The Debt Deal – What it May Mean

We welcome this article by our guest columnist, Robert A. Rapoza, president of Rapoza Associates, Lobbying and Government Relations.

On August 2, the President signed into law the Budget Control Act of 2011. This legislation increases the debt limit for the government by $2.4 trillion. However, unlike past laws that raised the debt limit in one lump sum, the Budget Control Act increases the debt limit in stages and requires that those increases be offset by measures to reduce spending or raise revenue:

- The immediate $400 billion increase in debt limit will be followed by a second $500 billion adjustment in the debt ceiling this fall. The new law contains a convoluted procedure that almost ensures the first $900 billion is approved;
- The first $900 billion are offset by a cap on discretionary appropriations. For FY 12, domestic discretionary accounts are cut by $5 billion from the current rate and only grow by inflation in the out years. Over a 10 year period, an expanded definition of security programs – to include Defense, State Department, Homeland Security, and Veterans Affairs – only grows by roughly inflation, as well. The savings, with interest on the debt reduced, total $917 billion. The FY 12 total for discretionary accounts is $1.043 trillion, which is nearly $100 billion below Obama’s February budget proposal; and
- Another $1.2 trillion to $1.5 trillion will be available depending on a new joint committee called the Joint Select Committee on Deficit Reduction that is—assigned to report a major deficit reduction bill by late November. This must be voted on by December 23rd. The $1.2 to $1.5 trillion would be also be offset either by spending and revenue recommendations made by a super committee, approved by Congress, and signed by the President, or by an automatic across the board cut that would hit Defense as well as most other domestic programs, equally.

On Appropriations

The agreement provides some hope for peace on appropriations. In 2011 Congress reduced domestic discretionary spending by $40 billion. The Budget Control Act reduces FY 12 spending by an additional $5 billion. However, this amount is $24 billion higher than the House-passed budget resolution.

The House Budget Resolution cut $47 billion from domestic discretionary accounts. Of that amount, $17 billion was transferred to Defense and the balance went to deficit reduction. Of that $47 billion, $23 billion in cuts were ascribed to Transportation-HUD (-$5 billion)

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Building Community Resiliency through Education, Training and Leadership Continues to Be a Priority

Sukhwinder P. Singh, Director of Education and Training

A n article sits on my desk in State College, Pennsylvania with the title How Resilience Works. In good times and bad, I often refer to that article or share some of the points with my community leaders and colleagues. The article points out three characteristics of resilient people: a staunch acceptance of reality; a deep belief, often buttressed by strongly held values, that life is meaningful; and an uncanny ability to improvise. It also states that we can bounce back from hardship with just one or two of these qualities, but that true resiliency requires all three. While the overall messaging of the article speaks to individual and organizational resilience, there are some surprising and sobering lessons for all of us engaged in community development, particularly in a troubled economy. What are the hallmarks of resiliency and how can we nurture resiliency when funding has been reduced for communities, public infrastructure, educational programs and technical assistance providers?

Face reality and don’t let rose colored thinking prevent you from assessing the situation realistically. Lessons abound in the private business sector where successful businesses recognize weak delivery models and product chains and implement changes. These successful businesses also prepare for emergencies through regular business drills and deploy emergency measures and controls at almost micro levels. With USDA funding, RCAP Solutions trainers and technical assistance providers have worked with communities throughout the Northeast to update Emergency Response Plans and Vulnerability Assessments. This year alone we have assisted to complete 16 plans and have shared with communities the need to periodically revisit these plans. Several years ago, our staff in Puerto Rico worked with local community officials and USDA to institute a community wide emergency response drill. To this day, the lessons and experiences from that event are positively discussed and noted by all the participants. Will these community leaders be able to respond resiliently in the event of a real calamity as a result of their experiences with the practice drill? We think so. As a further example, RCAP Solutions has experienced cuts in federal funding that impact how we deliver services to rural areas. These cuts impact our technical assistance program and trainings on compliance with the Clean Water Act and the Safe Drinking Water Act. Yet, I was recently reminded by two community leaders in Northern Pennsylvania that it’s all about compliance and education and training. So RCAP Solutions will have to look at alternative training models and upgrade staff skills to offer compliance training in an efficient and knowledgeable manner. This is how we will practice resiliency.

Search for meaning and devise concrete goals that carry you to the next challenge. The most successful organizations and people possess strong value systems that infuse everyday activities and shape events. At RCAP Solutions we offer training and onsite technical assistance that is outcome-based and closely aligns with our mission. This training and technical assistance allows communities to a) improve environmental and community health, b) develop sustainable water and waste-disposal facilities, c) increase the capacity of local leaders to address current and future needs, and d) address system compliance in measurable ways.

This year our staff trained over 70 boards and personnel on topics such as:

• Sustainability and Capacity Development
• Effective Rate Setting for Small Systems
• System Financial Assistance and Available Training Resources
• The Lead and Copper Rule for Small Public Water Systems
• Public Water Systems: A Compliance Guide

Josefa Torres-Olivio speaks to over 60 people from the community of Tejas on the topic of Rural Community Development.
Leadership starts with you and me, sharpen these skills. If you are a fan of historical biographies and you enjoy reading about the challenges that have faced this country, then you know that some of our greatest leaders overcame tremendous difficulty to make extraordinary things happen. These leaders, both in the private or public sector, created a way for people to contribute and engage in the process of change. At RCAP Solutions, we are focused on assisting community leaders to sharpen these skills and we know that this is a step in the path to economic self-sufficiency.

For a listing of RCAP Solutions Education and Training Activities visit http://www.rcapsolutions.org/education_training.htm and click on the Education and Training Calendar. If you don’t see something in your area but would like to discuss a training need, please contact Sukh Singh, Director of Education and Training at 814.861.7072 or ssingh@rcapsolutions.org.

Successful organizations treat the ability to improvise as a core skill. They are not necessarily focused on being creative; they are focused on getting the job done. For example, many of our community leaders desire to diversify local economies, but they struggle. Other community leaders face challenges in finding volunteers to fill the boards. Over the years, I have observed our trainers and technical assistance providers tackle challenging and intensive projects that involve community visioning, comprehensive planning, strategic planning and community surveys. It is likely that this type of technical assistance and training will become more relevant as we all work to improve our economic circumstances where we live. Our skilled staff can help you and your board to develop these necessary survival skills.

At the Puerto Rico Water & Environment Association Annual Conference and Technical Exhibition, from left: Angel Flores and Loida Flores from Coamo Arriba community; Santos Picart, Sharon Kidwell and Angelica (Gigi) Marie Picart from Mamey community; Juan Campos, Josefa Torres and Sukh Singh from RCAP Solutions.

• Small Community Funding Options
• The Ethics of Recycling: Economically Managing Solid Waste in Your Community
• USDA Rural Development Income Survey Methodology, Geographic Information Services (GIS) and Utilities
• Asset Management and CMOM
• Introduction to CUPSS (Checkup Program for Small Systems)
• New Solutions for Community Wastewater Treatment

For several years, RCAP Solutions staff has also presented at the Puerto Rico Water and Environment Association (PRW&EA), and this year was no different. RCAP Solutions was honored with two awards by President Jaime López for active participation in this conference and these awards have been presented to our CEO Karen Koller. We also worked in over 251 communities throughout the Northeast (New York, Pennsylvania, New Jersey, Rhode Island, Massachusetts, Connecticut, Maine, New Hampshire), Puerto Rico and the Virgin Islands. We accomplished this work utilizing federal funding and no doubt the cuts impact our activities, but we will not diminish the quality of service nor be less focused on outcomes.

Jeff Allio and Thomas Essig of RCAP Solutions speak to over 40 operators and drinking water system personnel on the topics of Sustainability, Capacity Development, and Asset Management.

“Resilience is neither ethically good nor bad. It is merely the skill and the capacity to be robust under conditions of enormous stress and change.”

The Debt...Continued from page 1

and—$18 billion to Labor-HHS. Because of the deep proposed reduction in the topline number, the House Appropriations Committee postponed mark-ups for both bills. It is likely, but not certain, that most of the money added by the new law will go to those to bills. The agreement also provides money outside the appropriations process to cover a shortfall in Pell Grants that totaled $10 billion.

There are still likely to be substantial cuts in programs. There are 10 appropriations bills at some stage in the process with $24 billion in cuts. The new money averts total disaster, but not by much.

With the end of the fiscal year looming, it is likely that the House Appropriations committee will begin assembling a continuing resolution or omnibus appropriations bill. The Senate may schedule a series of mark-ups in the fall to have something on the record, but inevitably, Congress will be well into the autumn before appropriations bills are completed. However, with both sides having agreed to a topline number, the process should go a little more smoothly.

The Longer Run

While Congress has rid itself of most of the responsibility of approving, or disapproving the first $900 billion in new debt, it will however, be on the line to come up with offsets on the last $1.2–1.5 trillion. The Joint Select Committee on Deficit Reduction will be equally divided between Republicans and Democrats—three each appointed by the Speaker of House and the Democratic leader and the Senate Majority and Minority Leaders. The task of this Committee will be to come up with substantial savings by Thanksgiving with an up or down vote in both Houses by December 23rd.

If history is any guide, Democrats push tax increases or new revenue, and Republicans entitlement program reductions and a deadlock will result. The two sides even disagree on whether taxes or revenue are part of the mix and the baseline for revenue and tax expenditures. So deadlock is a real possibility.

If the Committee cannot reach agreement, its recommendations are not approved by Congress, or vetoed by the President, then new law brings back an old concept—a sequester, or across the board cut—to cover the cost of the additional debt increase. In the 1980s Congress enacted the Gramm-Rudman-Hollings Act which did exactly that. Under the law, most programs—excluding Social Security, Medicaid, and Medicare benefits—but including Defense will be subject to the sequester.

The prospect of a $600 billion sequester of Defense spending was rattling Washington before the ink was dry on the new law. At the end of negotiations, Republicans tried to peel back the number on Defense and failing that, got an expanded definition of ‘security programs’ in order to try to shield DOD. Democrats believe that Republicans cannot live with further reductions in Defense and will therefore give in on taxes.

On Taxes

In the short run, the deliberations and action of the new super committee will occupy Washington and policymakers in much the same manner as the debt limit debate just ended. It will make it hard to get Congress in general, and tax writing committee in particular to focus on extenders or other tax legislation until the recommendations of the super committee are disposed of.

Presuming that the super committee does not commit to revenue or tax reform in its recommendations, Congress will still have a long list of things to do:

- expiration of the '01 and '03 taxes provisions (so-called Bush Tax Cuts);
- expiration of the patch for the Alternative Minimum Tax;
- expiration of the Doc Fix on reimbursement rates for Medicare; and expiration of a large number of tax credit extenders—including NMTC.

It is almost certain that Congress will begin the process of dealing with these issues in 2011. Whether they get to the finish line is an open question and probably a function of how poorly the economy is doing.

As he pivots to a jobs agenda, the President has called for renewal of the payroll tax relief and extension of unemployment insurance. If the economy drifts downward, pressure on both payroll taxes, UI and perhaps other initiatives may become attractive. During deliberations on the debt ceiling, Republicans were reported to be agreeable to getting rid of certain tax breaks so long as it was used for other provisions in the IRS code. So a deal to try to lift the economy financed by getting rid of tax breaks for oil & gas, corporate jets or hedge fund managers may come to fore.

If not, then depending on the outcome of the 2012 election, we may see a replay of 2010 in which two years’ worth of legislating is shoved into three weeks. That presumes, of course, that the returns are definitive and favorable for the President.
Town of Moriah Continues Work on Drinking Water Project WD #4
Diane Perley, New York State Lead

Residents of Elk Inn, Forge Hollow and Switchback Roads in the Town of Moriah are very happy with the recent news that they will receive a grant, in addition to a low-interest loan, from the New York State Drinking Water State Revolving Fund (DWSRF). This DWSRF grant will provide essential funds for the construction of a water line extension, giving these homes in the eastern Adirondack Mountains access to a clean and safe water supply. Representatives from the adjacent Village of Port Henry had told the Town that it would not let them continue to use untreated or raw water from connections to an old Village water line going down the mountainside from a reservoir to the Village’s water system. Village officials were sympathetic to the plight of these town residents, but would not allow their continued use of untreated and potentially unsafe drinking water.

Town officials have been struggling for several years to find and finance a solution to the area’s water supply problem. A water line extension up to these homes was determined to be an expensive endeavor, but the only possible alternative since drilling wells for the individual homes would not provide an adequate water supply in this rocky and mountainous area. Obtaining funding for engineer planning, creation of a Town Water District and preparation of funding applications were all steps necessary to move the project ahead.

RCAP Solutions staff was able to provide technical assistance to the Town, completing the income survey necessary to document the number of low-income residents needed to support an application to the Community Development Block Grant (CDBG) program. The Spring 2010 CDBG application was successful, but with only 28 homes in the Water District, obtaining additional grants and low-interest loan funding from the Drinking Water State Revolving Fund was essential to be able to build an affordable project.

The Town of Moriah was fortunate that the project was ready to apply in December of 2010 for grant funds from the 2011 Federal Fiscal Year Drinking Water State Revolving Fund. The New York Drinking Water State Revolving Fund (DWSRF) staff estimate a financing need of $3.8 billion in FY 2012, with less than $300 million in DWSRF funding expected to be available during that period.

While it is difficult to predict the precise impact of anticipated future Federal funding cuts to the State Revolving Funds, expected decreases in funding may leave many communities waiting and wondering how they can afford to repair or build water systems. Requests for technical assistance also may surpass the ability of agencies, such as RCAP Solutions, to provide communities the support to implement their crucial water and wastewater projects.

Times...Continued from page 1
it and supports the technical assistance we bring to them in return.

It is sad to say that the hardcopy of this publication will cease once we put this final edition to bed. Our funding has been cut 50% from the source which supports this effort and we are therefore closing out this chapter and moving on to a new one.

I am inclined to quote the legendary Bob Dylan who sang, “You better start swimmin’ or you’ll sink like a stone.” At RCAP Solutions, we’re well prepared to change with the times. On the back page of this newsletter, you will see information on signing up for our future electronic newsletter. We will be sticking with the From Watershed to Well concept but streamlining it to be available via email and online at our website www.rcapsolutions.org. We have also recently launched an RCAP Solutions Facebook page to bring you more current and just in time information as it comes to us.

I want to thank the many staff, past and present, who have contributed to this quality publication and we look forward to bringing you the best of RCAP in times to come and to our readers, who have shown support and encouragement over the past 25 years.
Abbey Lane Community in Foster, Rhode Island Reaches a Critical Point

Tunde Baker, State Lead for MA, CT and RI

Overview
The Abbey Lane Community, which was built by the military in the 1950’s, is located on approximately 4.5 acres in Foster, Rhode Island and shares common water points. The community consists of 16 homes, which house approximately 45 people. All but two of the homes are in the low-to-moderate income bracket, with many of the homeowners on a fixed income due to disabilities.

The community is in significant need of funding assistance to develop and upgrade their water systems. Without the technical assistance being provided by RCAP Solutions, the delivery of potable water may be in jeopardy along with the health of its residents.

System Needs
The Abbey Lane Community consists of two wells and sewer systems that are well past their intended life and are in desperate need of update and repair. They have been failing for several years, causing the residents to make gradual repairs. The wells have inadequate yield to properly serve the 16 homes, forcing the community to truck water in during the dry seasons. They are also required to restrict water use to only what is necessary.

The Funding Scenario
The residents have been working for several years trying to procure funding from various resources, with some funding coming from the Community Development Block Grant (CDBG) program. With these funds they replaced the leach field and made attempts at finding more water by digging other wells and hydrofracting the existing ones with little success.

The community has had an open dialog with the U.S. Department of Agriculture (USDA) for many years. In order to qualify for funding, they had to first become a water district, requiring special legislation to be passed, which was finally accomplished after much time and effort.

The Abbey Lane community recently received $15,000 in grant money from the USDA to have an engineer complete the application for the project. This was estimated to cost $750,000 and the engineering services also concluded that the project needs to bring both water and wastewater up to date.

With water running low and septic lines starting to leak, they have reached a critical point for managing their assets and providing services to the community. As time moves forward the need to upgrade these systems increase, while the funding available at both the federal and state levels has decreased over the past years. As funding sources decrease, the need for communities to become more involved in the operation and maintenance of their facilities has increased.

The Abbey Lane community and RCAP Solutions’ staff continue to work together on these critical improvements. As funding becomes available, it is hopeful the project can be completed.

Without the technical assistance of RCAP Solutions, the delivery of potable water may be in jeopardy along with the health of its residents.
Department of Corrections Implements Asset Management Planning

James Starbard, Environmental Water & Wastewater Technician, CT/MA/RI

The Massachusetts Department of Corrections operates eighteen correctional facilities throughout the Commonwealth, with many of them located in rural communities. Several of these facilities have on-site water and wastewater treatment/distribution systems to sustain the prison’s needs.

In times of dwindling resources and in an effort to modernize and improve operations at their facilities, the Department of Corrections called upon RCAP Solutions, Inc. for assistance. RCAP Solutions’ staff is in the process of installing the U.S. EPA’s Check Up Program for Small Systems (CUPSS), as well as training the Department of Correction’s water and wastewater operators in the use of the system at several of its facilities.

The CUPSS system will provide the system operators with an electronic, adaptable instrument to use in Operations and Maintenance, Asset Management and Capital Improvement. With proper operations and maintenance of crucial infrastructure, the useful life will be extended lowering costs due to premature component failure. Also, proper asset management and capital improvement planning will assist the Department of Corrections in forecasting future costs of maintaining the water/wastewater systems and prioritizing scheduled improvements. All of these functions are essential to properly run utility operations in a cost efficient manner.

After RCAP Solutions work is completed, the Massachusetts Department of Corrections will have a user-friendly electronic system to manage their water/wastewater utilities, as well as a trained staff in the system’s applications.

The Department of Corrections may not have considered the CUPSS system due to costs associated with implementation and training staff; however, with the technical assistance provided by RCAP Solutions, the long term effects and the cost savings due to proper planning and management will pay dividends well into the future.

In honor of our 25th anniversary of From Watershed to Well, we would like to recognize and thank those who have contributed articles over the years to this quality publication.

Carl Allen, Jeff Allio, Sarah Nichols, Skip Moskey, Art Astarita, Chris Nill, Tunde Baker, Sharon Ostrander, Candace Balmer, Marc Parry, Shane Bickel, Michael Pattavina, Juan Campos, Diane Perley, Jodi Castallo, Patrick Pinkson-Burke, Tom Clark, Vivian Pratt, Richard Clough, Catherine Rapose, Allison Conboy, RCAP Board of Directors, Judy Concemi, Catherine Rees, Sarah Curley, Rebecca Reynolds, Linda Dellasanta, Brian Scales, Frank Emmick, Donald Schwartz, Tom Clark, Sukh Singh, Richard Clough, Bruce Goodale, Kevin Smith, Lisa Hall, James Smith, Mike Hattery, Jim Starbard, Carol Hess, Jim Starbard, Mark Hommer, Larry Stepenuck, Jennifer Husmer, Cynthia Sterling, James Kello, Paul Teixeira, Craig Lindell, Kimberly Thomas, John Linehan, Josefa Torres, John McCarthy, Robert Varney, Mia McDonald, William Webb, Eileen McGuire, Carol White, Harvey Minnigh, Barry Woods, John Moriarty, and William Webb.
As our federal and state budgets become more challenged, so do the activities for those pursuing a Community, Commercial, or Residential Infrastructure project. In order to make these projects more feasible, it is now more important than ever to properly plan your projects including managerial and financial activities for the proper operation and maintenance needed to insure a long system life.

RCAP Solutions is a comprehensive, nonprofit community development corporation that works with communities of all sizes to address a broad range of needs. We are part of a coordinated, nationwide network with an integrated, multi-faceted approach to delivering high-quality services customized to each community’s unique requirements covering the six New England states, New York, New Jersey, Pennsylvania, Puerto Rico and the U.S. Virgin Islands.

For those pursuing water, wastewater, transportation, or telecommunication services, the decrease in funding opportunities is slowing projects down and can be cost prohibitive. In many cases, impacting the ability for these entities to address water quality and economic development initiatives across our region, because the process is either too complex or not affordable. It is not enough to just build the system anymore, as it is now necessary to focus on asset management and protecting your investment.

RCAP Solutions is pleased to be able to continue providing technical assistance to eligible communities seeking project assistance and/or education and training on a subsidized basis, even in these difficult economic times. However, due to reductions at the federal and state levels, we may not be able to assist as many communities as we would like.

Nevertheless, please know for those communities that are not eligible for services under our 2011-2012 program year, we also now provide dedicated service contracts to those interested in using our high quality technical, managerial and financial services. We are now able to provide a host of services focused specifically on your community, business or individual needs.

Below are several of the many services RCAP Solutions can provide:
- 1–2 Day Project Consultations
- Project Planning and Consulting
- Grant Writing
- Community Surveys
- Asset Management Planning and Training
- Needs Assessments
- Publication Informational Materials Development
- Public Education and Training Activities

If you have a specific training or educational interest, please let us know. We offer specifically designed programming to suit your project needs; helping you to bridge technical gaps and instilling the necessary skills and knowledge to better plan, operate and manage your facilities or community project. RCAP Solutions can assist you to build the capacity to manage your own projects.

If you are interested in receiving more information, please contact Stephanie Booker at sbooker@rcapsolutions.org or 978.630.6631 today.
WASHINGTON, D.C.

The White House today announced the establishment of the first White House Rural Council. While rural communities face challenges, they also present economic potential. To address these challenges, build on the Administration’s rural economic strategy, and improve the implementation of that strategy, the President signed an Executive Order establishing the White House Rural Council.

Strong rural communities are key to a stronger America, said President Barack Obama. That’s why I’ve established the White House Rural Council to make sure we’re working across government to strengthen rural communities and promote economic growth.

The White House Rural Council will coordinate programs across government to encourage public-private partnerships to promote further economic prosperity and quality of life in rural communities nationwide. Chaired by Secretary of Agriculture Tom Vilsack, the Council will be responsible for providing recommendations for investment in rural areas and will coordinate Federal engagement with a variety of rural stakeholders, including agricultural organizations, small businesses, and state, local, and tribal governments.

Rural America makes significant contributions to the security, prosperity, and economic strength of our country, said Agriculture Secretary Tom Vilsack. The Rural Council announced by President Obama shows his continued focus on promoting economic opportunity, creating jobs, and enhancing the quality of life for those who live in rural America. Together with the rest of the Obama administration, USDA has worked to support families and businesses in rural communities so that their success will pay dividends for all Americans.

In the coming months, the White House Rural Council will focus on job creation and economic development by increasing the flow of capital to rural areas, promoting innovation, expanding digital and physical networks, and celebrating opportunity through America’s natural resources. The Council will begin discussing key factors for growth, including:

- Jobs: Improve job training and workforce development in rural America
- Agriculture: Expand markets for agriculture, including regional food systems and exports
- Access to Credit: Increase opportunity by expanding access to capital in rural communities and fostering local investment
- Innovation: Promote the expansion of biofuels production capacity and community based renewable energy projects
- Networks: Develop high-growth regional economies by capitalizing on inherent regional strengths
- Health Care: Improve access to quality health care through expansion of health technology systems
- Education: Increase post-secondary enrollment rates and completion for rural students
- Broadband: Support the President’s plan to increase broadband opportunities in rural America
- Infrastructure: Coordinate investment in critical infrastructure
- Ecosystem markets: Expanding opportunities for conservation, outdoor opportunities and economic growth on working lands and public lands

Since taking office, President Obama’s Administration has taken significant steps to improve the lives of rural Americans and has provided broad support for rural communities. The Obama Administration has set goals of modernizing infrastructure by providing broadband access to 10 million Americans, expanding educational opportunities for students in rural areas, and providing affordable health care. In the long term, these unparalleled rural investments will help ensure that America’s rural communities are repopulating, self-sustaining, and thriving economically.

"Strong rural communities are key to a stronger America."

– President Barack Obama
The State Revolving Fund (SRF) for wastewater systems was established in 1987 while the SRF for drinking water systems was created in 1996. Capitalization of these accounts originates from federal appropriations and is distributed to the states based upon one caveat. To receive this federal assistance, each state is required to match 20% of the federal grant. Some states have this match in their statute, which is automatically inserted in their annual budget, whereas other states require an annual referendum vote.

The SRFs make loans and grants available to finance a wide variety of water quality projects, ranging from traditional infrastructure improvements to watershed and water source protections, system management development and estuary management projects. The SRF also includes funds for sustaining EPA State Priority Offices and have provided support for technical assistance programs such as RCAP and Rural Water.

SRF funding has been critical in helping small to medium sized utilities as well as disadvantaged communities replace infrastructure equipment and conveyances, ensuring that the public has safe drinking water, wastewater collection and disposal.

The World Is Not Perfect

In a perfect world, each revolving fund would realize enough loan interest to eventually provide 100% of the money needed to establish future loans without further federal capitalization. It is probable that Congress passed the SRF amendments looking toward a future where these accounts would be self-funded. States have yet to reach that self-sustaining level, although the Clean Water SRF could be close, due to its earlier start date.

Typically, SRF loans are given at 2% below-bond-bank cost of funds and for up to 20 years. While the SRFs have been loaning out money at below market rate, the cost to purchase cast iron and tubular steel has been constantly increasing. Domination in Asian steel manufacturing, along with an increased demand from developing countries, an aging infrastructure, and the decreasing U.S. Dollar exchange rate has contributed to a higher cost for critical infrastructure material. Consequently, there has been gradually less SRF money available than the need requires.

The most recent financial crisis, which started in 2008, has focused an examination of the SRF program. During the week of July 11, the House Appropriations Committee passed a bill funding the Department of Interior, EPA, and related agencies for FY 2012, which begins in October of this year. The bill contained substantial cuts for many EPA programs, roughly $1.5 billion, of which nearly two-thirds came from the Safe Drinking Water and Clean Water SRFs. The Committee Report accompanying the bill contained language directing EPA to set aside $15 million to fund a competitive grant program for small-system technical assistance.

Bottoms-up Needs Assessment Required

Historically, funding justification has relied upon violations and unpredicted equipment failures which jeopardize public health. Mitigating threats to public safety has always been the principal consideration when ranking infrastructure applications. However, rewarding failure has been the major complaint among operators and funding agencies alike. The water sector has demonstrated that it can design, build and operate their systems. However, the managerial and financial ability of sustaining those systems has not been equally as successful.

For all infrastructure segments (water, energy, roads, bridges, public transportation), grant and loan funding decreases are likely and competition for financial aid is increasing. Therefore, it is paramount for the water sector systems to provide detailed support for their current needs and provide outlooks for future repairs. All public and private funding agencies appreciate holistic, calculated,

Continued on page 11
forward-looking reports as opposed to reactionary, knee-jerk applications. Such reports can enhance the State Primacy Office’s needs assessments.

**Technical Assistance Funding Required**

All water sector systems need to establish a continued routine of holistic analysis on critical equipment. Preventative maintenance observations must support adjustments to capital improvement schedules. Collectively, these two programs are fundamental to produce an asset management plan. Predicting the magnitude of cost for future repairs and replacements will reveal how such improvements will impact budgets and reserve accounts at all levels.

Asset management planning can give the local, state and federal governments a 5–5 year outlook of financial assistance required and the lead-time to accommodate for those needs. What better way to educate congressional leadership; by showing them their own constituents’ account of their long-term financial needs for infrastructure improvements.

Typically, small and medium-sized systems are under staffed; it’s difficult to document robust planning programs while involved with day-to-day operations. It is rare that system board members are trained in the water sector industry. Technical assistance is the primary avenue for systems to accomplish the planning goals. Non-profit organizations do the on-site assistance, usually charging time to the federal or state grants.

Without the technical assistance to aid in the forward-planning programs, legislators lack the complete picture to success-fully debate for financial appropriations. As a result, the SRF and other financial assistance to the water sector will lack funding, continue to prioritize run to failure operations and be unable to realize a self-funding SRF program.

**Bottom Line**

Detailed scheduled outlooks for infrastructure improvements, for every system size of the water sector, are required so that all levels of management and government can have lead-time to review and accommodate for those needs.

Projecting equipment replacement and repair schedules, along with forecasting budget impacts and revenue adjustments, are a challenge to small systems. Hands-on technical assistance is critical, not only to help with asset management planning, but to aid in navigating the various application requirements and deadlines. The managerial and financial capacity of small systems is lacking to employ or to pay for such assistance.

Correcting the country’s aging infrastructure requires large capital investment, which is only available through co-funding federal programs. Typically, the EPA/ SRF program, along with USDA/RUS and HUD/CDBG, has been the avenue to help with mitigating large impacts to user fees. Federal budget cutting jeopardize these mechanisms, along with the technical assistance necessary to create the forecasting plans required, that will properly channel any federal appropriations wisely.
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This publication is funded through a grant from the U.S. Department of Health & Human Services, Office of Community Services (HHS/OCS). Its contents do not necessarily represent the policies of HHS/OCS or of RCAP Solutions, Inc. The views and opinions expressed here are solely those of the individual contributors.

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Use your cell phone! Simply text “RCAPSOLUTIONS” to 22828. Message and data rates may apply.

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Now that we’ve “gone social” we invite you to “Like” our page. This will ensure that you don’t miss any important information about economic and community development, environmental issues, housing information, client services, upcoming events, educational opportunities and what’s new at RCAP Solutions.