
REGIONAL PARTNERSHIP PROGRAM: A COMMUNITY-LED APPROACH



NATIONAL
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Rural Community
Assistance Partnership

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Regional Partnership Program: A Community-Led, Voluntary Approach

Executive Summary

Water and wastewater utilities are the backbone of American communities, especially in small and rural areas. These systems play a critical role in protecting public health, supporting local economies, and ensuring community sustainability. However, many rural utilities face persistent challenges—such as limited staffing, aging infrastructure, and financial constraints—that threaten their ability to meet regulatory standards, maintain affordability, and plan for the future.

Regionalization is gaining recognition as a promising, community-driven strategy to strengthen these utilities. Rather than relying on top-down mandates, voluntary regional partnerships empower local leaders to collaborate, share resources, and enhance technical, managerial, and financial capacity while preserving community identity and public accountability. Evidence from the Environmental Protection Agency’s (EPA) Safe Drinking Water Information System (SDWIS) shows that small systems often report lower rates of health violations than medium-sized ones, underscoring that utility performance depends on context rather than size alone.

This paper clarifies what regionalization is—and is not. True regionalization is voluntary, community-led, and preserves local governance. It is distinct from consolidation (which, when voluntary, is a form of regionalization) and acquisition (which involves loss of local control and is not regionalization). The spectrum of regional collaboration includes informal cooperation, contractual assistance, joint regional entities, and voluntary consolidation.

The National Rural Water Association (NRWA) and Rural Community Assistance Partnership (RCAP), trusted partners for over fifty years, have successfully guided hundreds of utilities through regionalization, helping communities build capacity, improve compliance, and secure sustainable futures. Their shared principle is that communities must retain the right and power to make decisions about their utilities and futures. Federal policy must support voluntary, community-driven regionalization by providing planning resources, technical assistance, and investment strategies that protect local autonomy.

Legislative recommendations include establishing safe harbor provisions for compliance support, leveraging the Farm Bill for targeted assistance, increasing State Revolving Fund resources for regionalization, and enhancing flexibility across federal funding programs. Modernizing federal underwriting procedures and incentivizing high-performing utilities to partner with smaller systems are also essential steps.

As rural communities face a projected \$625 billion investment gap in drinking water infrastructure, federal and state support is indispensable. Voluntary, community-led regionalization offers a pathway to resilient, sustainable water and wastewater systems, but only when communities have the freedom, resources, and support to choose it on their own terms. With coordinated action and leadership from NRWA and RCAP, rural America can protect public health, reinforce local control, and build infrastructure to thrive for generations.

Introduction

Across the country, water and wastewater utilities are the backbone of every community; this is especially evident in the nation’s small and rural areas. These systems play a vital role in safeguarding public health, supporting local economies, and ensuring the sustainability of their communities. Operating with dedicated teams, they manage essential services and adapt to evolving needs, often demonstrating resilience and resourcefulness. As rural utilities look to the future, regionalization has gained recognition as a promising strategy to further strengthen their capacity, foster collaboration, and help communities thrive. This white paper explores the true nature of regionalization—what it is, what it is not, and why clarity matters—and presents a comprehensive analysis of performance trends, policy gaps, and evidence from the EPA’s SDWIS. Contrary to common assumptions, larger systems do not consistently outperform smaller ones in compliance; in fact, the smallest community water systems report **lower rates of health violations** than many medium-sized systems, further reinforcing that utility performance is context-specific.

In response to these realities, this paper outlines a federal policy vision that supports **voluntary, community-driven regionalization**, strengthens local decision-making, and ensures that rural utilities have access to the planning, funding, and technical expertise needed to evaluate and pursue regional solutions when appropriate. It offers a roadmap to modernize regulatory structures, enhance federal investment strategies, and protect the autonomy and long-term interests of the communities NRWA and RCAP serve.

Statement of Need

As stated before, water and wastewater utilities are the backbone of every community -- regardless of size. This is particularly true for small and rural communities, who often face significant challenges due to limited resources, aging infrastructure, and regulatory pressures. It is also where regionalization has picked up interest in recent years, often being sold as the silver bullet to address the “small system challenge.”

For more than fifty years, NRWA and RCAP have been the nation’s most trusted partners for small and rural utilities. Their complementary missions, deep histories, and extensive technical expertise have placed them at the forefront of efforts to ensure that every community has access to safe, reliable drinking water and wastewater services.

Together, NRWA and RCAP have guided hundreds of utilities through regionalization and voluntary consolidation efforts, helping communities strengthen capacity, improve compliance, and secure more sustainable futures. Their collective impact is visible in national trends: the United States has **4,650 fewer community water systems today than it did in 2000**, reflecting the influence of voluntary, community-driven partnerships.^{1 2} This decrease is even more impressive given the suburban and rural development which is continuously adding new community water systems to the inventory.

¹ “Factoids Drinking Water and Ground Water Statistics for 2000” (2001), EPA National Service for Environmental Publications, pg. 3.

² https://sdwis.epa.gov/ords/sfdw_pub/r/sfdw/sdwis_fed_reports_public/200, 2025 Q3

Throughout their decades of work, NRWA and RCAP have maintained a shared foundational principle: communities must retain the right and power to make their own decisions about their utilities and their futures. Regionalization carries long-term implications for affordability, local governance, public accountability, and generational equity. As such, decisions must be transparent, community-centered, and guided by accurate information, not by external mandates, pressure, or the misguided assumption that “bigger is always better.” Both organizations are committed to protecting local autonomy and ensuring that communities have the tools and knowledge necessary to choose the path that best reflects their needs.

The EPA estimates that \$625 billion will be needed over the next fifty years for capital improvements to the nation’s key drinking water infrastructure³. This staggering investment gap cannot be closed through federal funding alone. As rural utilities face increasing regulatory requirements, rising costs, and aging infrastructure, all viable solutions must be considered, including community-led regionalization as a meaningful pathway for strengthening service reliability, improving long-term sustainability, and protecting public health.

However, regionalization is complex. It involves layers of technical, managerial, financial, and governance considerations that can fundamentally reshape how communities operate, manage and oversee their resources. NRWA and RCAP have repeatedly demonstrated that success is most likely to occur when regionalization is voluntary, informed, and locally driven, with communities having access to the unbiased expertise required to understand their options, as well as related consequences, before making long-term decisions.

Federal support is essential to meeting this need. Without sustained investment and supportive policy structures, rural communities will continue to struggle to initiate regionalization discussions, conduct planning-phase evaluations, secure needed capital improvements, and access the training and facilitation that ensure equitable, transparent processes. As the funding gap widens and infrastructure needs escalate, empowering communities through voluntary, community-led regionalization is not only a practical solution—it is a necessary one.

NRWA and RCAP stand ready to continue leading this effort, but it requires a coordinated federal and state commitment to ensure that small and rural communities can protect public health, strengthen their systems, and make informed decisions about their future.

Top-Down Approaches Are Not Effective

Top-down mandates might proceed from the idea that scaling up water systems will better serve communities, and ensure access to clean, safe water, but consolidation doesn’t automatically improve performance. Larger systems don’t always report better compliance rates than smaller systems. Furthermore, larger systems have much greater access to dedicated compliance-focused staff, consultants, legal counsel, and political ties that facilitate agreements with primacy agencies to avoid or delay

³ US EPA. Drinking Water Infrastructure Needs Survey and Assessment - 7th Report to Congress: US Environmental Protection Agency, Water Oo;2023 September 2023.

violations. Small systems are often issued an immediate violation with no avenue for negotiation or recourse. Negotiated compliance agreements and legal delays are not accounted for in available data. National water systems research conducted twenty years ago found that small community water systems do not experience health violations at greater rates than larger systems but may have higher monitoring and reporting violation rates; all system categories show broadly similar compliance for most regulations.⁴ This pattern has been observed consistently in later water systems research and has continued through the most recent reporting periods.

For this whitepaper, we conducted a new analysis of reporting trends over the most recent five-year and ten-year intervals and again found that larger systems do not reliably perform better than smaller systems across violation types.

We examined nationwide community water system data provided by the EPA’s SDWIS, obtained via the 2025 Q3 data download snapshot, and compliance data from EPA’s ECHO database⁵. This dataset includes all US Community Water Systems (CWSs), which are most often targeted for consolidation, and all reported Safe Drinking Water Act (SDWA) violations from Q1 2015 to Q4 2024; Transient Non-Community Water Systems (TNCWSs) and Non-Transient Non-Community Systems (NTNCWSs) were not included. (Table 1)

Table 1: US Community Drinking Water Systems Inventory by Size, 2015-2024*

Size category	Systems Per Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Very Small (<500)	28657	27961	27948	27926	27605	27319	27247	27230	27130	27126
Small (501-3,300)	13683	13471	13442	13472	13387	13375	13337	13325	13334	13366
Medium (3,301 -10,000)	5003	5001	5004	5000	5031	5021	5016	5020	5019	5024
Large (10,001 -100,000)	3885	3884	3904	3913	3942	3962	4007	4047	4060	4100
Very Large (>100,000)	428	426	432	438	442	445	447	454	469	478
Total	51656	50743	50730	50749	50407	50122	50054	50076	50012	50094

*Based on Q3 2025 EPA SDWIS data snapshot

This included 336,251 total violations (unique Violation IDs) over the ten-year period, across more than 50,000 CWSs. (Table 2) The total number of CWSs decreased from 51,656 to 50,094 during this period, which were captured in our data. The data show that rates of total violations per CWS remain elevated in very small systems, those serving 500 or fewer customers, consistent with previous EPA reports⁶.

⁴ Rubin, Scott J. “Evaluating Violations of Drinking Water Regulations,” Journal AWWA, Vol. 105, No. 3, Regulatory Issues (March 2013), pp. E137-E147

⁵ <https://echo.epa.gov>

⁶ https://www.epa.gov/system/files/documents/2025-01/final_508_epa_reporttocongress_11-19-24_0.pdf, pg. 43, 49.

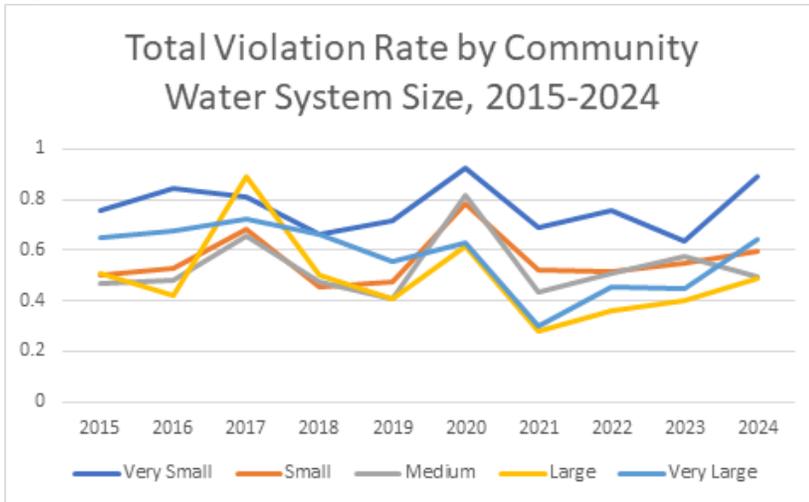
Table 2: US Community Drinking Water Systems Violations by Size, 2015-2024*

Size Category	Violations Per Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Very Small (<500)	21708	23639	22603	18550	19740	25230	18858	20657	17221	24206
Small (501-3,300)	6826	7142	9137	6152	6384	10494	7001	6833	7339	7972
Medium (3,301-10,000)	2328	2394	3298	2387	2038	4113	2189	2543	2886	2502
Large (10,001-100,000)	1967	1632	3488	1970	1617	2437	1124	1472	1620	2003
Very Large (>100,000)	279	288	313	289	245	280	135	206	210	306
Grand Total	33108	35095	38839	29348	30024	42554	29307	31711	29276	36989

*Based on Q3 2025 EPA SDWIS data snapshot

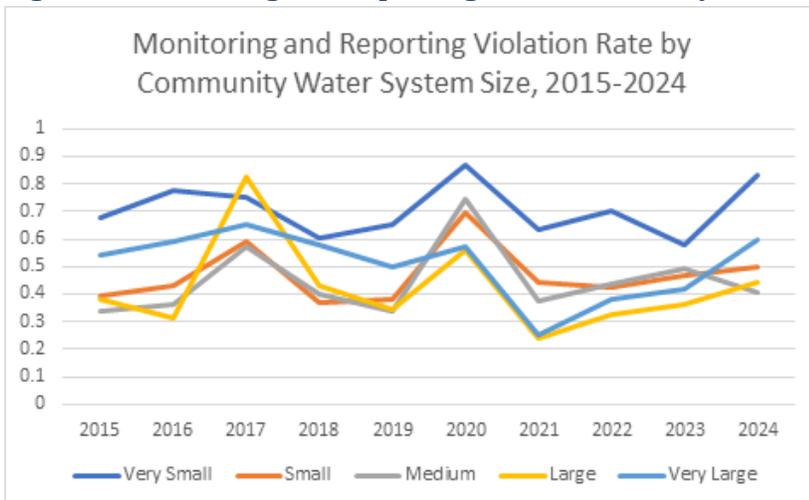
However, trends in non-compliance rates are broadly similar across all system sizes. (Figure 1)

Figure 1: Total Violation Rate by Community Water System Size, 2015-2024



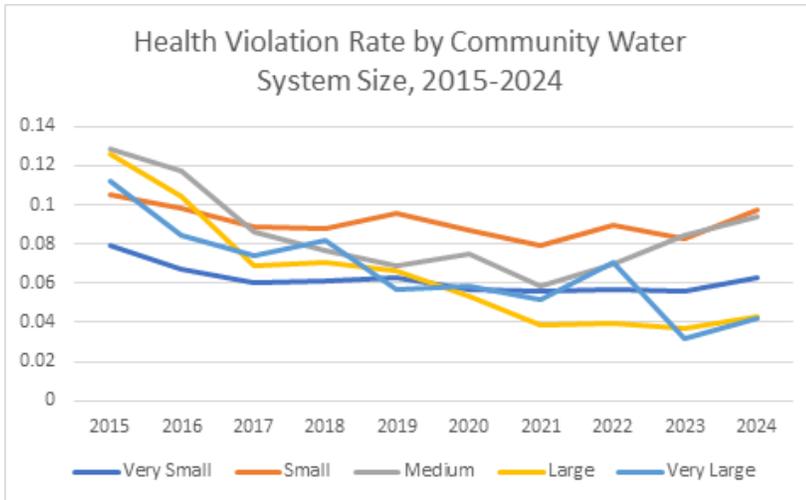
Very small CWSs violations tend to indicate monitoring and reporting issues rather than health violations. (Figure 2)

Figure 2: Monitoring and Reporting Violation Rate by Community Water System Size, 2015-2024



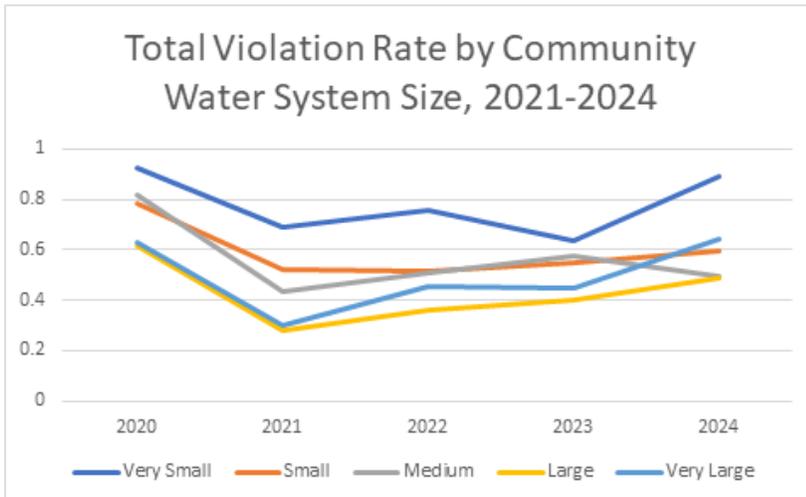
Very small CWSs report lower rates of health non-compliance than small (501–3,300) and medium (3,301–10,000) CWSs, consistent with previous multi-year research⁷. (Figure 3)

Figure 3: Health Violation Rate by Community Water System Size, 2015-2024



These trends hold over the 10-year period, and the most recent 5-year period. (Figure 4a-c)

Figure 4a: Total Violation Rate by Community Water System Size, 2021-2024



⁷ Marcillo CE, Krometis L-AH. Small towns, big challenges: Does rurality influence Safe Drinking Water Act compliance? AWWA Wat Sci. 2019;e1120. <https://doi.org/10.1002/aws2.1120>

Figure 4b: Monitoring and Reporting Violation Rate by Community Water System Size, 2021-2024

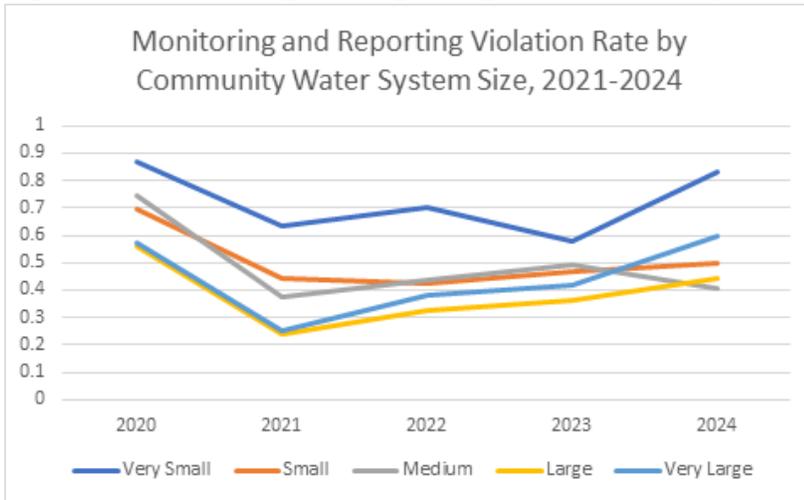
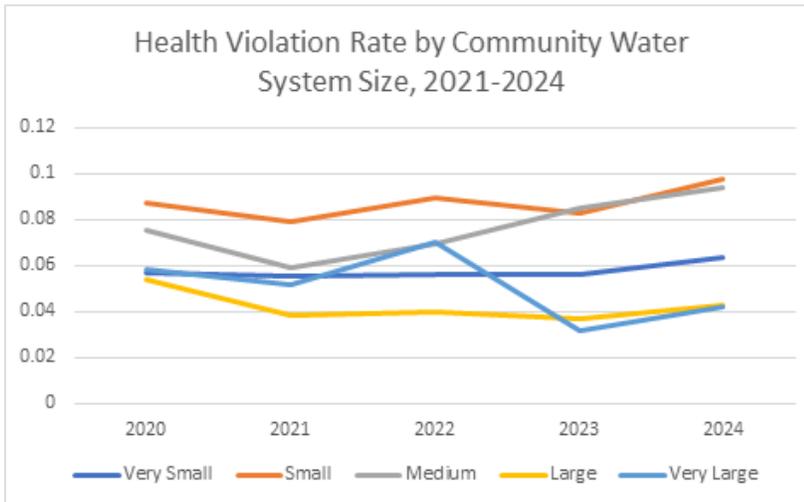


Figure 4c: Health Violation Rate by Community Water System Size, 2021-2024



Overall, the evidence from EPA’s reporting system shows similar non-compliance rates across CWSs, and changes in non-compliance rates follow similar trends independent of system size. The smallest systems tend to report better health performance than many larger systems, corroborating the performance patterns observed twenty years ago. Many different variables, including ownership type, source type, and other factors may contribute to non-compliance rate differences, as may other factors not captured in SDWIS, such as service area, alternative source water characteristics, and system age and condition⁸.

A community-driven approach to regionalization can find opportunities where consolidation will yield benefits, but top-down consolidation based on a pretext of assured performance improvement is misguided. Instead, voluntary regionalization can create that model of water management that best serves the particular needs of each community.

⁸ https://www.epa.gov/system/files/documents/2025-01/final_508_epa_reporttocongress_11-19-24_0.pdf, pg. 74.

What Regionalization is and is NOT – A Critical Clarification

Regionalization of water and wastewater systems, properly understood, is fundamentally a model of partnership through which two or more utilities collaborate to strengthen technical, managerial and financial capacity; improve regulatory compliance; and support long-term sustainability while preserving local identity and public accountability. It is a voluntary, community-driven approach grounded in shared governance, shared resources, and shared decision-making.

Regionalization is not merely the act of integrating two or more systems; it is defined by a process in which decisions are voluntary and led by the involved communities, and by outcomes that preserve community leadership and prioritize community benefit. In short, regionalization — or regional partnership — **is a strategy and a practice** for building collective strengths while maintaining community autonomy. Particularly with increasing attention to regionalization, it is essential to understand what regionalization is and what it is not. While it is becoming more common for “consolidation” or even “acquisition” to be used alongside or even interchangeably with regionalization – including in legislative proposals and regulatory discussions – understanding regionalization and its distinctiveness in terms of process and outcomes is critical to ensuring that policy and practice advance outcomes that best serve the interests of communities.

Community-led regionalization, in policy and in practice, prioritizes the voluntary component in both the process and the outcome of collaboration among utility systems. In decisions about whether to collaborate, how to collaborate, and to what extent - often ranging from informal cooperation and shared services to full voluntary consolidation - regionalization ensures that communities are able to determine the form of partnership, initiate and approve the decision, and retain meaningful authority in the systems that result from such collaboration. While this is most easily understood in terms of **process** — who makes and shapes decisions about collaboration — it is equally critical that it applies to **outcomes**: who ultimately holds governance authority so that systems continue to serve and benefit their communities. Processes that are involuntary (mandated by external authorities, taken under pressure, or undertaken without meaningful community choice) or that result in a loss of community ownership, identity, leadership, or governance authority are **not** regionalization.

Consolidation and acquisition must therefore be understood in relation to regionalization — and clearly differentiated from it — to protect community autonomy and ensure accurate policy interpretation. Consolidation is part of the regionalization spectrum and often voluntarily sought out by communities to preserve a public shared governance structure, community leadership, and community benefit.

Acquisition, by contrast, involves the transfer of ownership and governance authority away from the community and therefore cannot constitute regionalization, even when communities voluntarily agree to it. Distinguishing between acquisition and consolidation as regionalization outcomes is essential to ensuring that policy, regulation, and practice support community-led solutions rather than inadvertently enabling outcomes that diminish local control and community benefit.

Federal and state authorities reinforce this distinction between regionalization, consolidation, and acquisition. EPA’s *Water System Partnerships* guidance, USDA Rural Development’s *Water and Waste Disposal Program Guidance*, and state frameworks in California, Michigan, and Virginia consistently differentiate collaborative regional partnerships — which preserve local governance, community

leadership, and public accountability — from ownership transfers and mandated interventions that shift or remove community control. These authorities treat voluntary, community-driven regionalization as a partnership model, recognize that consolidation may sometimes function as regionalization when it is voluntary and preserves public governance, and identify acquisition as a transfer of ownership that is categorically distinct from regionalization. Together, these frameworks underscore the importance of using the term “regionalization” precisely, so that its meaning is not diluted by practices that do not maintain community leadership, ownership, and benefit.

Regionalization - refers to the spectrum of voluntary, community-driven collaborative arrangements among two or more utilities that desire to strengthen capacity to improve quality, compliance, resilience, and sustainability, while preserving community autonomy.

The regionalization spectrum of collaboration includes:

- informal cooperation (mutual aid, shared training, joint procurement, etc.)
- contractual assistance (shared operators, billing services, O&M)
- joint powers authorities or regional entities
- **voluntary partial or full consolidation** (full integration under a shared public governance structure)

Regionalization is characterized across federal and state guidance by:

- shared governance
- shared capacity and resources
- collaborative decision-making
- preservation of community identity
- public accountability
- voluntary participation

Regionalization is never involuntary. If participation is compelled, the effort cannot be referred to as regionalization even if it is defined as a “regional” effort.

Consolidation - is the technical, managerial and/or financial **integration** of two or more utilities into a single public entity. When communities choose consolidation voluntarily – negotiate terms, retain public governance and shape the resulting structure to reflect local priorities – it is a form of regionalization. However, when consolidation is involuntary, it cannot be considered a true form of voluntary, community-led regional partnership or regionalization.

Acquisition- the transfer of ownership, assets, revenues and decision-making authority, from a local utility to another entity, most commonly to an investor-owned utility or other private actor. Critically, even if acquisition may be voluntary – in the sense that a community may willingly agree to have their water and wastewater systems acquired - it is not regionalization as acquisition eliminates local governance, ends community leadership and redirects economic benefits to the acquiring entity. This outcome is fundamentally incompatible with the principles of regionalization.

Why Is Federal Support Needed to Assist Voluntary Regionalization for Rural Utilities?

While regionalization offers a powerful pathway for delivering long-term, resilient solutions, unlocking economies of scale, improving system performance at a regional level, and strengthening the sustainability of entire communities, its full promise cannot be realized without robust and sustained investment. Federal support is critical to providing the financial resources, technical assistance, and policy framework needed to help rural and small systems successfully transition into regional partnerships that protect public health, ensure regulatory compliance, and foster economic vitality.

- **Initiate Regionalization Efforts** – Small and rural communities often lack the resources needed to fully evaluate or pursue viable long-term alternatives. As a result, these communities may struggle even to begin conversations about shared services, consolidated management, or other forms of regional collaboration. Launching regionalization efforts requires targeted support—funding, facilitation, and technical guidance—to help rural systems assess their options, build local consensus, and identify solutions that enhance sustainability while respecting community identity.
- **Fund the Planning Phase** – When utilities decide to explore partnership alternatives, often the planning phase becomes a critical step for ensuring informed, durable decisions. During this stage, all alternatives and potential implications must be thoroughly evaluated through technical, financial, managerial, and governance lenses. This includes assessing infrastructure compatibility, long-term cost implications, operational capacity, regulatory framework, and the governance models that could guide a future regional entity.

Without dedicated funding, many small or rural systems lack the resources to conduct these assessments or to engage experts who can answer key questions and facilitate discussions among stakeholders. Investing in the planning phase ensures that decision-makers have a clear understanding of risks, benefits, tradeoffs, and long-term obligations before making any commitments.

- **Maximize Economies of Scale** – Regionalization offers a powerful opportunity to maximize economies of scale, reduce redundancies, and significantly improve operational efficiency. By pooling resources, centralizing specialized expertise, and sharing critical infrastructure, participating systems can lower long-term operating costs and enhance service reliability in ways that are difficult—if not impossible—for small systems to achieve independently.
- **Training and Education** – Training and education are essential components of any successful regionalization effort. Because the process is often complex - requiring an understanding of technical, financial, managerial, and governance considerations - communities benefit greatly from guidance provided by a neutral third-party entity that has no vested interest in the project's outcome. This impartiality helps ensure that discussions remain objective, transparent, and focused on the long-term well-being of the participating communities. Yet in many rural areas, training opportunities tailored to local leaders, utility board members, and consultants are limited or entirely

unavailable. Without access to clear, practical information about the regionalization process, stakeholders may struggle to interpret technical assessments, understand regulatory expectations, or evaluate governance options. These gaps frequently lead to frustration, miscommunication, and even mistrust among partners, potentially undermining collaboration before it has the chance to take root.

Investing in high-quality training and educational resources helps build a shared foundation of knowledge, improves decision-making, and strengthens confidence in the process. By equipping local leaders with the tools and understanding they need, communities are better positioned to explore regional solutions collaboratively, evaluate options openly, and move forward with decisions that reflect both local priorities and regional opportunities.

- **Incentivize High-Performing Utilities** – In many regions, the most practical and effective pathway toward sustainable regionalization involves partnering with a larger, high-performing utility. These systems often have the technical capacity, managerial experience, and financial stability needed to support smaller neighboring communities that struggle to meet modern regulatory, operational, and infrastructure demands. However, even when collaboration makes strategic sense, larger utilities may face real costs, staff time, system upgrades, planning expenses, risk exposure, and long-term responsibilities that can deter them from engaging without clear incentives.

To encourage strong regional partnerships, dedicated funding incentives should be offered to high performing public utilities willing to come to the table and help shape durable, equitable solutions. Targeted financial support can offset the upfront burdens of conducting feasibility studies, designing integration plans, modifying infrastructure, or assuming new operational responsibilities. These incentives not only signal federal commitment but also help ensure that partnerships are built on a foundation of mutual benefit rather than disproportionate risk for the larger utility.

At the same time, it is essential that federal funds be directed in ways that clearly prioritize public benefit. Funding should not flow to investor-owned utilities where public dollars may ultimately subsidize shareholder returns rather than community outcomes. Instead, incentives should focus on publicly governed entities like municipal utilities, authorities, or districts that reinvest resources into system improvements, community affordability, and long-term operational resilience.

By structuring incentives thoughtfully, policymakers can unlock the potential of strong public utilities to play a transformative regional leadership role expanding access to safe, affordable, and sustainable water and wastewater services across entire regions while protecting the public interest.

Technical Assistance to Support Voluntary Regionalization for Rural Utilities

Community-led regionalization efforts are most successful when they are tailored to the unique needs, conditions, and priorities of each region. No two geographic areas, utility systems, or local governance structures are the same, which means that a one-size-fits-all model does not work. Instead, effective regionalization recognizes the distinct social, cultural, economic, environmental, and infrastructure realities that shape each community's path toward long-term sustainability.

However, communities should not be expected to navigate this complex process on their own. Exploring regionalization involves numerous decisions that most small or rural utilities are not equipped to evaluate without support. The likelihood of success is often determined by the resources available to them as they move through each phase of the process.

To empower communities that are ready to pursue regional solutions, **neutral, non-vested third-party entities** play a critical role. These organizations provide guidance, facilitation, and specialized expertise to help decision makers through the process:

- Understand the benefits, risks, and long-term implications of regional collaboration.
- Evaluate technical feasibility, financial impacts, operational needs, and governance options.
- Build trust among partners and keep the process grounded in transparency and shared purpose.
- Manage project development from early exploration through implementation.

These third-party entities should bring deep experience in:

- **Utility technical assistance** (system compatibility, operational capacity, infrastructure requirements)
- **Financial analysis** (rate impacts, capital planning, access to funding)
- **Managerial and governance structures** (roles, responsibilities, agreements, oversight models)
- **Project development and project management** (planning, sequencing, stakeholder coordination)

Their support extends not only through the planning and implementation phases but often well beyond, ensuring that newly formed regional partnerships operate as a business, effectively, sustainably, and in alignment with community goals.

To strengthen and streamline the regionalization journey, communities benefit from structured support such as:

- **Training on the benefits, models, and processes of regionalization and consolidation**, helping local leaders and utility staff build a common understanding and shared vocabulary.

- **Facilitation of funding applications**, including grants, low-interest loans, and federal or state assistance programs needed to overcome financial barriers.
- **Coordination support** to help communities navigate legal, regulatory, operational, and administrative complexities that can otherwise stall progress.

Local Knowledge and Community Context

Each utility operates within a unique structure, governance model, and management culture. Local leaders understand the distinct cultural, political, and geographic factors that shape decision-making in their communities. For this reason, third-party entities working with utilities must also have a working knowledge of local values, community history, political dynamics, and regional landscape. Such familiarity strengthens trust, fosters transparent communication, and lays out the foundation for a long-term working relationship rooted in trust, respect, and shared purpose.

When communities experience external pressure to relinquish ownership, they deserve representation from organizations aligned with the local priorities, traditions, and community norms. These supporting entities should have a long, proven record of non-self-serving policy advocacy, working solely to advance the interests of the utility and the people it serves. Technical assistance providers must never seek to acquire system assets or otherwise benefit financially from the outcome. Their role is **to guide, not to gain**.

Federally Funded Technical Assistance

Federally funded technical assistance or assessments related to consolidation should be carried out by experienced, trusted, and unbiased partners-- specifically, non-profit organizations or other disinterested entities that have no financial stake in the outcome of the project. Their role must be to guide, not to direct or predetermine, the decisions being considered. Any advice or services provided should be grounded in practical experience from similar projects, supported by available data and resources, and delivered with the technical, financial, managerial, and governance expertise necessary to help local leaders make fully informed, community-centered decisions.

Technical assistance providers facilitating these efforts must possess extensive experience and a comprehensive understanding of the utilities involved, including the local politics, utility operations, vulnerabilities, strengths, and long-term challenges. Without this level of insight, it is impossible to offer guidance that accurately reflects the realities and needs of the communities.

The National Rural Water Association (NRWA) and the Rural Community Assistance Partnership (RCAP) employ over 1,000 highly qualified staff who work and live in the rural communities they serve. These experts bring decades of hands-on technical assistance, policy leadership, and on-the-ground facilitation experience, making them uniquely positioned to support voluntary, community-driven regionalization efforts.

Importantly -- federally funded assistance **must never compel, pressure, or mislead** utilities or communities into relinquishing ownership of their systems or entering into agreements that are not in their best interest. The purpose of federal support is to empower communities, not to prescribe outcomes that could compromise local control or long-term sustainability.

Legislative Recommendations

Sustainable water and wastewater utilities are fundamental to protecting public health, supporting economic vitality, and safeguarding national security. Ensuring long-term sustainability requires expanding local access to federal investment, an outcome that depends on a coordinated legislative and regulatory framework capable of addressing long-standing systemic barriers and realities of small and rural communities.

Today's policies often lack the flexibility and practical funding mechanisms necessary to advance regionalization efforts effectively. To fully realize the benefits of regional collaboration, legislative and regulatory reforms must incentivize regional solutions, streamline federal processes, and strengthen both technical and financial assistance while empowering communities to pursue regionalization and consolidation when appropriate and on their own terms.

The recommendations that follow are intended to guide a holistic, government-wide approach that supports sustainable, equitable, and community-driven regionalization.

Establish Safe Harbor Provisions for Compliance Support

Congress should enact legislation creating safe harbor provisions to encourage strong, compliant utilities to assist neighboring systems that are struggling to meet regulatory requirements. Under this provision, utilities that are in good standing with the EPA and not operating under any consent orders or violation notices would be exempt from incurring additional regulatory or financial penalties when helping out-of-compliance systems through regionalization or consolidation.

The safe harbor provision should authorize the assuming (or partnering) entity to bring the non-compliant system into compliance over a period of no fewer than five years, without assuming undue enforcement risk. This flexibility is essential to empower utilities to provide meaningful assistance, support long-term corrective actions, and reduce barriers that often prevent well-performing systems from stepping in to help neighboring distressed communities.

Leverage the Farm Bill to Support Regionalization Through RUS

Congress should utilize the Farm Bill to provide targeted financial assistance and authority through the Rural Utilities Service (RUS) to encourage high-capacity public utilities to serve low-income, unserved, and underserved communities with affordable and sustainable water and wastewater services. This authority must be clearly defined to ensure that the full subsidy benefits the communities in need, not the expanding utility.

Goals of this Proposal

1. Serve Low-Income, Underserved Communities

Eligible communities should be low-income, lacking adequate water or wastewater services, with insufficient technical, financial, or managerial capacity to sustain affordable service independently.

2. Determine Subsidy Levels Based on the Needs of the Low-Income Community

When regionalization or consolidation of public utilities occurs, the affected low-income community should be evaluated **independently** to determine the level of financial support required to ensure affordability.

3. Protect the Purpose of the Subsidy

The higher-capacity utility receiving financial assistance **on behalf of the low-income community** must ensure that all subsidy dollars are used exclusively for connecting and serving the low-income community and its residents.

4. High-Performing Utility

The utility assuming service responsibility should:

- a. Be deemed high performing by the Secretary of Agriculture
- b. Be eligible for RD funding
- c. Demonstrate the ability to provide sustainable, affordable service

5. Ensure Community-Centered, Voluntary Decision-Making

Communities should receive independent technical assistance from entities with proven experience in rural development water and wastewater programs and processes before taking any action or making any long-term decisions. This ensures that decisions remain local, voluntary, and fully informed. Congress established a similar authority in the 2018 Farm Bill within the Wastewater Technical Assistance Program (7 U.S.C. 1926(a)(14)(iv)), demonstrating precedent for this type of approach.

Increase SRF Funding for Regionalization, Including Voluntary Consolidation

Congress should increase State Revolving Fund (SRF) resources dedicated specifically to regionalization, including voluntary consolidation. Although SRF programs already authorize regionalization activities, most states do not fully prioritize or support the technical assistance, planning, and infrastructure investments needed to make these projects successful.

A dedicated federal set-aside should support:

- Technical assistance
- Planning and feasibility analysis
- Community education and outreach
- Early-stage project development

States frequently encourage collaboration, but without funding for the planning phase where key questions must be answered, decision-makers often lack the information necessary to proceed confidently. Additional capital support for subsequent infrastructure improvements is also essential to move projects from concept to implementation.

Create a Consolidation Set-Aside in the WEP Account

Congress should establish a **dedicated funding set-aside** within the Rural Development Water and Environmental Programs (WEP) account specifically for regionalization efforts, including consolidation.

This set-aside could:

- Prioritize regionalization activities, including consolidation, through **June 30** of each fiscal year
- Return any unused funds to the national pool on **July 1** for redistribution to traditional infrastructure projects

This approach ensures that consolidation projects receive focused support while maintaining flexibility to meet broader program needs.

Enhance Flexibility Across Federal Funding Programs

Federal funding programs should allow the use of funds not only for construction but also for the **planning, facilitation, and implementation** of regionalization projects. Early-phase work—such as feasibility studies, legal and governance analysis, community engagement, and financial modeling—is often the most significant barrier for small and rural utilities considering regional approaches.

Increasing program flexibility would:

- Strengthen local capacity
- Support informed decision-making
- Improve project readiness
- Accelerate long-term infrastructure improvements

Revise and Modernize Rural Development Underwriting Procedures

A comprehensive review and revision of Rural Development's (RD) underwriting procedures is essential to ensure greater flexibility in supporting regional infrastructure solutions. Modernizing financial documentation requirements to reflect the realities of newly consolidated entities will help promote more efficient and collaborative service models without compromising financial integrity or program accountability.

Challenge: Limited Flexibility in RD's Financial Documentation Requirements

One key example is the requirement that infrastructure loan applicants submit three years of historical financial statements. While appropriate for long-standing utilities, this standard becomes a significant barrier for newly consolidated entities formed through the merger of multiple smaller systems, which is a foundational step toward achieving regional efficiency and long-term sustainability.

These new entities often do not have three years of financials under their new structure. As a result, even when their component systems have strong financial histories, the consolidated utility may appear ineligible or less competitive simply due to procedural constraints.

Recommendations

1. Accept Historical Financials from Predecessor Systems

RD should allow newly consolidated entities to submit the audited financial statements of the individual systems that merged to form the new organization. This approach more accurately reflects repayment capacity and historical performance.

2. Evaluate Combined Financial Performance

Underwriters should assess the consolidated utility's financial strength based on:

- Combined historical performance
- Expected operational efficiencies
- Economies of scale
- Reductions in redundancy
- Shared services and improved management capacity
- Enhanced access to future funding

This broader evaluation captures the real benefits and long-term viability of consolidation.

3. Provide Clear Guidance for New Entities

RD should publish explicit guidance outlining acceptable documentation options for newly consolidated systems, including how predecessor financial information should be presented within the application package.

4. Incentivize Regionalization Through Funding Mechanisms

RD's underwriting and funding structures should recognize the strategic benefits of consolidation—such as long-term cost reduction, improved service, and regional resilience— and offer incentives that encourage communities to pursue regional solutions when appropriate

5. Train and Support Rural Development Field Staff

RD field staff are trusted partners in rural communities and play a crucial advisory role, especially in government-to-government conversations. To strengthen their ability to support regionalization, field staff should receive training that deepens their understanding of:

- The benefits of consolidation
- The operational and financial efficiencies it can create
- The regional resilience it helps build

Well-trained field staff can provide unbiased guidance, help demystify the process for local leaders, and support responsible decision-making rooted in community needs.

Conclusion

Across the country, water and wastewater systems remain fundamental to community health, economic stability, and long-term resilience—yet these essential services are under increasing strain in small and rural communities. Regionalization is not a new idea or solution but rather has been happening for decades. Today it is being considered by small and rural systems more frequently than it has in the past as a promising pathway to help these communities address mounting challenges. This white paper demonstrates that its success depends on community leadership and strong collaborations.

NRWA and RCAP, with more than one hundred years of combined national leadership, have consistently shown that regionalization works best when communities maintain decision-making authority and have access to unbiased technical expertise, transparent processes, and the financial support required to make informed, long-term choices. They have guided hundreds of utilities through regional partnerships built on shared governance, shared resources, and respect for local identity, thus strengthening capacity while preserving community autonomy.

As the nation faces a projected \$625 billion investment in drinking water infrastructure, federal support becomes indispensable. Rural communities cannot meet the scale of these challenges alone. Strategic investments in planning, technical assistance, training, and incentives for high-performing public utilities are essential to ensure that regionalization remains relevant, voluntary, equitable, and sustainable, not a forced or misapplied solution.

Voluntary, community-led regionalization offers a pathway to stronger, more resilient water and wastewater systems, but only when communities have the freedom, resources, and support to choose it on their own terms. With coordinated federal and state action, and with NRWA and RCAP continuing to lead as trusted partners, rural communities can protect public health, reinforce local control, and build the water infrastructure systems needed to thrive for generations to come in rural America.