

Funding Levels for Rural Community Water Systems Still Fall Short of Need

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Despite efforts over the last five years to improve delivery of financial resources for infrastructure to address water quality issues, many states fall short in delivering financial resources to small community water systems. The 1997 National Research Council report *Safe Water from Every Tap: Improving Water Service to Small Communities* documented a disparity between the quality of water service provided by large, municipal water systems and that delivered by small community water systems. The report notes that small community water systems lack the financial resources to address infrastructure needs, such as water treatment facilities and distribution systems, as do larger communities. Congress established the Clean Water and Drinking Water State Revolving Funds as a way to provide financial assistance for both large and small community water infrastructure needs.

The Clean Water Act and the Safe Drinking Water Act require the Environmental Protection Agency to report regularly to Congress on the estimated costs to communities to comply with regulations set forth under the Acts. EPA's 1999 needs assessment for the Safe Drinking Act reveals that small communities serving less than 3,300 residents will need an estimated \$30 billion over the next twenty years for community safe drinking water systems. A 1996 Clean Water Act needs survey (the latest survey available) indicates that over \$13 billion will be needed to meet the clean water needs of communities serving fewer than 3,500 people. EPA's cost estimates reflect a community's need for water infrastructure and provide the basis for the allotment formula used by Congress to distribute funding to the States to capitalize state revolving loan funds. The needs assessments are considered important barometers in measuring progress toward meeting our nations' water infrastructure needs.

An analysis examining how well very small rural communities are accessing the clean water and drinking water state revolving funds shows that these communities are not receiving SRF resources in proportion to EPA's reported needs assessment. The Rural Community Assistance Program and Rapoza Associates conducted an analysis of the last five years of SRF funding provided under the Clean Water and Safe Drinking Water Acts to very small communities serving populations of less than 3,500. The study reveals that while some states have shown an increasing trend in support of small systems, there is indeed a gap between the share of need reported by these communities and the share of SRF funding they actually receive through the States under both the Clean Water and Safe Drinking Water Acts.

The gap is largest under the Safe Drinking Water Act program: only fifteen States distribute Drinking Water SRF funds to very small communities in proportion to the reported needs of these communities. Of the remaining thirty-five States, twenty States have a gap of 15% or greater between the demonstrated need reported and the

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proportionate amount of SRF dollars distributed to them. If all thirty- five States were to distribute drinking water SRF funds in proportion to the reported need, an additional \$68 million would have been provided to very small communities' water systems during the past five years. The shortfall for the top twenty worst performing States is approximately \$46 million.

The analysis revealed that the gap is not quite as large under the Clean Water State Revolving Fund program, however due to the costs associated with wastewater treatment facilities, the total dollar shortfall is much larger than the dollar shortfall for drinking water systems. Eighteen States fall short of distributing Clean Water SRF funding to very small communities in proportion to their reported infrastructure needs (need data is based on 1996 EPA needs assessment survey; EPA is due to release current need assessment data this year which is likely to impact this analysis). If these States were to distribute funds according to reported needs, small communities would have received an additional \$273 million over the past five years.

The 108th Congress is expected to resume efforts to pass legislation to help address the nations' water infrastructure needs. Throughout the country, communities are confronting enormous costs for repairing and replacing aging infrastructure that treats wastewater before it is discharged into lakes and rivers and that ensures safe drinking water to homes and communities. According to reports by the Environmental Protection Agency and the Water Infrastructure Network, the estimated costs of replacing and repairing existing infrastructure ranges anywhere from \$300 billion and \$1 trillion over the next twenty years. The cost is indeed enormous.

Rural communities in particular face a daunting challenge in addressing their water and wastewater infrastructure needs. Over 85% of the nations' 54,000 community water systems serve (usually rural) communities of 3,300 or less. And while ninety percent of the costs needed to operate and maintain these systems are borne by local ratepayers, rural residents shoulder four times the costs of maintaining these systems than their urban counterparts.

The Rural Community Assistance Programs will pursue reforms in to the SRF system with the objective of making these funds more available to very small communities. Given the track record by States over the past five years in distributing SRF funding, Congress must be ever more vigilant to ensure that very small rural communities receive their share of federal resources.