



TESTIMONY OF ELMER RONNEBAUM  
GENERAL MANAGER, KANSAS RURAL WATER ASSOCIATION  
ON BEHALF OF THE NATIONAL RURAL WATER ASSOCIATION  
BEFORE THE U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY  
HEARING ON RURAL DEVELOPMENT AND ENERGY  
SEPTEMBER 28, 2017

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, my name is Elmer Ronnebaum and I am also the General Manager of the Kansas Rural Water Association. I appreciate this opportunity to comment today on behalf of the Kansas Association and also the other affiliate state rural water associations of the National Rural Water Association. My experience with “rural water” goes back to the early 1970's when I served on the steering committee and volunteer board of directors as we organized and developed Nemaha County Rural Water District No. 3 – a large regional water supply district in northeast Kansas. The project was funded by the Farmers Home Administration. Over the following years, that water system expanded and it spawned the construction of many new homes, businesses and other essential community facilities while improving the lives and livelihoods of local farmers because it provided a supply of drinking water where there previously was only water of marginal quantity and safety. Subsequently, that project obtained additional USDA funding to expand its well water source as an additional supply was necessary to provide for the customers that today number about 1,100 rural residents and farmsteads. Additionally, the project provides for the total water supply of several small cities and has emergency interconnections to several others.

So, with that first-hand experience, I am here to ask for your continued support for the USDA rural water program that enabled our rural water district to install its original water system and the program that today continues to provide the funding to enable rural and small communities to extend water and sewer service to under-served areas and to make improvements to sustain a standard of living in rural America. That program is the USDA Rural Development Water and Wastewater Loan and Grant Program.

The USDA Water and Wastewater program addresses the funding needs of small and rural communities. The National Rural Water Association (NRWA) is a water utility association with more than 31,000 community members. Our member communities have the very important public responsibility of supplying the public with safe drinking water and sanitation and of complying with all

applicable regulations every day. Most public water supplies in the United States are small; 92% 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. In Kansas, the national trend continues as presently 786 of the 855 community water systems in the state serve a population of fewer than 3,000.

The issue of affordability of drinking water is a major concern in Kansas and across the U.S. The USDA Rural Development program is critical to addressing that effort. Many public water and wastewater systems are being mandated to make improvements in order to comply with ever-increasing requirements of the federal Safe Drinking Water Act and Clean Water Act. The USDA program helps citizens have more affordable rates because of the provision for longer term loans and grant funding than the EPA-funded state revolving loan funds or commercial credit can offer.

The USDA Water and Waste Water Loan and Grant program is the only federal entity that puts rural Americans first – 100% of USDA Water and Waste loans are awarded to rural and small communities that presently only serve communities under 10,000 population.

The water loans and grants are allocated to each state based on percentage of rural population, percentage of rural unemployment and percentage of rural poverty to target funding to communities of need and reduce the financial burden on the lower-income residents. There is also a "credit elsewhere" requirement ensuring the utility cannot afford commercial credit at the prevailing rates and terms. The EPA SRFs have no such requirement and do not prioritize funding to communities with the greatest need based on economics, health and environmental protection.

To put the value of the USDA loans in perspective, I recently prepared an evaluation of the costs of a new water system in central Kansas that involved the consolidation of the sources of three smaller systems – two cities and a small rural water district. Strong City, Kansas joined with the city of Cottonwood Falls and Rural Water District No. 1 in Chase County to create Public Wholesale District No. 26. As for the improvements in Strong City, had there been no funding through the USDA Rural Development or the \$1.5 million grant the project received through the Community Development Block Grant program, the water rates would not have been affordable.

In the case of Strong City, in spite of the city receiving a \$738,000 USDA Rural Development Grant and a \$500,000 CDBG grant, the city incurred a loan of \$650,000 from USDA Rural Development. Without USDA Rural Development and CDBG funding, Strong City would have had to finance \$1,888,770. Assuming a 20-year financing at 3.15%, the monthly debt service would be \$10,617. For 250 customers, this would require a monthly charge of \$42.50 for water compared to the current rate of \$17.40. The present water use charge is \$7.57 per 1,000 gal. The monthly cost to customers is currently \$55.25 for 5,000 gallons.

The city's new water supplier, Public Wholesale District No. 26, received grants and loans from USDA totaling \$6,388,000. Amortization of \$6,388,000 for 20 years at 3.15% would require a monthly payment of \$35,909. The current amount borrowed from USDA is \$2,614,000 which for a 40-year

payout will require a monthly payment of \$8,985. Based on these numbers, the wholesale cost for water for Strong City would need to increase about four (4) times from the current rate of \$5.29 per 1,000 gallons to approximately \$21.16 per 1,000 gallons.

With no grant funding assistance and based on a 20-year loan at 3.15% for both the wholesale district and the city, Strong City would have to impose an additional charge above the \$21.16 per thousand, estimated to be near \$25 per thousand. Assuming \$25 per thousand, the customer charge for 5,000 gallons would total \$167.50.

The average daily water use at Strong City is about 48,000 gallons. At the current rate of \$5.29 per thousand gallons, the cost is \$253.92 per day on average or \$92,680 per year. Total cost over the 40-year term is \$3,707,232. With no funding assistance, the city would need to pay the wholesale district at least \$21.16 per thousand making the cost \$1,015 per day, or \$370,475 per year. The total cost over the 20-year amortization period would be \$7,409,500. Clearly, the project would not have been affordable without USDA and CDBG.

In summary, the USDA Rural Development Loan and Grant funding for water and wastewater systems is critical in maintaining affordability of user rates in many communities in rural areas and small towns in America. Since fiscal year 1940, USDA's Water Program has made 96,724 loans and grants totaling \$54.6 billion. In Kansas, Kansas USDA made 16 loans in FY '17 for \$46,094,000 or 331% of the state's allocation and six grants for \$3,549,100 or 80% of the state's allocation. The agency also funded two ECWAG (emergency) grants for a \$999,000 total. The agency also funded seven SEARCH/PPG grants (pre-development grants for engineering and environmental reviews) for a total of \$131,000. Kansas USDA presently has 25 applications on hand for approximately \$61,000,000 which is 436% of the state's allocation and for 13 grants of approximately \$9,000,000 or 202% of the allocation based off of FY '17 allocations. That level of applications indicates the interest in making improvements or expansions by systems to under-served areas.

Strictly relying on commercial credit including the State Revolving Loan programs which are capitalized by the Environmental Protection Agency, CoBank or other commercial credit will not meet the affordability requirements for thousands of lower-income communities that simply cannot afford the debt service at the prevailing rates and terms.

We compliment the agency for moving the application for funding to an online process. It's referred to as "RD Apply" and it has proven to be very beneficial for increased customer service and oversight for the Agency.

I have also provided comments and recommendations for the Committee's consideration when developing the 2018 Farm Bill on the following pages of my testimony.

Thank you, Chairman Roberts, Ranking member Stabenow and Members of the Committee for allowing me to testify. I would be happy to answer any questions that you may have at this time.

The following are comments and suggestions on behalf of the National Rural Water Association for consideration as the Committee develops the 2018 Farm Bill:

**1) Reauthorize and modify the Circuit Rider Program (7 U.S.C. 1926(a)(22))**

Change requested: NRWA requests the Committee increase the annual funding ceiling from \$20 million to \$25 million necessary to address the increasing cost of service with travel, salary and benefit costs. An additional factor is providing assistance to rural communities that are impacted with the increasing number of retiring water and waste water operators.

Since 1980, Circuit Riders have provided on-site technical assistance to small rural communities for water infrastructure development, compliance, training, certification, operations, management, rate studies, disaster response, public health protection – all necessary to encourage local responsibility and local solutions for protecting and enhancing water resources. This mission is simple. It's grassroots on the ground assistance to communities. Currently there are 117 Circuit Riders throughout the nation. Hawaii and Alaska receive a higher allocation (almost double) to cover increased travel related costs. The work performed far exceeds contract requirements.

The Circuit Riders also perform disaster assistance in every state and are presently working in response to Hurricanes Irma and Harvey. In Florida alone, Hurricane Irma affected over 90% of the drinking water and wastewater facilities. The Florida Rural Water Association (FRWA) has deployed their staff to operate generators and bypass pumps necessary to restore essential water and waste water service. Prior to the storm, the larger generators were loaded on semi-trailers and were ready to roll out as soon as the storm passed. FRWA staff is working around the clock delivering these assets.

The Kansas Association staff provided assistance to restore water and wastewater services following disasters such as the tornadoes at Greensburg, Hoisington and Chapman. This past year, when fire destroyed the all the chlorination equipment in Norton's water system, the city called KRWA for help. At the small town of Speed, it was a KRWA Circuit Rider who worked with the part-time city operator to disinfect the well and restore the electrical system when their only well flooded last spring.

Nationally, the 117 full-time employees serve all 50 states and territories. Personnel turnover within this program is very rare. Currently 85, or 72% of the 117 employees have more than 20 years of experience, 23 or 20%, have more than ten years of experience and only 9 or 8%, have less than 10 years of experience. This experience and longevity to the overall mission reaps rewards in additional cost savings provided to the communities served. With this seasoned experienced staff, salary and benefit costs are higher.

**2) Reauthorize and modify Revolving Loan - (7 U.S.C. 1926(a)(2)(B))**

Change requested: NRWA requests the loan ceiling be increased to \$200,000 from the current ceiling of \$100,000 in order to address more needs while not competing with RUS loan activity.

This program was created under the Reagan Administration and was designed to provide affordable financing for smaller loans through non-profits that have experience in the industry and with the Rural Utility Service borrowers. All administrative costs are absorbed to deliver the program. The application is streamlined with a 2-page loan application that is generally processed within one week. There has never been a default and all loans are current.

### **3) Increase population limit for the Rural Development Water and Waste Disposal Loan programs**

Change requested: NRWA requests an increase to the current population ceiling for the Direct Loan Program from 10,000 to 20,000 (not the grant program) and the Guaranteed Loan Program to 50,000 population.

The present cap of 10,000 will not help many rural communities between 10,000 and 20,000 population that lack affordable financing options for their water and waste water systems. The EPA funding tends to flow to larger cities and communities. Of the 50,366 community water suppliers in the nation today, only 1,838 fall between 10,000 and 20,000 population limits.

National Rural Water asks that the Committee considers providing the Secretary the authority to increase the eligible population limit for the Direct Loan Program (not grant) to 20,000 population and limit this authority to areas that are rural in character, experience economic hardship, provide a demonstrated need for financial assistance, and can demonstrate they cannot afford commercial credit at the prevailing rates and terms.

### **4) 1926b protection**

Change requested: NRWA requests reauthorization with no additional changes to this provision. This protection needs to remain in place to ensure the rural water system's service area is protected. In Kansas we have worked with the state legislature to draft laws that further help to ensure that the rural system and any neighboring system deal with each other in good faith by creating territorial service agreements.

### **5) Waste Water Technical assistance program**

Change Requested: NRWA requests reauthorization with no additional changes. This program provides a service to local wastewater systems that is unmatched and unavailable by any other service provider. It deals with problems concerning operations, maintenance, emergency conditions such as lift station failures, sewer backups, measurement of sludge in lagoons and many other issues associated with the operation of a wastewater utility.

### **6) Strategic Economic Community Development (SECD) provision in the last farm bill**

Change requested: Remove Rural Water or Waste Water Technical Assistance and Training Grants provided under Section 306(a)(14).

This is a provision that allows Rural Development to set-aside up to 10% of the national allocation for specific Rural Development programs to fund projects that have multi-jurisdictional plans in support of the projects requesting funding. The program does not provide additional funds but provides higher priority from available funding within the SECD resources held by the National Office on a first-come first-served basis. Any of the SECD funds not used by June 30th of each year revert back to regular loan or grant funds (SECD is both Loan and Grant). One concern is the impact on the annual allocation to the states if funding levels remains the same or are reduced for the specific programs included within this set-aside.

There is no incentive for using the funds (like lower interest rate or more grant funding). An additional concern is the fact that the Rural Water and Waste Water Technical Assistance and Training Grant is included in this set-aside. Since inception, this program has been competitively awarded by USDA to perform on site assistance on a national level. Removing 10% from the annual funding without increases in the annual appropriation will have a direct negative impact on providing uninterrupted services to all 50 states.

An advantage of this set-aside is the fact that some regionalization and consolidation efforts have a higher total cost than the average application and may be at a funding disadvantage within the state allocation or national pool competition.

## **7) Community Facilities**

Change requested: NRWA requests reauthorization with no additional changes.

USDA's program for Community Facilities are supported by NRWA. The program is highly utilized. In FY '17, Kansas funded 30 projects for \$20 million in loans and only \$280,000 in grants. The state has more than \$100 million in applications.