

008 VV adopted

Amendment to H.R. 6083
Offered by Mr. Tipton of Colorado

**Enhancing Public/Private Partnerships to
Support Rural Water and Waste Disposal Infrastructure**

Background

- Rural water and waste disposal systems face a desperate need to update and improve their facilities. EPA estimates rural communities need at least \$80 billion to modernize water infrastructure and bring it into compliance with clean drinking water standards.
- USDA currently has a backlog of more than \$3 billion in applications from rural communities for loans and grants to enhance water and waste facilities. For FY 2012, USDA has only \$794 million in loans and \$432 million in grants available to finance these enhancements.
- While demand for direct loans and grants far outstrips the resources available, guaranteed loans are rarely fully utilized.
- USDA's water and waste direct and guaranteed lending programs are among the safest at USDA with historically a very low default rate.
- Federal resources are unlikely to increase in the coming years. As a result, more private capital will be required to finance the water and waste facility needs of rural communities.

Proposal

- The proposed amendment would direct USDA to "encourage, to the maximum extent practicable, private or cooperative lenders to finance rural water and waste disposal facilities" by utilizing loan guarantees where possible.
- Specifically, the proposal would encourage USDA to:
 - ✓ Maximize use of loan guarantees for projects in rural communities where population exceeds 5,500;
 - ✓ Focus direct USDA loans on projects where the impact on water rate payers would be material when compared to financing with a loan guarantee;
 - ✓ Establish and apply a "materiality standard" when determining the difference in impact on water rate payers between a direct loan and a loan guarantee;
 - ✓ Focus its scarce resources on permanent financing by requiring projects that require significant amounts of interim financing to initially seek that financing from private sources; and
 - ✓ Determine if an existing direct loan borrower can refinance with a private or cooperative lender prior to providing a new direct loan.
- Today many of the water systems receiving direct loans from USDA would qualify for financing from private sources. The proposal encourages USDA to focus its own resources on the neediest communities and to more closely partner with private lenders whenever possible to leverage private sector lending in order to increase the resources available.

AMENDMENT TO H.R. 6083
OFFERED BY MR. TIPTON OF COLORADO

At the appropriate place in title VI, insert the following:

1 **SEC. ____ . ENHANCING PUBLIC/PRIVATE PARTNERSHIPS TO**
2 **SUPPORT RURAL WATER AND WASTE DIS-**
3 **POSAL INFRASTRUCTURE.**

4 Section 333 of the Consolidated farm and Rural De-
5 velopment Act (7 U.S.C. 1983) is amended—

6 (1) by striking “require”;

7 (2) in paragraph (1), by inserting “require”
8 after “(1)”;

9 (3) in paragraph (2), by inserting “, require”
10 after “314”;

11 (4) in paragraph (3), by inserting “require”
12 after “loans,”;

13 (5) in paragraph (4)—

14 (A) by inserting “require” after “(4)”;

15 (B) by striking “and” following the semi-
16 colon;

17 (6) in paragraph (5)—

18 (A) by inserting “require” after “(5)”;

1 (B) by striking the period at the end and
2 inserting “; and”; and

3 (7) by adding at the end the following:

4 “(6) with respect to water and waste disposal
5 direct and guaranteed loans provided under section
6 306, encourage, to the maximum extent practicable,
7 private or cooperative lenders to finance rural water
8 and waste disposal facilities by—

9 “(A) maximizing the use of loan guaran-
10 tees to finance eligible projects in rural commu-
11 nities where the population exceeds 5,500;

12 “(B) maximizing the use of direct loans to
13 finance eligible projects in rural communities
14 where the impact on rate payers will be mate-
15 rial when compared to financing with a loan
16 guarantee;

17 “(C) establishing and applying a materi-
18 ality standard when determining the difference
19 in impact on rate payers between a direct loan
20 and a loan guarantee;

21 “(D) in the case of projects that require
22 interim financing in excess of \$500,000, requir-
23 ing that such projects initially seek such financ-
24 ing from private or cooperative lenders; and

1 “(E) determining if an existing direct loan
2 borrower can refinance with a private or cooper-
3 ative lender, including with a loan guarantee,
4 prior to providing a new direct loan.”.

