



Recommendations for Rural Development Water and Wastewater Programs

The Rural Community Assistance Partnership (RCAP), which is made up of a national office and six regional organizations working to ensure that rural and small communities have access to safe drinking water and sanitary waste disposal systems. The six regional RCAPs provide a range of technical, managerial and financial services to rural communities in planning, developing and managing their community facilities. Working in all 50 states, Puerto Rico, and the Virgin Islands, the RCAPs are familiar with RD's Rural Utilities Service (RUS) water and wastewater programs, and the impact that the programs have on rural communities across the nation.

RCAP has prepared several recommendations and suggestions to improve U.S. Department of Agriculture (USDA) Rural Development (RD) programs, policies, and procedures. Specifically, this document includes recommendations for USDA's water and wastewater programs, administered by the Rural Utilities Service, designed to increase the impact of these programs in rural areas. The RCAPs look forward to continuing to work with USDA and RD to help ensure that rural Americans have access to safe, clean, and affordable water and wastewater services. **The Importance of USDA Water-Waste Water Program**

USDA is the single largest financier of rural water and wastewater systems, and the RCAPs play an essential role in assisting communities with planning, developing and managing USDA-financed systems. The RCAPs provide technical assistance to those communities that are eligible for USDA water-sewer financing and those communities that have existing USDA-financed systems. It is an essential program for rural communities.

According to the USDA Progress Report for fiscal year (FY) 2016 RUS's Water and Environmental Programs provided \$1.65 billion in funding for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage in rural communities, helping millions of rural Americans access safe and clean water services. Since 2009, RUS has provided \$13.9 billion for 5,825 projects, meaning that 19.5 million rural residents now have access to safe water and adequate waste disposal.

Virtually all of the communities out of compliance with federal clean water and drinking water standards are small systems with 3,300 or fewer users and are located in rural areas. Safe and clean water is essential to the health and sustainability of all communities. Contaminated water can lead to serious public health problems for communities and deter businesses from locating within a community, which in turn limits the community's job and economic opportunities. Given the severely detrimental impact that contaminated water can have on the residents of a community, investments in maintaining and improving drinking water and wastewater systems across America are vitally important.

There are tremendous infrastructure needs in rural America. The estimated cost to provide improved rural drinking water facilities totals more than \$60 billion, with the needs of water systems in American Indian and Alaska Native villages accounting for \$3.3 billion alone.

Many rural communities, where local governments are often staffed by part-time workers or volunteers, often lack the necessary technical and managerial capacity, as well as financial resources, to address the need for improving their water and wastewater systems. The Rural Community Assistance Partnership (RCAP) works to address this need by providing on-site technical assistance and training to help ensure that the residents of America's small, rural communities have access to safe, clean and affordable water. **Increase the maximum amount for eligible loans to Small-System Borrowers and support increased annual appropriations.**

Increase Loan Capacity for Small Water System Borrowers

USDA should increase the maximum amount for eligible loans to small-system borrowers from \$100,000 to \$200,000, and increase the annual appropriation level from \$1,000,000 to \$5,000,000. In 1998, Congress enacted Sec. 306(2)(A)(B) of the Consolidated Farm and Rural Development Act, which authorized \$30 million for grants to nonprofit intermediary organizations. The intermediaries use these funds to make loans to small communities that finance needed repairs to water systems, line extensions, or to pay for certain predevelopment costs. Even when the program was created, USDA lacked the staffing capacity to address these important, but small dollar, loan requests. Over time, as the number of RD staff has further declined, the average size of water and wastewater financing packages from USDA has increased.

USDA has neither staff nor easily available resources to address these relatively low-cost needs. In 2015, Rural Community Assistance Corporation (RCAC), the RCAP based in California that works throughout the West, had a backlog of 15 loan requests, totaling \$3.8 million. Communities Unlimited (CU), which serves Arkansas, Mississippi, Tennessee, Texas, Oklahoma, Louisiana and Alabama, receives community water and wastewater small loan requests of more than \$2 million each year.

Due to the substantial need for this type of assistance, the RCAPs recommend that the Small System Revolver receive increased appropriations, and recommend that USDA support the increased appropriations level. Although there is a \$30 million authorization level, Congress has never appropriated more than \$1 million for this program. The RCAPs urge the Department to support an appropriation of \$5 million and also recommend the limit on individual loans be increased to \$200,000.

Modernize the Household Water Well Program

There are over 15 million private wells in use in the United States today, serving approximately 43 million people.¹ This is 15 percent of the U.S. population. Private wells are everywhere, from the most urban counties to the most rural. Private wells are the source of drinking water for more than 50 percent of the population in hundreds of counties throughout the country. The United States Geological Survey (USGS) sampled over 2,000 wells throughout the United States and found that 23 percent exceeded at least one of the EPA's maximum contaminant levels making it unsafe to drink. The necessity of proper maintenance, testing and proper well construction is often not well understood by well owners and has led to a majority of the incidents of bacterial contamination. EPA regulations, which apply to public drinking water systems, do not apply to

¹ "Private Ground Water Wells," *Center for Disease Control and Prevention*, (Feb. 13, 2017) <https://www.cdc.gov/healthywater/drinking/private/wells/>.

privately owned wells. Thus, private well owners are often left responsible for maintaining their wells and testing for contaminants.

The only USDA program that provides assistance in repairing, replacing or digging a new well is the Household Water Well System Grant program. Under this program, RUS provides grants to qualified private nonprofit organizations to make loans to homeowners for up to \$11,000 for the construction or repair of household water wells for existing homes. USDA should modify the Household Water Well Program rules and regulations to increase its usefulness for rural residents. Appropriations for this program total less than \$900,000. There is a need for a much-expanded program.

In addition to supporting a significant increase in funding, there are two recommendations for the Household Water Well program. First, the loan limit for loans to borrowers should be increased from \$11,000 to \$20,000. This increase would allow the program to better meet the costs of new facilities. Second, loan purposes should include installation of water treatment where needed, with or without installation of a new well, and installation of septic systems or connections to existing community systems. If a septic system fails, funding a hook-up to an available nearby community system should be a fundable action, particularly because it is usually the best long-term solution to the problem.

Build and Strengthen Partnerships with Private Parties

USDA should continue to strengthen partnerships with organizations like the RCAPs to support rural communities. The RCAPs play an essential role in the predevelopment, development, and conclusion of construction, and the support and technical assistance from the RCAPs is critical to ensuring that the USDA borrowers start off, and remain, in a financially sound position with limited potential to default on a loan. The assistance to the borrower in this regard is almost exclusively in the realm of RCAP expertise and skills, and this expertise should be tapped into more by USDA Area Specialists as they identify potential projects. Where possible, RD staff should be encouraged to work with the RCAPs and others to review of audits with the system boards, conduct rate reviews, complete of Vulnerability Assessments and Emergency Response Plans, and supporting the borrowers to meet all requirements (including financial management reporting) – all of which are critical to ensuring the sustainability of these USDA funded systems.

Encourage Partnerships

USDA should encourage partnerships between rural communities to maximize the impact of its programs. RUS could make examining for potential partnership a mandatory item in all Preliminary Engineering Reports (PERs). Additionally, funding to new systems could be limited, unless they can demonstrate that no existing system is capable of delivering service. USDA should create a fund for technical assistance to work on partnerships, and supplement the existing technical assistance efforts.

Increase Funding for Preplanning Grants

USDA should increase funding for preplanning grants for small communities. USDA provides state and local governments, nonprofit organizations, and federally recognized tribes with funding to assist low-income communities with the initial planning and development of applications for USDA's water and wastewater loans and grant programs. USDA should support increased opportunities and level for funding for preplanning grants for small communities. Increased preplanning grant funding would align with the State Revolving Funds and the Intended Use Plans (IUP).