

“Rural Water” Asks for Support for USDA Water and Wastewater Funding Programs



I was recently honored to be asked by the Senate Committee on Agriculture, Nutrition and Forestry to testify before the Committee as it was scheduling the ninth hearing on the 2018 Farm Bill. Senator Pat Roberts is Chairman of the Committee. The invitation was also on behalf of the National Rural Water Association.

Why would rural water associations be invited to comment on the Farm Bill? Well, it's because the USDA Rural Development Water and Wastewater Loan and Grant Programs are contained within that legislation. National Rural Water Associations and its 45 state affiliates have been very vocal to members of Congress in requesting that the USDA programs be maintained and funded. This is in contrast to the recommendation in the President's budget that proposed elimination of the USDA Water and Wastewater Loan and Grant program in entirety.

So why do rural water associations take a position contrary to the President's proposed budget? It's the matter of affordability of rates for the end consumers – the ratepayers – the citizens – of thousands upon thousands of water and wastewater systems across the U.S. The opinion may be that the USDA programs are duplicative to the US EPA-funded state revolving loan programs. But that's hardly the case. The USDA Water and Wastewater Loan and Grant programs typically address the funding needs of small and rural communities. In the United States 92 percent of the country's 51,651 drinking water supplies serve communities with fewer than 10,000 persons, and 80 percent of the country's 16,255 wastewater supplies serve fewer than 10,000 persons. 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.

When President Trump's budget proposed to eliminate the USDA programs, KRWA staff reviewed the impact on rates for the city of Strong City, Kansas. Strong City had been mentioned in a feature by Frank Morris on National Public Radio (NPR) about how some local citizens in Strong City supported ideas such as building a wall across the southern border, etc., etc. and exchanging that for funding programs that have only recently funded their water system improvement. Basically some in town suggested that ending the water and wastewater loan and grant programs to fund other things would be just fine with them. I was pretty sure they didn't have many facts about what the costs would be to the citizens of Strong City had the town not received the funding for their water system improvements. So KRWA did some basic arithmetic; the answer was startling.

Bottom line is that without the USDA Rural Development loan and grant and the Community Development Block Grant, the rates in Strong City would need to nearly quadruple to approximately \$25 per thousand gallons! Strong City received 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

Without the benefit of the USDA loan and grants, 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.

USDA Rural Development and CDBG funding, Strong City would have had to finance \$1,888,770. Assuming a 20-year financing at 3.15 percent, the monthly debt service would be \$10,617. For the city's 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.

“Rural Water” made these requests to Senate Committee on Agriculture, Nutrition and Forestry

- ◆ Reauthorize the USDA Rural Development Water and Wastewater Loan and Grant Program
- ◆ Reauthorize and modify the Circuit Rider Program (7 U.S.C. 1926(a)(22)). This program is critical to many water systems for the help they need and receive.
- ◆ Reauthorize and modify Revolving Loan - (7 U.S.C. 1926(a)(2)(B)). The National Rural Water Revolving Loan Program is presently limited to \$100,000; the request is to increase that to \$200,000. In Kansas, cities cannot access the program because of state law.
- ◆ Increase population limit for the Rural Development Water and Waste Disposal Loan programs. The request is to increase the population ceiling for the Direct Loan Program from 10,000 to 20,000 and the Guaranteed Loan Program to 50,000 population.
- ◆ Maintain 1926b protection. NRWA requests reauthorization with no additional changes to this provision.
- ◆ Waste Water Technical assistance program . NRWA requests reauthorization of the program as similar to the Circuit Riders, it provides critical help to wastewater utilities.
- ◆ Strategic Economic Community Development (SECD) provision in the last farm bill. NRWA asked to remove any impact continuation of the program on the Wastewater Technical Assistance.
- ◆ Community Facilities. NRWA requests program is highly utilized. In FY '17, Kansas USDA Rural Development funded 30 projects.

The city’s new water supplier, Public Wholesale District No. 26, received grants and loans from USDA totaling \$6,388,000. We calculated the amortization of \$6,388,000 for 20 years at 3.15 percent which was a conservative estimate for a 20-year bond. The monthly payment would be \$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. Without the benefit of the loan and grants, 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 percent 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. That's hardly affordable.

The National Rural Water Association and its affiliates appreciate the support that Chairman Roberts, Ranking Member Stabenow and other Committee Members expressed for the USDA programs.

Elmer Ronnebaum is KRWA General Manager; he has been employed by KRWA since 1983. He served seven years on the KRWA board of directors prior to that. He also helped develop a large RWD and served for fourteen years on a water district board of directors.



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