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Hearing on
Farm Bill Policy Proposals Relating to Farm
and
Rural Energy Issues and Rural Development

Senator Tom Harkin, Chairman
Senator Saxby Chambliss, Ranking Member

I would first like to thank Chairman Harkin and Ranking Member Chambliss for inviting me to testify today. I feel it's a great honor to be asked to represent the many communities in the nation who depend on rural water systems to provide the most basic of needs. As Executive Director of the Georgia Rural Water Association, I hear from rural communities in need of assistance, who work to bring water to those without it on almost a daily basis. Some of these communities would not be in existence without the USDA programs we discuss today. Water is the key to any life, and the work of this Committee and its counterpart in the House, along with that of USDA has created more opportunities in Rural America than any other.

I speak to you today on behalf of the National Rural Water Association (NRWA). The NRWA is a non-profit federation of State Rural Water Associations. Our mission is to provide support services to our State Associations who have more than 25,735 water and wastewater systems as members.

Member state associations are supported by their water and wastewater utility membership and offer a variety of state specific programs, services, and member benefits. Additionally, each state association provides training programs and on-site assistance in areas of operation, maintenance, finance, and governance. Whether a rural system needs help developing a new rate schedule, setting up proper testing methods, maintaining or upgrading their operator license, or even understanding those ever-changing and complex governmental regulations, state rural water associations and NRWA are the first and best source for assistance to these systems.

NRWA's support for a clean and healthy environment is second to none. Our State Associations have historically trained over 40,000 water and wastewater system personnel a year for over two decades and provided over 60,000 on-site technical assistance visits a year.

Over 2600 ground water protection plans have been adopted by local communities, and another 2300 are in the process of being adopted. NRWA and its state associations are on the front lines every day ensuring water is safe and available each time someone in rural America turns on the tap.

I would like to outline for you today several items which are of importance to NRWA and how we feel they can best be addressed in the upcoming Farm Bill. These items and programs represent tried and true means of getting assistance to those who need it, and some new ideas to improve the system currently in place.

Water and Wastewater Loan and Grant Program

The first issue I would like to discuss is the current USDA Water and Wastewater Grant and Loan Program. No other program has allowed rural water systems to access the financing they need like this program from USDA. It has a rich history and has served rural communities well. While this program continues to provide needed assistance, an ever-present backlog for the funding shows that the need far outstretches the funding availability. This Committee, and Chairman Harkin in particular, committed ample resources during the 2002 Farm Bill to address this backlog and yet it remains and continues to grow. We hear stories every day of communities whose applications have been submitted and cleared who then wait three to five years to receive the funding. By the time the funding does reach the project, several things have happened. The first is that the portion of the package dedicated as a grant has dropped and the loan portion has increased. This means a community must automatically assume more debt than it had planned. This is only compounded by the rise in construction cost since the financing package was submitted, sometimes in the range of a 50% increase. For example, a community may be approved for a \$10 million grant and loan package through the program. Then, after a four year wait, the financing becomes available through USDA and instead of \$4 million in grant, they only receive \$2 million in grant and \$8 million in loan. Couple this change with an increase in construction costs during the wait for funding of \$5 million and the community who initially thought they would be borrowing \$6 million from USDA and now must borrow \$13 million to build the project simply because of the delay caused by the backlog and the drop in grant level. NRWA understands the difficulties that face this Committee with drafting this upcoming Farm Bill and we encourage you to find creative ways of addressing this backlog and ensuring its demise.

As I just mentioned, we have also noticed over the past several years a disturbing trend in the current program. As you know, the program is based on packaging together grants and loans to offer the best possible situation to rural communities in search of water infrastructure. Storage, distribution lines and water treatment are just a handful of examples of how this funding is used. However, as the demand for dollars grows with the backlog, the amount of grants in the program has shrunk. In an effort to increase the program level, the percentage of dollars in the grant portion of funding has fallen. Where in the past communities may have qualified and received 25-45% grant on a financing package, they now are doing good to receive 20%. This puts extremely needy communities and those without the ability to finance or borrow loans from USDA at a distinct disadvantage. They cannot borrow the money, and because of the reduced level of loans available, the wait for them gets longer and longer. We would encourage

the Committee to take a serious look at mandating in statute a minimum level of grants in this program. This would give communities the ability to plan ahead and know exactly how much of their package would be in hard dollars while giving them the ability to better know the level of loan they would be expected to assume.

The National Water Finance Assistance Board

How do we address this backlog in a creative fashion? How can fewer dollars be made to work in a larger way to assist rural America? The answer may be as simple as letting some of the dollars under this Farm Bill work for you not just once, but for years to come. The question becomes how to provide funding in a way which helps alleviate the need now, and the needs of tomorrow, without these dollars being lost once they are sent out the door of USDA. We feel this can be done through the enactment of a non-governmental, nonprofit entity to make loans to rural communities, which could work in unison with the current program.

The National Water Finance Assistance Corporation (NWFAC) was established to do just that. By taking federal seed money, NWFAC can match it four to one and make loans to rural communities in order to get the financing out the door quickly. It is a nonprofit which would take both the interest paid on the seed money and the repayments made by borrowers and make more loans to rural systems. The interest rate on loans would be comparable to that of USDA and unlike the current USDA program, when loans are made, the borrower pays back the NWFAC instead of the Treasury. This allows the same dollars to be spent on a revolving basis to eat away at the current backlog and help alleviate it not only over the life of this Farm Bill, but for years to come. The wait time for financing would shrink, thus the backlog and amount of funding needed to complete a project would shrink as well. We feel that this concept represents some creative thinking without asking for a huge amount of additional dollars and a way to help solve the problem so it does not remain on the Committee's plate for years to come. The seed money for such a venture needs to be large to create the backlog reducing impact the Committee would want, but if \$500 million as is proposed in the President's Farm Bill proposal was invested in this program, you would see at least \$2 Billion in initial loans which would then build and continue to eat away at the backlog.

Circuit Rider Program

The next item I would like to discuss is the USDA Circuit Rider Program. Managed by NRWA and operated by state rural water associations, this program provides on-site, hands-on assistance to rural and small community water and wastewater systems. In the 48 contiguous states, Circuit Riders and Wastewater Technicians assist and train these systems in all areas of management compliance, operation and maintenance. Circuit Riders provide the primary assistance small communities need to operate safe and clean water supplies, and to comply with EPA water regulations. Circuit Riders are in the field every day helping systems (with compliance, operations, maintenance, management, rates, and training) and promoting local responsibility for protecting water resources. They have also established themselves as first responders in times of need for systems throughout the country. No more was this more evident than in the aftermath of Hurricanes Katrina and Rita. Rural Water Circuit Riders from all over the country descended on those states hit by these disasters and got systems up and running in a matter of days. I have attached a letter which illustrates the acts of these tireless

workers to my written testimony and ask that it be included in the record. Whether it's showing a system operator the proper way to test his water, teaching them how to fill out paperwork, or getting in the ditch and manning a shovel, the Circuit Riders are the first line of response when rural water systems experience problems. We ask the Committee for an expansion of the authorized levels for this program from the current level of \$15 million annually to \$25 million annually. While this would be an increase in the authorization, and not one in mandatory funding, this expansion would allow for an additional Circuit Rider in each state to assist rural systems.

Source Water Protection Program

The last item I would like to bring to the Committee's attention is the Source Water Protection Program. This committee had the foresight to establish this program under the 2002 Farm Bill and it has truly been a success. This program, administered by the Farm Service Agency, is the single most effective tool rural communities have in planning for the future of their water sources. By working with community leaders, farmers, ranchers, and other stakeholders, source water protection plans are developed to address the threats envisioned and the protections needed well in advance of these issues reaching critical stages. Source Water Protection is a relatively new concept to many communities in the United States. The goal is to protect water systems from the recharge area to the consumer, so safe, potable water can be provided for each member of the community. Source Water Protection addresses the need to identify and provide safeguards to prevent current and future threats to a water system. By identifying the recharge areas for a communities' ground water and/or surface water sources and recognizing potential threats which are currently not impacting the water sources but could in the future, the opportunity to remove the threat exists. SWP allows regulation at the community level where local concerns can be addressed. We have had great success in my home state of Georgia with this program, and I would like to submit a copy of a recently completed plan for record should any Senators like to see exactly what is accomplished by this program. This program's success is only limited by its funding. For example, in Iowa, the specialist working on this program completes roughly 19 plans a year, however, that state has an estimated 320 communities in need of this assistance. This need brings us to request an increase in the current authorization from \$5 million to \$20 million along with a one-time mandatory appropriation of \$10 million in the first year of the new Farm Bill. This one time mandatory increase would allow a ramp-up of the program.

Conclusion

The USDA employees who administer the programs I've discussed today are second to none. Their professionalism and dedication to rural America cannot be measured. They have a true love for rural communities and a desire to see them reach their greatest potential. Mr. Chairman, Senator Chambliss, Members of the Committee, I thank you today for listening to my testimony, and more than that, I thank you for your deep care for Rural America. Without the hard work of yourselves, your staff, and the other Members of your body, none of these programs would be possible. I would like to specifically thank Richard Bender and Todd Batta of Chairman Harkin's staff and Dawn Stump and Matt Colley of Senator Chambliss' staff for their time and consideration in reviewing each of the proposals I set forth today. Thank you

again, and I would be happy to address any question you might have for me.