



**NATIONAL
RURAL WATER
ASSOCIATION**

America's Largest Utility Membership

TESTIMONY OF
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BEFORE THE
**SENATE COMMITTEE ON AGRICULTURE, NUTRITION,
AND FORESTRY**
UNITED STATES SENATE
RURAL DEVELOPMENT AND ENERGY PROGRAMS

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Madam Chairwoman Stabenow, Ranking Member Boozman, and Members of the Committee, it is an honor to testify before you on the Department of Agriculture's rural water and wastewater funding programs and the associated technical assistance initiatives that directly benefit small and rural communities with safe and affordable drinking water and sanitation services. As you are well aware, these programs are important to the health and safety of Rural Americans, and the economic vitality of their communities.

I also must personally thank Senator Cindy-Hyde Smith for the invitation to testify on these important investments made in Mississippi and around this nation. The tangible results can be witnessed throughout our service area and within almost every rural community in Mississippi.

I am Ken Herring and I currently serve as the General Manager of the Adams County Water Association, a 501(c)12 non-profit, consumer owned public utility. I have worked in this industry for over 39 years in Mississippi. The Adams County Water Association operates two systems that currently serve residents within Adams, Jefferson, and Franklin counties. We started in 1966 with a Farmers Home Administration loan and by the middle of the 1970s, had roughly 2,000 water connections. The growth and success of our Association would not have occurred without this Committee's support and vision to serve rural communities and for that, I must personally thank you.

Our Association operates two separate utilities, the Adams County South system, and the Kaiser Lake system. These two systems combined serve approximately 6,000 connections, or a population of approximately 19,000. Adams county is primarily a minority population with 27.2% of the population at or below the poverty line.

We have recently absorbed a smaller rural drinking water system that serves a population of approximately 900 people with 325 connections. Since the 1970's, our association has also operated a wastewater system that serves a population of 820 people in two separate subdivisions. One of these subdivisions includes residents that are the direct recipients of the USDA Section 502 low-income homeownership program. The wastewater for these two subdivisions is treated through three older sewage lagoons.

I wanted to speak to you on our present challenges that are common for rural systems and offer some solutions for your consideration as you draft the 2023 Farm Bill.

Affordability

First, ensuring affordable and sustainable water and wastewater service for our customers, especially lower-income and vulnerable populations, is the primary shared mission of utilities like mine and Rural Development. We operate on a thin margin, meaning only 1.5 to 2.0 percent revenue over expenses. Maintaining this margin has become particularly difficult lately as we have absorbed inflationary costs associated with supplies such as PVC pipe increasing by 230% and disinfection products like chlorine increasing by at least 95%.

Most rural systems have little choice but to pass on increased costs to the ratepayer. When you take into consideration the income of the current ratepayers, for example our customers in Adams County District Three, with an average household income of

\$17,695, an increase of 5%, let alone 40%, would increase shutoff of services and the potential for catastrophic health-related consequences for the residents, especially the elderly.

As you are aware, USDA Rural Development is the only federal agency created by Congress to specifically serve rural America. The Department has a long, successful history in the water and wastewater industry that began when Congress passed the Water Facilities Act of 1937 with the first loan of \$1,600 made in 1941 to a small community in Idaho. We believe that these USDA Rural Development water and wastewater programs need to be afforded additional financing and servicing options that are streamlined and responsive to address the current needs. My state of Mississippi currently has one of the largest USDA loan portfolios in the country.

Rural communities must have the ability to modernize their water infrastructure, much of which is approaching or past its design life. The continued success and modernization of these programs is essential, especially considering the fact that 91% of the country's drinking water systems serve communities with fewer than 10,000 persons. In Mississippi, that percentage is even larger, about 95% of our water and wastewater utilities service communities under 10,000 population.

NRWA Suggested Solution: The National Rural Water Association (NRWA) proposes that the Rural Development Water and Wastewater programs should be enhanced to provide additional affordable financing and servicing options. NRWA has supported recent Congressional efforts that included additional financing tools for economically disadvantaged communities and the ability to provide debt servicing tools to utilities that are economically impacted at no fault of their own.

Congress has modernized other infrastructure programs. For example, the Environmental Protection Agency (EPA) has the authority to provide loans made at or below market interest rates. The EPA was also provided "additional subsidization" by Congress through new types of financial assistance including principal forgiveness, zero and/or negative interest rates, refinancing, or a combination of these assistance tools. The EPA also allows up to 10% of the Clean Water State Revolving Loan program funds (SRF) and up to 35% of the Drinking Water State Revolving Loan program funds to be used as enhanced financing tools to assist economically disadvantaged communities of any size.

Unfortunately, only a fraction of EPA's SRF funding benefits small and rural communities because it is absorbed by large metropolitan water utilities who possess the administrative expertise, financial resources, and political power to out compete us.

Moreover, USDA Rural Development has over 4,000 professional staff in the field across the country to directly assist these communities. This field structure is especially helpful to communities or utilities that lack the human and financial capacity to access and administer available funding. The National Rural Water Association works in partnership with Rural Development to directly assist these harder to serve communities.

We are requesting that this Committee consider giving Rural Development new authorities, similar to the affordable financing and servicing options that are currently made available to the EPA and contained within recent bipartisan efforts by this Congress, to benefit low-income, underserved, and disadvantaged rural communities.

Disaster Assistance

The Adams County Water Association's customers have unfortunately been impacted by natural disasters, including damage associated with hurricanes, ice storms, tornados, and flooding events. During Hurricanes Gustav, Katrina and Rita, and the recent winter storm, every grocery store, business, gas station – our entire community – was incapacitated for several weeks, if not months, before returning to normal operations. With many small systems, it is very common for staff, even if they are full- time, to have numerous responsibilities. However, they do not possess the time and expertise to adequately prepare for and respond to disasters.

Since 1977, NRWA has served as the lead entity in disaster recovery in many states to restore and maintain critical water and wastewater services. Unfortunately, there has been no dedicated federal funding to enhance or expand this activity beyond the very limited assistance provided under the USDA Circuit Rider program. The USDA Circuit Rider technical assistance is limited to recovery efforts and only to systems under 10,000 population. In addition, only a small portion of the contract is available for disaster assistance. To date, most of the additional disaster recovery costs have been absorbed by Rural Water State Associations. Continuity of essential water services is required to maintain the health and economic vitality of communities before, during and after a disaster.

NRWA Suggested Solution: Expand current recovery activities to include preventive measures such as resiliency, planning and design, asset management assessments necessary to provide future mitigation, response training and the establishment of emergency protocols.

Post disaster measures should include preliminary damage assessments, application and reporting requirements, including FEMA, insurance and recovery applications and claims.

These activities will help water customers, the public and constituents respond to future emergency events, protect life and property, and reduce reoccurring costs to the federal government.

NRWA suggests the Committee considers establishing a dedicated funding source for on-site experienced staff to serve utilities, with priority given to communities that lack the financial resources and staff capacity to adequately prepare, restore, and protect critical water and wastewater services from natural disasters.

Population Increase for the Direct Loan Program

As previously mentioned, the Adams County Water Association operates two separate systems that combined serve approximately 19,000 residents. We also went through a consolidation process and acquired a small system. Allowing the Secretary the authority to increase the eligible population limit would help ensure these rural utilities, should they exceed the population limit, can continue to provide sustainable, affordable rates and service. Another factor to consider is the growing number of smaller systems that are consolidating operations and utilities with capacity are needed to offer uninterrupted affordable services. A population increase will also aid in this effort.

NRWA Suggested Solution: NRWA requests the Committee explore the possibility of an increase to the eligible population ceiling for the Rural Utility Service Water and Wastewater Direct Loan Program. Many communities that currently exceed the 10,000 ceiling are still rural in character and lack affordable financing options necessary to adequately provide affordable and sustainable rates and services to lower-income customers.

1926 (b) Protection

7 U.S.C. 1926(b) was enacted by Congress in 1987 to protect the service area and repayment ability of the utility receiving a USDA loan. A 1987 U.S. District Court ruling cited the Congressional intent as follows:

“To encourage rural water development by expanding the number of potential users of such systems, thereby decreasing the per-user cost: and to safeguard the viability and financial security of such associations (and USDA loans) by protecting them from the expansion of nearby cities and towns...the service provided or made available through any such association shall not be curtailed or limited by inclusion of the area served by such association.”

This protection for utilities began with *Town of Madison, Mississippi vs. Bear Creek Water Association, Inc.* Because of this landmark case, I realize the importance of this provision firsthand.

NRWA Suggested Solution: Consider retaining this provision without modification. Any modification of the existing statute would most likely be litigated at a tremendous cost to the rural utilities and possibly reduce their service area and repayment ability to Rural Development. Additionally, if this protection is diluted, larger municipalities may ‘cherry-pick’ profitable areas by annexing those parts of a water association with the highest population or desirable industrial sites which are the lowest per-user cost areas.

Rural Water Industry Workforce

Today, attracting and retaining capable, licensed water and wastewater system operators is the biggest challenge facing the rural water industry in Mississippi and across the nation. First, water and wastewater operator salaries have not kept pace with their responsibilities in complying with the ever-changing governmental regulatory requirements. Second, this industry has changed tremendously since I started in 1983. Years ago, rural communities accepted frequent main line breaks associated with rough terrain and miles of piping. Today the general public expects the water to be clear, constant, and inexpensive. Third, modern water systems have state-of-the-art SCADA control systems, complicated variable-frequency drive electrical motors and computerized control valves. Employees must have strong technical skills and the mental capability to pass the required training to receive a waterworks license. These employees must be willing to work long hours in the rain, snow, natural disasters, etc. It is rare to hire someone willing to perform these physically demanding jobs and is also tech savvy. There is a common saying in our

industry; “It’s hard to find someone smart enough to pass the required licensing but not too good to operate a weed eater or fix a leak.” The technical support rural systems receive from NRWA is invaluable in assisting systems to stay in compliance that have limited staffing.

Back in 2018, Rural Development recognized this looming issue and provided NRWA funding to expand and enhance workforce development efforts. We are very grateful for Rural Development’s foresight and support. Despite our best efforts, employment data still indicates up to 50% of the water workforce will leave the water industry within the next 10 years. My fellow rural water and wastewater utility managers 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.

NRWA Suggested Solution: The National Rural Water Association, in close collaboration with Mississippi Rural Water, has created a water and wastewater operator apprenticeship program, approved and registered by the U.S. Department of Labor. We have leveraged this initiative to attract, train and retain the next generation water workforce. This solution is working. To date, there are 34 states with approved apprenticeship programs, a nationwide total of 470 apprentices enrolled and 421 participating utility systems. The NRWA Water and Wastewater Operator Apprenticeship Programs include 4,000 hours of on-the-job training with a one-to-one mentor to apprentice ratio, and 288 hours of technical instruction over a 2-year period with an increasing wage schedule suggested every six months. NRWA has already graduated 94 apprentices from this program who now serve as public health officials. These graduates are responsible for complying with the array of federal Safe Drinking Water Act and Clean Water Act regulations to supply their small community with safe drinking water and sanitation services.

The nation’s smallest and most rural communities operate their water utilities with very limited staff, in some cases only one or even part-time staff. The Registered Apprenticeship model is a poor fit for these communities since there is no capacity to hire or provide on-the-job training to an apprentice. This is a significant barrier to these communities to attract and retain qualified staff and prevents access to many resources available to larger communities through the workforce system.

NRWA suggests that this 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. These challenges are unique to these smaller rural utilities with one or even part-time staff. A long-term solution is critically needed to enhance water workforce participation and retention in small and rural communities, protect the federal investment in rural America's water and wastewater systems, and improve these vital services and basic civic necessities on which our customers depend.

Conclusion

In conclusion, enhancing and modernizing the USDA Rural Development Water and Wastewater programs will be critical to maintaining affordable, sustainable services, especially to lower-income communities. With a \$3.9 billion-dollar backlog, the demand remains high. The direct technical assistance initiatives authorized by this Committee, complements, and provides the capacity, and experience to protect both the federal government's investment and the communities' mission to provide safe, sustainable, and affordable water and wastewater service.

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