

**United States House of Representatives
House Committee on Agriculture
Subcommittee on Commodity Exchanges, Energy, and Credit**

Rural Development and Energy Programs

**Testimony of Steve Fletcher
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Chairman Scott, Ranking Member Scott and Members of the Subcommittee. It is an honor to testify before you on the Department of Agriculture's (USDA) Water and Waste Water programs and the associated technical assistance that directly benefit small and rural communities. I am proud of the work of this Committee and specifically the Rural Development programs that have lifted up the quality of life for so many of the residents in my home State of Illinois and throughout this nation. Thank you.

I am Steve Fletcher and I have the honor to serve as the President of the National Rural Water Association. The National Rural Water Association (NRWA) is a water utility organization with over 31,000 members. Our member communities have the very important public responsibility of complying with all applicable regulations and for supplying the public with safe drinking water and sanitation every second of every day. Most all water supplies in the U.S. are small; 94% of the country's 51,651 drinking water supplies serve communities with fewer than 10,000 persons, and 80% of the country's 16,255 wastewater supplies serve fewer than 10,000 persons.

I am also the Manager and Operator of the Washington County Water Company. This water utility started with a Farmers Home Administration loan and grant in 1979 with only 700 customers. This community worked for years to bring running water to their residents. Since inception, the Washington County Water Company has received additional financing from Rural Development to expand and upgrade our utility. Currently, we serve 4,600 customers in seven counties. This rural utility, like the overwhelming majority in the Rural Utilities Service (RUS) portfolio, have never been late on a payment. This would not have been possible without the direct assistance from the Department of Agriculture's loan and grant program. We simply could not afford to debt service a commercial credit loan with the income of our customers.

We currently sell treated water to several small towns that made the decision to discontinue operating their drinking water treatment systems because they couldn't afford to staff, maintain and upgrade their utility to meet U.S. Environmental Protection Agency (EPA) standards. We currently provide staff to sewer treatment utilities for two small towns that don't have the resources to properly operate and maintain those facilities. We also send staff to several other small towns to operate and conduct all required testing for their drinking water systems. As previously mentioned, many of

these small towns do not possess the capacity to adequately operate their systems without this direct on-site assistance. We provide these services at our cost for a simple reason, they are our neighbors.

I make these points to further highlight the fact that without affordable financing and the direct assistance provided by Rural Development and entities like NRWA, many small and rural communities simply couldn't afford to provide the basic service of clean, safe and affordable water and waste water service for their residents.

As I travel around the nation in my current role as the President of NRWA, I learn that my story is not uncommon throughout our rural communities. The grant portion coupled with the direct on-site technical assistance makes these systems affordable and sustainable for their communities. These investments have paid dividends for 70 years in the small and rural communities across this nation.

The Rural Development mission area has a wide and holistic approach necessary to enhance and protect the health and vitality of Rural America. We look at these USDA investments, especially in infrastructure, and witness their impact on the quality of life for these rural communities. People take it for granted that their water is always safe and uninterrupted. This infrastructure or what I call the "invisible infrastructure" is not just about digging holes and putting pipes in the ground. These investments have many direct and indirect benefits; they provide jobs, many times increase the tax base from new business or housing development; they are a catalyst for economic and community growth while at the same time enhancing and maintaining the health and environment for the residents. In many cases, new businesses would not entertain locating in an area without water and wastewater services. We all drink the water we produce and I would offer that we are the first line of defense for the water quality that our customers use in their daily lives, especially hospitals and doctors' offices.

Mr. Chairman, as you draft the Rural Development title in the new Farm Bill, we would like you to focus on six issues under the Rural Development mission area.

First, the RUS Water and Waste Water Loan and Grant programs. The majority of the rural communities in the nation have relied on Rural Development (and the predecessor agency, Farmers Home Administration) for affordable financing and technical assistance to provide these essential services. As previously mentioned, many remote rural areas lack the financial capability and technical expertise to debt-service commercial credit. The grant portion makes this assistance possible for lower-income residents and communities. The Water and Waste Water loan and grant program work in unison. In FY 2016, the RUS average loan grant ratio was 66% loan and 34% grant. Some will suggest that grant money is not needed and the community should just finance the project with 100% loan. This is simply not the case. My point is that the grants are carefully administered by RUS as an investment in order to make this vital service affordable and not over burden lower-income communities and customers.

Rural Development is unique that all their customers are rural. In FY 2016, 85% of the projects served populations of 5,000 or less and 70% of all projects served populations of 2,500 or less. The average family income was \$36,178 with an average monthly water bill of \$47.72 and sewer bill of \$48.05. In FY 2016, 582 projects were funded with loans and grants that totaled \$1.5 billion in direct RUS assistance. With a current backlog of \$2.5 billion derived from 995 applications, the demand for these Rural Development programs is evident.

Many projects take years of personal investments from the local leaders and community. Everyone on the system is paying the same amount for their water or sewer bill, the retiree, the fireman, the local Mayor, everyone is treated the same. The local ownership and operation is another source of pride for the community.

Second, the Rural Development Circuit Rider Program. Since 1980, Circuit Riders have provided on-site technical assistance to small communities in all states for water infrastructure development, environmental compliance, training, certification, operations, management, rates, disaster response, training, energy audits, financial management and governance; all necessary to ensure that facilities operate at the highest level possible for public health protection. We currently have 117 full-time Circuit Riders in the field in all 50 states. Currently, over 85 or 72% have over 25 years' experience in the industry. Many of these seasoned field employees could find higher paying jobs and ones that did not require extensive travel, but they are driven and receive great personal satisfaction from their work.

This assistance actually saves money and protects the community and government's investments by ensuring that efficient and sustainable practices are followed. The low delinquency and default rate for this program is directly linked to the technical assistance provided to these utilities.

I must also emphasize the direct on-the-ground disaster assistance we provide. The Circuit Riders are on call 24 hours a day, 365 days a year. A disaster for our customers is anytime they turn on the faucet and they have no water. That is a disaster for this customer and we are sensitive to that issue and respond immediately. I am referring to natural disasters like the floods in South Carolina, hurricanes Hermine and Matthew in Florida, the recent tornadoes in Georgia, Oklahoma, Mississippi and Arkansas. We are on the front line when these events occur. State associations provide equipment and personnel across state lines to provide immediate disaster relief. NRWA, through our experienced state affiliates, conducts annual emergency response training to prepare for these events.

Chairman Scott and Ranking Member Scott, the Georgia Rural Water Association contacted and worked with over 50 systems in Southwest Georgia immediately after the tornados struck South Georgia on Sunday, January 22nd, to respond to the devastation.

These seasoned employees have long standing relationships and trust built within the communities they serve. The on-site or hands-on assistance is required to address complex issues and build that trust.

Third, the Waste Water Technical Assistance program. This initiative provides on-the-ground technical assistance directly to communities for waste water treatment facilities. Assistance includes design and upgrade recommendations, daily operation and maintenance advice, assisting with permit renewals and helping these systems meet compliance requirements from state and federal regulations.

Fourth, the Rural Development field structure. Rural Development offers a holistic approach for the economic vitality of a rural community whether it is water or waste water infrastructure, broadband, business loans or grants or essential community facilities; the field structure is a vital tool to deliver these programs. I have witnessed the restructuring and reduction of employees and offices in Rural Development in 2011 and 2012 that reduced the field structure by over 1,000 staff. Unfortunately, Rural Development lost numerous senior staff with expertise in water, business and housing. I would caution reducing this field presence further. Rural Development is still training and filling key positions to deliver these programs. Rural Development has used technology to help bridge this gap. RD Apply, a new easy to use online application has been employed and used by many of our current members. The Circuit Riders also use this application to directly assist their customers. As you are aware, Rural Development is also moving ahead on ePER, an electronic preliminary engineering report that should save communities money and time. I know it is difficult in this budget climate but any efforts to preserve or enhance this field structure will make a difference in serving remote rural areas, especially ones that experience pervasive poverty.

Fifth, future infrastructure funding. As President Trump has emphasized, a robust bill is needed to address the aging infrastructure in our nation. NRWA supports the President in this endeavor. We request your assistance to ensure any national water infrastructure proposal would include funding to address the specific needs for our rural communities, including providing resources through the existing Rural Development programs to adequately serve rural communities.

Sixth, the RUS eligible population limit. I close with an additional suggestion for the Committee. The current underlying statutory authority for the Rural Development Water and Waste Water programs is set at the 10,000 population limit. The Secretary has little flexibility or waiver authority to address communities that have grown or slightly exceed that limit. In the past, Congress was able to list these communities within a general provision contained in the annual appropriations bills. With the changing demographics in Rural America, we believe that providing the Secretary flexibility to assist these communities would be beneficial. If a community can demonstrate economic hardship, rural character and the need for RUS assistance, that community should be considered. Funding priority could still remain with the existing applicants from lower-income communities under the existing 10,000 population ceiling.

Additionally, the Water and Waste Water Guaranteed Loan program is vastly underutilized. For FY 2016, only four loans were made that totaled \$7,118,000. Increasing the population ceiling for this program to 20,000 will help these larger rural communities, especially ones with more resources and capacity necessary to debt service market rate loans.

We at the National Rural Water Association also share the mission and vision of our Rural Development partner; a mission to serve, regardless of income or location, every rural community in need. Like Rural Development, we want to ensure no community in Rural America is left behind. No community can grow and improve without the sustaining resources of water and wastewater services. With your continued support and leadership, we will continue to prosper.

Thank you Chairman Scott and Ranking Member Scott for allowing me to testify and I would be happy to answers any questions that you may have at this time.