be \$25,112,062 or 58.29 percent of our allotment.)** The closings scheduled for December 2009 are: Ball - \$1,000,000; Boyce - \$900,000; Jennings - \$1,000,000; Madison Parish - \$90,000; Mamou - \$1,000,000; Maringouin - \$300,000; Vinton - \$1,200,000; Cullen - \$925,000; Winnsboro - \$1,000,000; Mansura - \$1,270,000; Oakdale - \$1,000,000; Basile - \$500,000; DeQuincy - \$750,000; Killian - \$110,777; Crowley - \$1,000,000; Hornbeck - \$525,000; Leesville - \$850,000; Merryville - \$1,000,000; and Opelousas - \$1,188,000 (see **Attachment H** - ARRA CWSRF Tracker).

In January 2010, LDEQ is scheduled to close \$17,869,338 in ARRA CWSRF Loans. By the end of January, 100 percent of our \$43,081,400 ARRA CWSRF allotment should be closed and by the February 17, 2010 deadline, we expect that 100 percent of the ARRA CWSRF (wastewater) projects to be under contract.

The closings scheduled for January 2010 are: Delhi - \$1,000,000; Many - \$251,000; Natchitoches - \$1,183,000; Washington - \$800,000; White Castle - \$686,000; Abbeville - \$760,000; Grand Isle - \$750,000; Jackson - \$525,232; Welsh - \$190,000; Grambling - \$533,000; Marion - \$289,221; Simsboro - \$100,000; Eunice - \$544,500; Hall Summit - \$134,300; Pleasant Hall - \$620,000; Baker - \$500,000; Youngsville - \$750,000; Mansfield - \$1,214,800; Oil City - \$700,000; Carencro - \$600,000; Arcadia - \$676,070; Bastrop - \$1,510,550; Jeanerette - \$250,000; Jonesboro - \$800,000; Lafourche Parish (Lewistown3) - \$358,921; Lafourche Parish (Marydale) - \$596,162; Lafourche Parish (Rita) - \$46,173; Waterproof - \$550,000; and Winnfield - \$950,409.

As of January 30, 2010, we will trigger our contingency plan, where if necessary, we redirect ARRA CWSRF funds from projects unable to meet the deadline to other wastewater improvements projects that are under contract, but need additional funding. We may also, at that time, recoup our administrative cost, if a municipality was unable to meet the deadline (see **Attachment I – Contingency Plan**).

On a related wastewater matter, our base CWSRF (wastewater) program has been thoroughly reviewed, streamlined for efficiency and retooled in the last year and a half. This administration has focused on community assistance. The CWSRF is one element of this effort. The results have been impressive compared to activity during the last decade.

- The base program has completed an assessment of critical/almost shovel ready projects in the state totaling over \$1.8 billion dollars worth of submitted applications. Such a capacity did not exist 2 years ago. The total wastewater improvement needs in the state exceed \$5 billion.
- More importantly, after scrubbing the budget of the base loan program, we have identified approximately \$195 million which is committed to 35 municipal projects per their letters of request, existing priority system and CWSRF pre-applications. A majority of the selected base loan wastewater projects did not receive ARRA funding. Funding for the base loan projects are marketed at **0.95 percent interest loans with a 20 year pay back term.**

The 35 base loan projects totaling approximately \$195 million are as follows: Addis - \$1,500,000; Alexandria - \$4,000,000; Ascension Parish - \$18,000,000; Bossier - \$8,000,000; Bossier Parish - \$17,750,000; Broussard - \$4,000,000; Delhi - \$7,100,000; Donaldsonville - \$1,472,300; East Baton Rouge - \$8,300,000; Gretna - \$3,228,089; Ida - \$250,000; Kenner - \$22,000,000; Lake Charles - \$16,000,000; Livonia - \$3,900,000; Logansport - \$1,185,000; Morgan City - \$4,500,000; New Orleans Sewer - \$9,000,000; New Roads - \$1,000,000; Oakdale - \$3,146,000; Pineville - \$2,000,000; Shreveport - \$11,560,000; St. Bernard Parish - \$4,000,000; St. Charles Parish - \$4,000,000; St. Francisville - \$1,000,000; St. John the Baptist Parish - \$1,359,000; St. Tammany Parish - \$1,000,000; Terrebonne Parish - \$15,000,000; Walker - \$458,600; West Baton Rouge Parish - \$2,000,000; West Feliciana Parish - \$2,200,000; Westwego - \$1,150,000; Winnsboro - \$1,000,000; Youngsville - \$4,429,000; and Zachary - \$8,000,000.

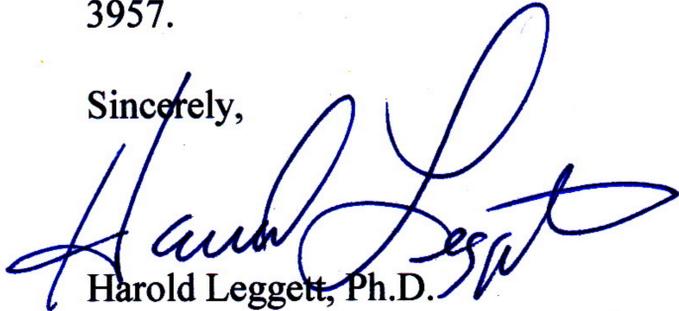
Working with our small communities is time consuming and we recognize that our comprehensive effort to reach out, support, and bring into compliance as many deserving communities across the state with ARRA CWSRF funds has resulted in a more deliberate approach (which could have been much simpler if we had simply selected a handful of communities to support). We do however stand by our approach, because improving wastewater infrastructure statewide is consistent with LDEQ's mission of protecting environmental quality and supporting economic development.

EPA Administrator Lisa P. Jackson
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We do not expect any of our municipalities to not meet the February 17, 2010 deadline. We appreciate your offer to assist and will accept it should the need arise. I also encourage you to feel free to contact me directly should you need information regarding the status of our efforts. This will greatly improve timely transmittal of information to EPA headquarters.

If we can be of further assistance, you may also contact my Deputy Secretary Alex Appeaning at 225-219-3951, or LDEQ CWSRF Project Administrator and Chief Engineer Bijan Sharafkhani at 225-219-3957.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harold Leggett". The signature is stylized and cursive.

Harold Leggett, Ph.D.
Secretary

- c: The Honorable Governor Bobby Jindal
Mr. Craig Hooks, EPA Assistant Administrator for Administration and Resource Management
Dr. Alfredo Armendariz, EPA Administrator, Region 6
Mr. Larry Starfield, EPA Deputy Administrator, Region 6