



U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE

February 25, 2015

TO: Members, Subcommittee on Environment and the Economy

FROM: Committee Majority Staff

RE: Hearing entitled “The Needs of Drinking Water Systems in Rural and Smaller Communities”

On Friday, February 27, 2015, at 10:00 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Environment and the Economy will hold a hearing entitled “The Needs of Drinking Water Systems in Rural and Smaller Communities.”

I. WITNESSES

- Mr. J. Alfredo Gomez, Director, Natural Resources and Environment, Government Accountability Office;
- Mayor Joseph Keegan, Castleton On Hudson, New York *on behalf of New York Rural Water Association*;
- Mr. K.T. Newman, *on behalf of National Rural Water Association*;
- Mr. Bobby Selman, *on behalf of Mississippi Rural Water Association*; and,
- Mr. Robert Stewart, Executive Director, Rural Community Assistance Partnership.

Additional witnesses may be announced prior to the hearing.

II. BACKGROUND

According to the Census Bureau, approximately 27 percent of the U.S. population lives in a rural area.¹ The smallest water systems (serving fewer than 3,300 persons, many serving small clusters of homes) account for 77 percent of all systems, and many water systems are not in compliance with drinking water regulations.²

¹ <http://www.crs.gov/pages/Reports.aspx?PRODCODE=98-64&Source=search>

² Ibid.

Many of these smaller and rural communities – with populations of 10,000 or less – face significant challenges in replacing or upgrading aging and obsolete drinking water and wastewater infrastructure.³ For example, as regulations become more stringent, these communities may need to upgrade basic wastewater systems with more sophisticated equipment or more expensive filtration equipment to achieve regulatory compliance.⁴ The Congressional Research Service cites State surveys suggesting funding needs in these areas may exceed \$88 billion.⁵

While these small and rural customers pay for drinking water and wastewater operations-related and infrastructure costs through the rates charged by their systems, but unlike water systems in larger urban markets, these communities do not have the rate base to fund some projects and still maintain affordable rates. Many small and rural communities have limited access to financial markets, restricting their ability to issue bonds to raise capital.⁶ As a result, these communities depend heavily on Federal and State grants and subsidized loan programs to finance their needs.

While several Federal programs assist rural communities in meeting water quality requirements – the Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) oversee the major Federally funded drinking water and wastewater infrastructure assistance programs. The subject of today's hearing will be the Safe Drinking Water Act (SDWA) issues related to these small and rural drinking water utilities.

U.S. EPA Activities

Under the SDWA, small and rural drinking water supply systems are subject to a number of drinking water regulations issued by EPA. These requirements include system monitoring, treatment to remove certain contaminants, and reporting. EPA estimates that compliance with the regulations already promulgated will provide millions of people protection from numerous industrial chemicals, microbes, and other contaminants in public water supplies. However, to comply, many cities and towns must invest in capital equipment, operation and maintenance, and increased staff technical capacity. Recent regulations with particularly costly implications for small towns include water filtration, lead control, arsenic control, and inorganic and organic contaminant control.⁷

Moreover, new regulations are being developed on strontium and perchlorate that are likely to impose additional compliance burdens on the smaller and rural drinking water systems within the next few years. Funding existing burdens and these new requirements are a growing concern to water suppliers.

³ http://gao.gov/products/GAO-13-279SP#mt=e-report&f=/ereport/GAO-13-279SP/data_center/Science_and_the_environment/14._Rural_Water_Infrastructure&ft=0

⁴ Ibid.

⁵ <http://www.crs.gov/pages/Reports.aspx?PRODCODE=98-64&Source=search>

⁶ Ibid.

⁷ <http://www.crs.gov/pages/Reports.aspx?PRODCODE=98-64&Source=search>

SDWA section 1452 provides EPA authority to grant funding to States to administer their own Drinking Water State Revolving Funds (SRF), which annually provide financial assistance to communities of all sizes for expenditures (not including monitoring, operation, and maintenance expenditures) that EPA has determined will facilitate a system's compliance with drinking water regulations or otherwise further the SDWA's health protection objectives. In many instances, this means financing drinking water treatment plants, distribution and storage infrastructure, and source projects.⁸

In addition, because many of these systems lack resources or access to certain professionals, SDWA section 1442(e) authorizes EPA to provide technical assistance to "small public water systems" to enable those systems to achieve and maintain compliance with applicable Federal drinking water regulations, including through circuit-rider and multi-State regional technical assistance programs, training, and preliminary engineering evaluations. As an example, in 2012, the Government Accountability Office found that preparing additional engineering reports could cost from \$5,000 to \$50,000 and that the cost of a typical environmental analysis could cost between \$500 and \$15,000.⁹

Related Federal or Relevant Programs

Besides EPA, other Federal agencies administer programs that assist rural communities in developing water systems, including the U.S. Department of Agriculture (USDA), the Department of Housing and Urban Development (HUD), and the Economic Development Administration (EDA).

USDA's Rural Utilities Service (RUS), one of three agencies under USDA Rural Development, administers the Water and Waste Disposal program. This program, where USDA State offices work with State and local governments, Indian tribes, and private and community organizations to prepare a strategic plan for delivering assistance, provides funding (loans and grants) for both drinking water and wastewater projects in low-income rural communities of 10,000 or less who have been denied credit through normal commercial channels.¹⁰ USDA prefers making loans, but grants are made to reduce average annual user charges. In recent years, approximately 65 percent of loan funds and 57 percent of grant funds have been obligated to drinking water projects

RUS also is authorized to help rural residents in an emergency situation where a significant decline in quantity or quality of drinking water exists or is imminent and funds are needed to obtain adequate quantities of water that meet standards of the Safe Drinking Water Act. Funding these emergency grants is provided through reservation of 3 percent to 5 percent of appropriated RUS water and waste disposal grant funds.¹¹

⁸ SDWA §1452

⁹ http://gao.gov/products/GAO-13-279SP#mt=e-report&f=/ereport/GAO-13-279SP/data_center/Science_and_the_environment/14._Rural_Water_Infrastructure&ft=1

¹⁰ Ibid.

¹¹ Ibid.

HUD and EDA offer assistance through programs geared toward economic development. Under HUD's Community Development Block Grant (CDBG) program, water needs compete with many other public activities and are estimated to account for 10 percent to 20 percent of CDBG obligations.¹²

EDA provides project grants for construction of water systems in economically distressed areas. Economic development grants can be used for a wide range of purposes and frequently have a sewer or water supply element.¹³

The Rural Community Assistance Partnership (RCAP) works with small, rural communities to build, maintain, or expand their water infrastructure through onsite, technical assistance; training in financial, managerial, and operational areas; and educational resources. RCAP is a national network of nonprofit organizations working with rural and small communities throughout the United States and receives funding from the U.S. government.¹⁴

III. POTENTIAL QUESTIONS

1. What are the larger challenges facing your utility and its ability to provide safe drinking water?
2. Do rural water systems share best practices among each other related to capitalization, maintenance, management, compliance, or cost control?
3. What innovations in technology help manage costs? Are these affordable for you?
4. What is the role of technical assistance through the Safe Drinking Water Act in helping you comply with the law and avoid adverse public health impacts?
5. Is there a disproportionate impact on smaller and rural communities when EPA issues new regulations on them? If yes, can this impact be quantified?
6. How would you characterize the impact on your utility's operation by the creation of the Water Infrastructure Finance and Innovation Authority, EPA's Water Infrastructure and Resiliency Finance Center, or the President's Sustainable Water Infrastructure Policy?

IV. STAFF CONTACT

Please contact Jerry Couri or David McCarthy, with the Committee Staff at (202) 225-2927 with any questions.

¹² http://www.crs.gov/pages/Reports.aspx?PRODCODE=98-64&Source=search#_Toc403401920

¹³ Ibid.

¹⁴ <http://www.rcap.org/about>