



TESTIMONY OF

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SUBCOMMITTEE ON COMMODITY MARKETS, DIGITAL ASSETS, AND RURAL DEVELOPMENT

HEARING ON
"STAKEHOLDER PERSPECTIVES ON USDA'S RURAL DEVELOPMENT PROGRAMS"

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Good morning, Chairman Johnson, Ranking Member Caraveo and Members of the Committee. It is an honor to testify before this Committee on the Department of Agriculture's Rural Water and Wastewater programs and the associated technical assistance initiatives. These programs work together to help small and rural communities provide safe and affordable drinking water and sanitation services. As you are well aware, these continued investments protect the health and safety of rural Americans and keep our communities economically viable.

History of the National Rural Water Association

The National Rural Water Association (NRWA) has grown from the grassroots to become a federation of 50 State Rural Water Associations, with a membership of over 31,000 small, rural, and tribal water systems in all fifty states and Puerto Rico. NRWA was established in 1976 by rural Americans, in rural America, to address two critical needs:

1. To get their neighbors away from drinking from unsafe shallow wells and contaminated surface water sources by building water systems modest in design, size, and cost with funding from the Farmer's Home Administration, and
2. To help rural communities comply with regulations recently established by the new Safe Drinking Water Act.

Since its inception, NRWA has been a trusted partner for rural communities. NRWA and its member State Associations are governed by over 350 volunteer directors elected by the systems we serve across the nation. Rural Water currently has a field staff of more than 750 technical experts that directly assist small and rural communities every single day. By providing this pool of expertise, small and rural communities can access resources that would otherwise be

unaffordable. NRWA provides peer-to-peer assistance that works with water system staff, solves real problems (like broken mains and bacteriological contamination), and does not leave until the job is done.

Our members are facing more challenges than ever before, and NRWA has expanded our mission and focus to address these unmet needs. This includes expanding our on-the-ground emergency response and recovery assistance, protecting source water, managing water system assets to enhance financial sustainability, establishing nationally recognized Registered Apprenticeship programs in 37 states, and leading the industry with partners to respond to critical issues like PFAS and cybersecurity.

History of USDA Water Assistance to Rural Communities

The Department of Agriculture has a long and impressive history providing direct water financing to rural communities for over 80 years. Through billions of dollars in financial assistance from USDA Rural Development, our nation has made great advancements in the standard of living in rural America. Millions of rural Americans now have access to safe drinking water that their parents did not have. Thousands of rural communities now have modern wastewater systems that have eliminated millions of failing septic tanks, cesspools, straight pipes into rivers and streams, and worse. The majority of this water and wastewater infrastructure was established by Rural Development's predecessor agency, the Farmer's Home Administration.

Unfortunately, the public tends to take these successes for granted and has little understanding of the magnitude of the improvements that have been made to the health and safety of millions of Americans in a relatively short period of time. In an era where problems and division receive most of the attention, our Association would like to recognize the tremendous success and impact these programs have provided in rural communities within every state and territory of this nation. The health and economic benefits that you and your predecessors have made possible through this Committee's work and vision are immeasurable and on behalf of the National Rural Water Association and every single rural utility we represent, we thank you.

Rural Development will continue to play a vital role in modernizing, preserving, and protecting this infrastructure. In addition, it is an unfortunate fact that there are still many underserved areas without adequate, affordable water and sanitation service. As you are aware, USDA Rural Development is also the only federal agency created by Congress to specifically serve rural America. The needs are still great - currently, 91% of the country's water systems¹ serve communities with fewer than 10,000 persons, and 54% serve² less than five hundred. These communities are the heart of Rural Development's Water and Environmental Programs portfolio, and the sole focus of our technical assistance programs.

These programs have been the proven solution and are responsible for the success story of safe drinking water and sanitation in almost every corner of rural America.

¹ Out of 49,416 total community water systems, 44,924 water systems serve less than 10,000 population.

² 26,682 water systems serve less than 500 population – EPA ECHO Database 9/9/2023.

NRWA Partnership with USDA

NRWA's founders started the Association with a shared mission with Rural Development, and that mission is to provide safe, affordable, and financially sustainable water and wastewater services to rural communities. In the past two decades, the Rural Development field staff and the total number of field offices have been reduced dramatically. You know better than I that this was driven by many factors including advancements in technology, consolidation of business functions, and available federal resources.

NRWA is not in competition with the Rural Development field staff but serves as an extension of their work and as an additional resource for the rural communities they serve. We also share a key attribute with Rural Development, and that is established experience and trust. I would argue that this experience and trust are the essential components to accessing and successfully serving small and rural utilities.

NRWA has a track record of partnership with Rural Development to advance agency priorities. For example, State Rural Water Associations are currently providing direct technical support to communities in the *Closing America's Wastewater Access Gap Community Initiative* in Alabama, North Carolina, and Kentucky. Next week, NRWA is hosting a training conference with all field staff and Association leadership to discuss ways to effectively engage with the Rural Partners Network. We have successfully piloted many programs with Rural Development, including the agency's streamlined electronic application process *RD Apply*, energy efficiency assessments, workforce development, sustainability planning, and direct assistance for manufactured housing communities.

NRWA Suggestions for Consideration in the 2023 Farm Bill

Many of our small and rural systems operate on a thin margin and must have the ability to modernize their water infrastructure, much of which is approaching or past its design life. In addition, rural utilities are facing more challenges than ever before, and therefore need access to USDA Rural Development funding programs that are more affordable, flexible, streamlined, and responsive. Additional barriers include the cost of increased regulatory compliance with PFAS and the Lead and Copper rule, the impact of inflation, and ongoing disruptions in the supply chain.

I will now outline the areas our members have asked us to advance to this Committee for consideration as you draft the 2023 Farm Bill, including the need for enhanced disaster assistance, incentives for regionalization and consolidation efforts to increase sustainability, protecting small and rural water systems from cyberattacks, and the ability to attract and train a professional workforce to replace aging operators.

Circuit Riders

Our flagship initiative and most successful approach for overcoming past and current challenges in rural America has been the "Circuit Rider" concept, created by this Committee in 1980. This program provides a nationwide pool, presently 132 full-time water experts, to provide peer-to-peer direct assistance to help rural systems manage and operate their utility. Circuit Riders are rural America's boots on the ground for troubleshooting issues and solving problems at water

systems. Technology has improved the ability to operate and manage systems at a distance, but our industry still requires direct on-the-ground assistance to accomplish the job.

The low default and delinquency rate of USDA water programs has been attributed to the training and assistance provided by the Circuit Rider Program, by providing a pool of expertise that is otherwise unaffordable for rural communities.

Last year, Circuit Riders directly helped to protect the health and safety of 24,780,065 people – 41% of rural America. Circuit Riders provide hands-on training, certification licensing, financial management, environmental compliance, disaster assistance, governance, and on-site technical assistance necessary to ensure that facilities operate at the highest level possible. This assistance actually saves money and protects the community's and government's investments by ensuring efficient and sustainable practices are followed. This training and education empowers operators, board members, elected officials and communities with the support and knowledge they need to understand every aspect of their responsibilities to properly manage their systems and serve their customers.

I hear daily from rural communities in need of assistance: whether the need is design and construction of new systems, repair and maintenance of existing systems, or response to emergencies. In all these areas, Rural Water is there. Our sole focus of the Circuit Rider Program is to restore and improve the public health, environment and sustainability of these small communities, or in other words, to give them a level playing field with our urban counterparts so rural Americans have the opportunity to live the lives they want. We respectfully ask this Committee to reauthorize this program.

Emergency Preparedness and Response Technical Assistance Program

NRWA and other State Rural Water Associations have been helping water and wastewater utilities with on-site disaster response and recovery through the USDA Circuit Rider Program for decades. We have enhanced these activities on a national level and provide annual on-site and classroom training available to all our State Associations, that includes deploying new technologies and equipment and creating new strategies from lessons learned.

Currently, there are statutory and administrative burdens that limit the full effectiveness of this service to impacted areas. The Circuit Riders can only provide limited recovery activities to restore service. Additionally, on many occasions, State Associations are forced to absorb the financial costs incurred to provide long-term recovery and response activities.

NRWA requests this Committee consider expanding existing authorities including disaster preparedness, response, and recovery activities to enhance the ability of the Circuit Riders to further protect the public health and the utilities' assets. Suggested expansion of services includes increasing coordination with statewide emergency response networks, development of action plans, recommendations to improve resiliency and mitigation, vulnerability assessments and geographic information mapping of the systems. Post disaster suggestions include long term assistance including application and reporting requirements for state and federal agencies.

These recommendations are directly derived from our field staff with extensive experience in disaster recovery.

Rural Water and Wastewater Cyber Security Circuit Rider Program

Protecting small and rural water systems from cyberattacks has been a top priority for NRWA. Unfortunately, given the scope and complexity of cyberthreats to critical water infrastructure, the reality is most rural utilities lack the financial resources and in-house expertise to defend themselves.

Previous actions from Congress required all systems over 3,300 population to complete a cyber/physical assessment by December 31, 2021. Smaller systems under the 3,300 populations with limited financial and human resources need direct assistance to comply. Additionally, EPA and Rural Development are beginning to require cybersecurity measures prior to any new obligations.

We suggest this Committee consider providing a cadre of “Circuit Rider” cybersecurity specialists to help rural water systems protect their utility and the public health of the residents. This program should target this assistance to the rural utilities that lack the resources necessary or expertise to meet these federal requirements. Activities should include rapidly assessing the utilities on efficacy in protecting their cyberinfrastructure and public health, developing reasonable protocols to enhance protection, and providing assistance to any inadequate cyber protection plan.

Modernization of Rural Development Water & Environmental Programs

NRWA recommends modernizing the Rural Development Water and Wastewater programs to better address current needs with additional affordable financial and servicing options. Congress has modernized other infrastructure programs including the EPA State Revolving Loan Fund programs. EPA currently has the authority to provide “additional subsidization” to include principal forgiveness, zero and/or negative interest loans or a combination of these tools. Loan terms were also recently extended.

NRWA has supported current and past Congressional efforts that would provide Rural Development additional affordable financing and servicing tools. New affordable financing options should include the ability for Rural Development to offer zero and one percent loans to disadvantaged or economically distressed communities. This should be a limited authority targeted to lower-income communities to ensure affordable water and wastewater services to those residents. Regarding the servicing options, Rural Development should be provided with the ability to financially stabilize a current borrower within communities where their customers have been suffering an economic downturn at no fault of their own. EPA and the USDA Rural Housing Service have similar authorities.

Rural Development is the only federal agency created by Congress specifically to serve rural communities. The sole focus of their Water and Environmental Programs is to serve communities under 10,000 population. These rural systems operate on small margins of revenue over expenses, coupled with a lack of economies of scale, increasing the challenges to provide affordable rates for lower-income residents.

NRWA requests that this Committee consider providing these additional affordable financing and servicing options.

Regionalization and Consolidation for Rural Water Utilities

States and regions vary on how they define regionalization or consolidation in policy. Given the previously mentioned large number of small community water systems in the country, regionalization and consolidation of water and wastewater services and facilities across rural America is a natural ongoing process in areas where it is financially feasible.

We suggest the Committee consider additional measures to further advance sustainability for rural utilities by specifically targeting assistance to lower-income communities without adequate water or wastewater service. These communities often lack financial and managerial capacity and the will to operate independently and sustain affordable service. Our recommendation is to provide a financial incentive by allowing a high performing, local or contiguous system to apply for a grant/loan on behalf of the underserved community.

Currently, most rural utilities and their boards want to assist their neighbors but have no financial basis to proceed. Boards do not want to negatively impact their existing customers, raising their rates to take on inadequate infrastructure and new customers outside their original service area. NRWA believes a fair financial incentive will alleviate these concerns and promote the mission to adequately serve rural residents with affordable and financially sustainable services.

The authority should be narrow while ensuring the additional subsidy is targeted entirely to the community in need. EPA maintains a list of significant non-compliant utilities, and Rural Development labels many of the same utilities as high risk. We believe this effort will directly reduce that list and potentially save federal resources in the future.

Workforce Development

As previously mentioned, replacing our aging workforce is one of the leading concerns, with employment data indicating up to 50% of this workforce will leave the water industry within the next 10 years. Rural water and wastewater utility owners and operators need a pipeline of skilled workers to help ensure clean and safe water for the public and to maintain the water infrastructure necessary to keep rural service areas economically viable.

For those reasons, NRWA, State Rural Water Associations, rural water utilities, USDA, DOL, and private partners like CoBank, collaborated to successfully to establish the first nationally recognized Guideline Standards for Registered Apprenticeship for water and wastewater system operators, and have successfully created quality jobs in rural America.

The vast majority of the country's small community water systems have very limited staff, sometimes only employing one part-time or one full-time paid operator. Unfortunately, the limited economies of scale and technical expertise in rural water utilities are compounded by the scarcity of qualified operators. This challenge increases the difficulty small and rural communities have complying with complicated federal mandates and providing safe/affordable drinking water and sanitation.

The growing and successful NRWA Apprenticeship Program model is unfortunately hindered in very small communities because there is no capacity to hire or provide on-the-job training to an apprentice. This challenge is unique to these communities and is a significant barrier to attracting, training, and retaining qualified staff. This stark reality also prevents these communities' access to many resources available through the Department of Labor's workforce system that larger systems utilize almost exclusively.

NRWA suggests that the Committee consider including financial resources and policy in the 2023 Farm Bill to provide mentorship and training to address these workforce challenges specific to Rural Development borrowers and potential borrowers. A long-term solution is critically needed to enhance water workforce participation and retention in small and rural communities, protect the significant federal investment in rural America's water and wastewater systems, and improve these vital services and basic civic necessities on which our customers depend.

1926(b)- Curtailment or Limitation of Service

Protecting the service area of a rural utility with a Rural Development debt is a priority for our membership. This provision, what is commonly referred to as the 1926(b) protection clause (7 U.S.C. 1926(b)), was designed by Congress with two goals in mind:

- (1) Congress wanted to ensure the USDA federal debt held by borrowers was protected and would be repaid, and
- (2) Congress wanted to promote the development of rural water systems for rural residents and ensure they are economical and safe.

Previous attempts to modify this existing provision have been rightly rejected by this Committee. This provision has been litigated numerous times since inception. NRWA is concerned that any modification of the existing statute would have to be relitigated at a tremendous cost to the rural utilities and could potentially reduce their service area and repayment ability to Rural Development.

Conclusion

In summary, the USDA Rural Development Loan and Grant programs and policy for water and wastewater systems is critical to maintain the affordability of user rates in many communities in rural and small town America. With a \$4.26 billion dollar backlog, the demand for this program remains high. The accompanying direct technical assistance provides the capacity and experience to protect the federal government's investment and enhances the community's mission to provide safe, sustainable, and affordable water and wastewater services. NRWA is proud to stand as a partner with USDA Rural Development and this Committee. Please consider our entire organization at your disposal as a resource as you draft the 2023 Fam Bill.

Thank you for the opportunity to participate today and I stand ready to take any questions that you may have at this time.