

**Testimony for the Record
Rural Community Assistance Partnership (RCAP)**

**Subcommittee on Water Resources and the Environment
House Transportation and Infrastructure Committee**

**Meeting the Nation's Wastewater Infrastructure Needs
January 19, 2007**

Chair Johnson, Ranking Member Baker, thank you for allowing us to submit testimony on the need for improved wastewater infrastructure for rural communities. The Rural Community Assistance Partnership (RCAP) shares your desire help rural Americans improve their quality of life by ensuring the availability of safe and clean water, and we look forward to working with you further on this issue.

Since 1969, the Rural Community Assistance Programs (RCAPs), the six regional service providers that constitute the RCAP network, have worked with federal and state agencies in all fifty states and Puerto Rico to help small communities address their drinking water and wastewater treatment problems. The RCAPs provide onsite technical assistance and training to enhance community competence in facilities development, management and finance, operations and maintenance, planning and development, capacity building, education and training, source protection, and funding for small and very small systems. With funding from a range of public and private sources, the RCAPs delivered services to more than 2,000 rural communities last year, ninety percent of which had populations of 2,500 or fewer. By leveraging approximately \$25 of additional funding for every \$1 received, the RCAPs direct public investments to produce lasting results.

Madame Chair, we applaud the efforts of you and your colleagues to take immediate action in the 110th Congress to assure adequate funding for clean water infrastructure in small rural communities, which often lack access to equipment, staff capacity to deal with regulatory compliance issues, and financial resources to install and operate systems. The funding gap has passed the point of crisis, particularly in communities with fewer than 3,500 residents that need help most. We believe the HR 1560 "The Water Quality Financing Act of 2003" is an excellent blueprint for new legislation, and urge you to consider a clean water trust fund as the mechanism to provide the dedicated funding source this issue requires.

Wastewater Needs Great and Challenges Unique in Rural Communities

The need for greater federal assistance for wastewater infrastructure in America's small rural communities is indeed great. Consider these statistics:

- Nearly 1 million rural households do not have indoor plumbing;
- More than 70 percent of our nation's housing units that lack complete plumbing are in small communities;
- Water systems in communities serving fewer than 10,000 residents are more than twice as likely to violate drinking water standards for microbes and chemicals than systems serving more than 10,000;

- The Environmental Protection Agency estimates that \$13.8 billion is required to meet clean water needs of small communities of 10,000 or fewer nationwide.

These numbers are indeed daunting and become even more so when one considers the unique challenges small communities face in meeting water and wastewater needs in comparison to larger communities. For example, the Small Town Task Force, established by Congress in 1992 to advise EPA on how to work better with small communities to improve environmental compliance, found that technical and administrative capacity is severely limited in small towns.

As a general rule, small towns:

- Have no full time officials and little or no professional staff;
- Cannot attract or support private technical businesses; and
- Have few, if any, training opportunities for staff or town council members.

Additionally, financial resources are severely limited for small towns, which often rely on government loan funds and grants as the sole revenue available to meet infrastructure needs.

- Almost by definition, small towns have severely limited tax bases, which means limited budgets;
- Small communities bare four times the costs of installing and maintaining water and wastewater systems than do households located in larger communities;
- Because of limited opportunities for young people, small towns tend to have disproportionately older populations and thus incur higher social service costs;
- Small towns tend to have fragile, heavily concentrated economic bases; and
- Infrastructure costs fall disproportionately on small communities because entry-level costs must be distributed over a smaller base.

Finally, small communities often lack the political clout on the state and national levels to leverage greater government focus on their infrastructure needs.

Case Study

Almelund, Minnesota, located in Chisago County in Minnesota's 8th Congressional District, is representative of the challenges faced by small rural communities across the country. Almelund is unincorporated and unsewered; its sixty homes use septic systems, most of which are failing. The community has no tax base and lacks the trained municipal staff required to address such an intimidating problem. With no other options, Almelund contacted Midwest Assistance Program (MAP), the Midwest Regional RCAP, for assistance. MAP is currently helping Almelund establish a Subordinate Sewer District (SSD) within the nearby Township of Amador (population 744). Once this step is complete, MAP will help plan and construct a community-wide system, which will be owned and operated by the Township.

Almelund is only one of the 22 communities currently being served by MAP in Minnesota's 8th District. The 12 projects in progress will directly affect the lives of 22,000 residents, almost 10,000 of which are low-income, by ensuring access to cleaner and safer water.

Small Communities Cannot Shoulder the Burden Alone

Small communities like Almelund cannot alone raise the capital necessary to meet their current and future drinking clean water needs. While State Revolving Loan Funds (SRF), USDA Rural

Utility Services Loan and Grant programs and CDBG funds provide some support, the funding is inadequate, decreasing, and often channeled disproportionately away from rural communities. Of the resources that do exist for rural areas, some are ad hoc and do not guarantee funds go where they are most needed.

The needs of municipalities, cities, counties and towns have outgrown the funding levels of the Clean Water State Revolving Fund (CWSRF). The CWSRF program has been under siege since 2004, plummeting from \$1.35 billion in 2004 to less than \$700 million proposed for 2007. The overall needs are overwhelming: the EPA, GAO and the Water Infrastructure Network (WIN) calculated a funding gap of \$300 billion to \$500 billion between what is needed and what is actually spent on our infrastructure over the twenty year period from 1999-2019.

At the same time, rural communities currently face a shrinking pool of government financing. While the loan portion of money available through the USDA Rural Utilities Service has actually increased over the last several years, the grant funding available has decreased. Many of the low-income rural communities we work with count on that grant money to make it affordable to borrow for infrastructure improvements. While some of the communities we work with have water and sewer rates far below sustainable and reasonable levels, others are already paying 5, 10 or even 20 percent of their income for these services. It is unrealistic to ask that they increase water rates.

What is more, a recent analysis conducted on behalf of the RCAPs indicates that nearly 30 percent of States have not distributed Clean Water SRF funds to very small communities under 3,500 over the past five years in proportion to the demonstrated need. The study found that if those States were to have distributed funds according to the demonstrated need, very small communities would have received approximately \$240 million more than they actually did to help them obtain adequate wastewater infrastructure.

Finally, dwindling resources for water infrastructure has increased the prevalence of ad hoc solutions such as Congressional earmarks like State and Tribal Assistance Grants (STAG). While these seem to be an effective way of addressing the shortfalls in infrastructure financing, they are potentially neither efficient nor equitable in addressing the financing problem. There is no guarantee that the communities receiving these resources were not already large and wealthy enough to afford private market financing, or needed or desired infrastructure improvements. Additionally, these STAG grants only pay for 55 percent of the project cost, leaving the community to raise the other 45 percent; in some cases this is a burden the community neither understands nor is equipped to meet.

Clean Water Trust Fund

RCAP is increasingly aware of the need for new mechanisms for raising capital and ensuring that it is provided to communities where it is most needed. As a national network of technical assistance providers, we have become increasingly concerned of the inconsistency of infrastructure financing mechanisms across the United States. While some states have developed efficient mechanisms for coordinating and therefore leveraging funding for infrastructure improvements, others have not and run chronically short of resources to serve growing community

needs. In these times of growing need and shrinking relative infrastructure resources, there is a critical need for sharing and adoption of financing best practices across states.

While we do not believe that the federal government could successfully require states to adopt particular financing practices without committing additional resources, we believe that the development of an infrastructure trust fund could provide an opportunity to encourage such practices. The allocation of funds from the trust fund could serve as a carrot to encourage the adoption of best practices that would make financing of infrastructure more coordinated, efficient, and rational. By coordinating financing, states could become stewards of the resources already available.

In some states, wise investments of resources have allowed for a replenishment and even expansion of financial resources over time. Likewise, some states have rationalized the application process so that communities are less burdened in applying for financing. Additionally, some states have coordinated across funding agencies, and through this have been able to engage communities in discussions about strategic planning and asset management so that the water and wastewater systems developed or improved are not only more sustainable, but also more directly linked to economic development opportunities in the area.

Other Recommendations

We hope that you will incorporate the idea of an infrastructure trust fund into your subcommittee's legislation for the 110th Congress. The trust fund would provide the dedicated funding source needed to actuate many of the policies recommended by your committee in HR 1560 "The Water Quality Financing Act of 2003" which the RCAPs supported. Among the provisions we back are:

- The \$75 million annual authorization for a comprehensive technical assistance EPA program to assist rural communities with their wastewater infrastructure needs. Current law does not provide for a general technical assistance grant program for small rural communities;
- A small systems revolving fund to provide capitalization grants to non-profits for use in providing small loans to rural communities for emergency repairs, small systems upgrades and pre-development and planning assistance;
- A small rural set-aside of 15 percent of state capitalization grants to ensure that small rural communities receive funding proportional to need; and
- Simplified procedures for small systems to obtain financing.

We thank you for considering our testimony on the pressing and critical issue of water infrastructure financing, and thank you for your commitment to meeting the needs of small rural communities. Please let us know if we can be of assistance.

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