



WRITTEN STATEMENT FOR THE RECORD

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OF THE NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
AGRICULTURE COMMITTEE
SUBCOMMITTEE ON RURAL DEVELOPMENT, BIOTECHNOLOGY, SPECIALTY CROPS
AND FOREIGN AGRICULTURE**

**ON BEHALF OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO)
AND THE
NATIONAL ASSOCIATION OF COUNTIES (NACo)**

**WASHINGTON, DC
MARCH 23, 2010**

Thank you, Chairman McIntyre, Ranking Member Conaway and members of the subcommittee for the opportunity to testify today on the status of rural water infrastructure programs operated by the U.S. Department of Agriculture (USDA) and the status of American Recovery and Reinvestment Act (the Recovery Act) funds for these programs. Most importantly, I want to thank you, Mr. Chairman, for your leadership in ensuring that USDA Rural Development funding was included in the Recovery Act. The roundtable you held during the Recovery Act debate was instrumental in educating members of Congress and their staff about the vital role USDA Rural Development programs could play and are now playing in our nation's recovery efforts.

My name is Michael Norton. I am Executive Director of the Northwest Arkansas Economic Development District, headquartered in Harrison. I also currently serve as President of the National Association of Development Organizations (NADO). My professional background includes more than three decades in regional and local community and economic development, including 20 years in my current position.

Today, I have the opportunity to represent NADO as well as the National Association of Counties (NACo).

My goal today in covering this important topic is to offer some concrete examples about the effectiveness of USDA's rural water infrastructure programs and to provide suggestions as you look toward the next Farm Bill. As debate begins on the rewrite of the Farm Bill, I strongly encourage members of this subcommittee to make rural water infrastructure and rural development programs in general, a central theme of the proposal. These programs are critical to economic expansion in rural America and are needed more than ever as our nation struggles to recover from the recent economic downturn.

ABOUT THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

The National Association of Development Organizations (NADO) provides advocacy, education, research and training for a national network of 520 regional development organizations. NADO members—known locally as councils of governments, economic development districts, local development districts, planning and development districts, regional councils and regional planning commissions—are focused on strengthening local government, communities and economies through regional solutions, partnerships and strategies.

ABOUT THE NATIONAL ASSOCIATION OF COUNTIES

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation's 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public's understanding of county government, assists counties in finding and sharing innovative solutions through education and research, and provides value-added services to save counties and taxpayers money. NACo's membership totals more than 2,000 counties, representing over 85 percent of the nation's population.

This morning, I would like to focus my remarks on three key points.

- 1. Recovery Act funding, coupled with yearly appropriations for USDA's vital water and sewer infrastructure programs through the Rural Utilities Service, have been essential resources for rural communities as they strive to create economic opportunities and improve the quality of life for their citizens.**
- 2. The lack of adequate water and wastewater infrastructure still remains one of the most significant roadblocks to economic development in small town and rural America.** USDA Rural Development is effective at helping communities overcome rural water and wastewater infrastructure challenges. However, the mission area still needs additional resources, especially grant funding, in the coming fiscal years to meet the mounting demands for these programs.
- 3. The Administration's newly proposed Rural Innovation Initiative will make USDA's infrastructure investments more efficient and effective by rewarding regional strategic approaches to rural development.** This reflects the reality of today's marketplace where rural counties and communities are not only competing statewide and nationally, but more likely, internationally. The Rural Innovation Initiative will provide incentives and resources for the enrichment of rural development strategies on a regional and local basis to implement area wide priority projects and initiatives. NADO and NACo urge the subcommittee to support this promising initiative.

First, Mr. Chairman, Recovery Act funding, coupled with yearly appropriations for USDA's vital water and sewer infrastructure programs through the Rural Utilities Service, have been an essential resource for rural communities as they strive to create economic opportunities and improve the quality of life for their citizens.

For many small communities with aging, substandard water supply systems that are expensive to maintain or communities with no or limited public water supply systems, USDA Rural Development is an invaluable partner.

One example of access to safe and reliable sources of water being an essential catalyst for economic development, job creation and business development is taking place in my state and region. The **Ozark Mountain Regional Public Water Authority (Diamond City, Arkansas)** will receive \$55.7 million in grant and loan funding from USDA Recovery Act dollars to develop and build a long-term regional water supply for four counties in rural Arkansas.

Currently, the citizens of Newton, Sercy, and portions of Boone and Marion counties have limited water resources available. Lack of water is a constant concern for these communities. According to the Arkansas Department of Health, the water that is available to residents contains excessive and dangerous levels of Radium 226, Radium 228, Fluoride and Hydrogen Sulfide. The U.S. Environmental Protection Agency (EPA) has certified that many of these water sources are unsafe for human consumption.

USDA funds will be used to build a water treatment facility, drainage basin and intake structure to deliver treated water via transmission lines, a booster pumping station and water storage tanks to approximately 20 water systems in some of the most rugged and difficult terrain in North Central Arkansas. Ultimately, the project will provide a safe and reliable source of water for 22,000 local residents.

It will also provide a plentiful source of water for the region in order to facilitate economic growth. Due to the unsafe and limited water supply available from existing springs, these counties have never had the opportunity to solicit or obtain industrial or commercial development. A contributing factor to low income levels in state. This project, which has been in the making for 25 years, aims to reverse that trend and attract much needed economic opportunities to this very rural region of our state.

Without USDA Recovery Act investments, this project would remain unrealized, and the citizens of the region would continue to struggle with unsafe water and little hope for future job creation and business development.

But, my region is not the only one benefiting from USDA's critical assistance.

Commissioner F.D. Rivenbark of **Pender County, North Carolina** testified before this subcommittee in June 2009 on behalf of NACo regarding USDA Recovery Act projects and has a very positive update on the success of USDA Rural Development funding in his county. The original Pender County Water Treatment Plant Project, mentioned in his testimony, was not going to be cost effective as the region's high population growth would render the plant obsolete in just a few years. USDA worked with local leaders to allow the construction of a larger project, thus saving millions down the road for facility upgrades.

The project cost of \$32.3 million was made up of \$22.5 million in low interest loans, \$7.6 million in grant funding and \$2.3 million in local funds. The plant and transmission facility is on target to bid in the next 90

days. This plant will provide water for a new industrial park, and a major industrial corridor where there is no development at this time. Industrial client interest is increasing significantly at this site due to the plant coming online soon.

Due to the new water treatment plant, a new business is considering investing \$80 million and creating 1,200 jobs at the new industrial park. With over 11 percent unemployment in Pender County, this would be a tremendous boost to the local economy. The project would not have been possible without the funding and excellent technical assistance from USDA field staff in North Carolina. Without the grant funds in particular, which represent 23 percent of the total project cost, Pender County and its water users would struggle to make the plant financially viable.

As part of the regional water strategy provided by the **Greenville Utilities Commission (Greenville, North Carolina)** to help local water providers meet the mandated reduction of groundwater withdrawal, USDA Rural Development provided \$17.4 million in combined loan and grant funding for a joint transmission line and internal improvements to serve the Pitt and Greene County water systems. This investment will help water systems reduce the volume of water they withdraw by a total of 75 percent by 2018.

The **Lower Jackson River Regional Wastewater Treatment Plant in Alleghany County, Virginia** is an antiquated facility that overflows at several points in the county. USDA provided a \$2.5 million loan and a \$2 million grant towards construction of a new regional wastewater treatment plant that will serve **Alleghany County** and the Towns of **Clifton Forge** and **Iron Gate**. Once completed, the plant will bring the county wastewater treatment efforts back into compliance with environmental regulations and will open all of Eastern Alleghany County for economic development, resulting in an untold number of new jobs.

The **Sandy Township Municipal Authority (DuBois, Pennsylvania)** received a \$5.8 million Rural Development loan to extend its present water system. The extension of the system's water lines will allow the authority to supply additional water and fire protection to 260 new users in the area. The funds were made available through the Recovery Act.

The **Northeastern Vermont Development Association (St. Johnsbury, Vermont)** provided technical assistance to help several communities in its region access Rural Development water and sewer funding. Because of this assistance, the Towns of Troy and Jay were awarded more than \$1.1 million in grant funds and \$1.4 million in loan funding to expand their wastewater treatment center and install larger waste water collection lines. The funds will allow these two communities to meet the expansion needs of a nearby ski resort in this tourist dependent region and to pursue other economic development opportunities.

Second, Mr. Chairman, the lack of adequate water and wastewater infrastructure still remains one of the most significant roadblocks to economic development in small town and rural America.

Despite the dramatic gains made with funding provided in the Recovery Act for USDA rural water and wastewater infrastructure programs, the nationwide funding backlog remains significant. USDA Rural Development is effective at helping communities overcome rural water and wastewater infrastructure challenges, but additional resources will be needed in the coming years to meet the mounting demand for these programs.

According to a 2009 report by the American Society of Civil Engineers (ASCE), of the nearly 53,000 community water systems, approximately 83 percent serve 3,300 or fewer people. These smaller systems face huge financial, technological, and managerial challenges in meeting a growing number of federal

drinking-water regulations. Overall, ASCE estimates that nearly \$1 trillion in critical drinking water and wastewater investments will be needed over the next two decades across the United States. Not meeting the investment needs of the next 20 years, risks reversing public health, environmental and economic gains of the past three decades.

While state and local governments, industry and nonprofit organizations are making major contributions to our public infrastructure enhancement efforts, this immense job will never be completed without sustained aggressive leadership, participation and resources of the federal government. More than 98 percent of the nation's investment in water infrastructure has been made at the local level, according to the American Water Works Association. Local governments stand ready to be a key partner in economic recovery and are willing to pay our fair share for infrastructure needs, but we will not be able to afford all the needed investments needed without an enhanced federal partnership.

In addition to the health and social benefits of this long-term and on-going process, infrastructure development is vital to the nation's ability to maintain and sustain a world-class economy. This will be particularly critical as the nation works to expand the renewable fuels industry. The transport of raw and finished products is already placing new and growing demands on our infrastructure and transportation systems.

As proven by USDA Rural Development investments over the years, the role of basic public infrastructure and facilities are at the core of both sustaining existing businesses, nurturing new companies and improving the quality of life in rural counties and communities. The private sector relies, expects and demands that counties and local communities provide and maintain these services and infrastructure. Business and industry will locate wherever these critical facilities exist. Be it here in the United States, or more often, abroad.

As the subcommittee works to evaluate USDA rural water and wastewater infrastructure programs, we encourage you to help make the application process for new and existing programs more user-friendly and streamlined. Navigating the extensive USDA program portfolio and application process can be a burdensome and time consuming endeavor. This is especially important considering that over 33,000 of the nation's 39,000 units of local government have populations below 3,000 and 11,500 employ no full-time professional employees, according to U.S. Census Bureau data. We support USDA Rural Development's stated goal of implementing a community development component specifically geared toward smaller communities that lack sufficient capacity. One way to assist localities with limited resources will be to increase USDA field staff's knowledge about community development and ensure that regional development organizations remain eligible to help plan and implement projects similar to those outlined earlier in my testimony.

Finally, Mr. Chairman, the administration's proposed Rural Innovation Initiative will make USDA's infrastructure investments more efficient and effective by rewarding regional approaches to rural development.

The Rural Innovation Initiative is designed to provide a new framework for USDA to promote economic development and job creation in rural communities. To support this regionally-based, locally-driven approach, USDA requested a set-aside in the FY2011 Budget of more than \$280 million of existing program funds, roughly five percent of the funding from approximately 20 existing USDA programs, including USDA's Water and Waste Program.

The initiative will allocate funds competitively among innovative regional economic development projects tailored to local needs and opportunities. We encourage Congress to adopt provisions included in the President's FY2011 Budget request, which will give USDA authority to set aside funding needed to begin this initiative.

The initiative's new approach will lead to increased efficiency as rural community capacity is enhanced through greater coordination and leveraging of regional funding. We strongly support the goal of moving rural development towards a commitment to regional rural development strategies designed by local leaders. The initiative will help address one of the most important but underfunded parts of rural community and economic development—rural development strategies and institutional capacity to implement priorities.

Most rural local governments simply lack the financial resources to hire professional economic development practitioners and few federal programs are specifically designed for their needs. Our rural regions are lagging behind in economic development, job creation and growth, but not because they lack the assets or willingness needed to strengthen their communities. Whether through the timber, agricultural, natural resources, energy or manufacturing industries, rural regions truly are key drivers of America's economic and national security. What they lack are the resources to successfully leverage those assets into economic growth opportunities for their own citizens.

The Rural Innovation Initiative will provide these regions with resources and a framework to examine their strengths, move beyond current program stovepipes, and develop a structure leveraging those assets to address challenges in their local economies. The initiative also recognizes the value of working regionally. No community will have to "go it alone" but by the same account, no community can thrive alone. In order to benefit from this new initiative, communities will have to work together to address their common priorities and goals.

Ultimately, the Initiative will provide rural regions with the resources necessary to build their workforce and strengthen their existing community infrastructure, creating prosperous rural communities where people want to live and raise families.

We see examples of the Rural Innovation Initiative being implemented throughout the country. Recognizing that his state's economic development efforts focused on competition for business and jobs among its own cities, towns and regions instead of focusing on how the state as a whole could better compete in the global economy, Governor John Baldacci announced the creation of a new statewide economic development effort: *Mobilize Maine*. The initiative changed the model for rural economic development in Maine by addressing a disconnected, fragmented and, often times, ineffective system to improve the personal income of Maine workers.

Facilitated and coordinated by Maine's six Economic Development Districts (EDDs), *Mobilize Maine* creates a framework to identify and develop strategies addressing Maine's unique assets that have market-leverage in the global economy, but may not have been previously recognized. The plan also sets concrete actions, timelines and benchmarks to utilize those assets to transform Maine's regional economies and business climate. In the long term, *Mobilize Maine* is self sustaining as its strategies for growth are designed to span successive state administrations and be sustained by local, private, public and non-profit sector leaders and citizen volunteers.

On a nationwide scale, the Rural Innovation Initiative will provide much needed incentives and resources for the enrichment and implementation of regional rural development strategies. NADO and NACo urge the subcommittee to support this promising initiative.

In closing, I commend you for supporting USDA Rural Development programs, especially the vital water and sewer infrastructure programs of the Rural Utilities Service. The additional funding provided in the Recovery Act is spurring economic development in communities across rural America. I also urge you to support enhanced funding for USDA Rural Development programs in the next Farm Bill and increased emphasis on regional development strategies through initiatives such as the Rural Innovation Initiative.

Thank you again, Mr. Chairman and members of the subcommittee for the opportunity to testify today on the views of NADO, NACo and our members. I welcome any questions.