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DANS TO RURAL AREAS FOR WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION AND CREDIT

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

S. 1766, H.R. 7968, H.R. 7998, H.R. 8116, H.R. 8234,
H.R. 8959, H.R. 9264, H.R. 9737, H.R. 9893, H.R. 9987,
H.R. 10052, H.R. 10078, H.R. 10118, H.R. 10123, and
H.R. 10167

JULY 29, 1965

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LOANS TO RURAL AREAS FOR WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS

THURSDAY, JULY 29, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1302, Longworth House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage (presiding), Gathings, McMillan, Stubblefield, Greigg, Callan, Teague, Harvey, and Dole.

Also present: Representatives Resnick and Bandstra; Christine S. Gallagher, clerk; John Heimbarger, general counsel; and Fowler West, staff assistant.

Mr. POAGE. The subcommittee will come to order.

We are meeting this morning to consider the Aiken bill, S. 1766.

(The following bills, similar to S. 1766, were introduced in the House: H.R. 7968 by Mr. Stafford, H.R. 7998 by Mr. Bandstra, H.R. 8116 by Mr. Anderson of Tennessee, H.R. 8234 by Mr. Andrews of North Dakota, H.R. 8959 by Mr. Schmidhauser, H.R. 9264 by Mr. Callan, H.R. 9737 by Mr. Skubitz, H.R. 9893 by Mr. Moeller, H.R. 9987 by Mr. Widnall, H.R. 10052 by Mr. Hathaway, H.R. 10078 by Mr. Tupper, H.R. 10118 by Mr. Whalley, H.R. 10123 by Mr. Hansen of Iowa, and H.R. 10167 by Mr. Stratton. S. 1766 follows:)

[S. 1766, 89th Cong., 1st sess.]

AN ACT To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 50 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can

be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, or (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living: *Provided, however,* That in determining the ability of a public body to repay, consideration shall be given to any applicable legal debt ceiling or tax or assessment limits and to any other improvements contemplated to be financed within those limits.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purpose of water systems, shall include any area primarily engaged in or associated with agriculture and not having a population in excess of five thousand inhabitants."

SEC. 2. (a) Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

Passed the Senate July 23, 1965.

Attest:

FELTON M. JOHNSTON, *Secretary.*

Mr. POAGE. The first part of the Aiken bill is legislation which the Senate passed relating to the expansion of the activities of the Farmers Home Administration. Beginning with part II, it is word for word the Poage bill which has already passed this committee and the House.

The Poage bill expanded the guarantee authority of the Farmers Home Administration from \$200 million to \$450 million. I think it is still extremely important that we expand the authority to guarantee loans which would enable the Farmers Home Administration to carry on its present activities and any new ones that are conferred on it. If we do not do that, the conferring of new authority will not achieve much in the way of results. You have to have money or some way of getting money to make the results effective. Either FHA must have money appropriated by the Congress and added to the budget, or it must have authority to guarantee loans supplied by private money. Under the authority to guarantee loans the Government has made a profit of about \$12 million, I believe. It would seem to me that is a cheaper and more flexible way of doing it.

I think probably right now most of the argument relates to the Aiken part of the bill.

To get things started, I think we probably had better call on our former colleague, Hon. Larry Brock, representing the Farmers Home Administration. We shall start by asking Mr. Brock to present the position of the Farmers Home Administration.

Mr. Larry Brock, former Member of Congress, presently the Assistant Administrator of the Farmers Home Administration. We are glad to have you with us and shall be glad to hear you.

**STATEMENT OF LARRY BROCK, ASSISTANT ADMINISTRATOR,
FARMERS HOME ADMINISTRATION, USDA; ACCOMPANIED BY
HOWARD CAMPBELL, OFFICE OF THE GENERAL COUNSEL**

Mr. BROCK. Thank you, Mr. Chairman, and members of the committee.

I have with me, at the committee table, Mr. Howard Campbell, of the Office of General Counsel.

Mr. POAGE. The committee knows Mr. Campbell, and we are delighted to have him with us, too.

Mr. BROCK. I appreciate this opportunity to discuss S. 1766, a bill which passed the Senate July 23 and which would increase the annual authorization for insured loans made by the Farmers Home Administration from \$200 million to \$450 million and amend the present authorization of the Farmers Home Administration with respect to its program for financing rural water systems. May I first discuss section 2 of the proposed legislation.

Mr. POAGE. You point out the proposal is to increase the authority from \$200 million to \$450 million, but I wonder if that is adequate now. We started this thing a year and a half ago, and that is the amount we thought was needed at that time.

Mr. BROCK. That is right. This past fiscal year we exhausted our authorization of \$200 million early, and we had dockets on hand waiting for fiscal 1966 totaling a backlog of \$252 million. I have prepared a tabulation, Mr. Chairman, in regard to the needs, the applications on hand, and the projected needs. I would be happy to supply this to the committee at this time if you so desire.

Mr. POAGE. Yes; we would like to receive that.

(The tabulation follows:)

*Farmownership insured loan authorization requirements for fiscal year 1966
(July 1, 1965 to June 30, 1966)*

Farmownership loan dockets on hand July 1, 1965, due to lack of adequate insured loan authorizations in fiscal year 1965		Farmownership applications on hand July 1, 1965 and applications to be received during the next 12 months			Additional farmownership loans to be processed from applications on hand July 1, 1965, and applications to be received during the next 12 months, fiscal year 1966	
Number	Amount	On hand July 1, 1965	To be received during 12-month period at 3,300 per month fiscal year 1966	Total applications	Number	Amount
¹ 5, 003	¹ \$84, 024, 395	15, 030	40, 000	55, 030	² 22, 177	² \$345, 975, 605

¹ To be obligated in fiscal year 1966.

² To be processed and obligated in fiscal year 1966 from 55,030 applications on hand and to be received. Loans to be processed are based on 40 percent of total applications.

Total farmownership loans, fiscal year 1966

Item	Number	Amount
Loan dockets on hand from last year to be processed, fiscal year 1966 -----	5, 003	\$84, 024, 395
New loans to be processed, fiscal year 1966 -----	22, 177	345, 975, 605
Grand total -----	27, 180	430, 000, 000

STATEMENT OF POLICY FOR LOANS FOR DOMESTIC WATER SYSTEMS IN RURAL AREAS

Farmers Home Administration loans to provide rural communities with central water systems are made under the provisions of section 306 to title III of the Agricultural Act of 1961, as amended.

To be eligible for a loan, an applicant, whether it be a small rural town, water district, corporation, or similar entity, must provide, or propose to provide, water service to primarily farmers, ranchers, farm tenants, farm laborers, or rural residents.

The term "rural resident" includes persons whose permanent place of abode is in open country or in a place with 2,500 persons or less which is not part of an urban area. It does not include:

1. Persons living in closely settled areas surrounding, adjacent to, or growing out of a town of more than 2,500 people where the principal land use or occupancy is residential or commercial.
2. Persons living in established communities or subdivision developments likely to become associated with an urban area.
3. Persons living in a subdivision of substantial size which is being developed in a rural area, unless a large proportion of the residents will obtain most of their income from employment in the surrounding rural area.
4. Persons living in a place on a seasonal basis.

The Farmers Home Administration finances water systems primarily for farmers and rural residents who presently reside in the area to be served and who have agreed to use the water. No system plans are approved unless full debt repayment, operation, and maintenance costs, and reserve maintenance can be met by initial existing users with a reasonable water rate schedule. If it appears that a sound and proper basis exists for a loan to serve existing farmers and rural residents and landowners or developers request that the proposed water system be constructed so as to provide capacities in addition to those necessary to provide adequate service to the existing users plus reasonable allowances for growth and increased water use, those landowners or developers are required to pay for such additional capacities in cash before the loan is approved.

Farmownership loans, fiscal year 1966 (estimated)

STATISTICAL WORKSHEET BY STATE OFFICES

	Number of farmowner- ship loans	Amount of funds
01 Alabama.....	900	\$10,500,000
02 Arizona.....	50	1,000,000
03 Arkansas.....	1,780	15,800,000
04 California.....	250	5,120,000
33 Nevada.....	30	600,000
61 Hawaii.....	25	500,000
05 Colorado.....	490	10,620,000
09 Florida.....	520	9,660,000
10 Georgia.....	1,140	14,100,000
12 Idaho.....	680	11,620,000
13 Illinois.....	830	15,050,000
15 Indiana.....	630	13,000,000
16 Iowa.....	870	21,310,000
18 Kansas.....	810	11,000,000
20 Kentucky.....	960	11,430,000
22 Louisiana.....	830	10,620,000
23 Maine.....	520	6,940,000
06 Connecticut.....	10	120,000
25 Massachusetts.....	10	130,000
34 New Hampshire.....	80	1,200,000
45 Rhode Island.....	5	30,000
53 Vermont.....	190	3,050,000
24 Maryland.....	70	1,050,000
07 Delaware.....	25	500,000
26 Michigan.....	400	6,280,000
27 Minnesota.....	1,170	18,200,000
28 Mississippi.....	1,300	13,490,000
29 Missouri.....	1,540	22,070,000
31 Montana.....	360	6,410,000
32 Nebraska.....	710	16,590,000
35 New Jersey.....	60	910,000
36 New Mexico.....	170	2,470,000
37 New York.....	650	9,500,000
38 North Carolina.....	1,170	17,480,000
40 North Dakota.....	940	17,490,000
41 Ohio.....	200	4,380,000
42 Oklahoma.....	630	10,720,000
43 Oregon.....	250	4,060,000
60 Alaska.....	25	700,000
44 Pennsylvania.....	230	4,510,000
46 South Carolina.....	380	5,440,000
47 South Dakota.....	800	16,200,000
48 Tennessee.....	1,180	17,990,000
49 Texas.....	890	20,090,000
52 Utah.....	160	2,950,000
54 Virginia.....	80	1,540,000
56 Washington.....	420	8,200,000
57 West Virginia.....	130	2,330,000
58 Wisconsin.....	990	17,460,000
59 Wyoming.....	290	4,000,000
63 Puerto Rico.....	350	3,620,000
64 Virgin Islands.....	0	0
Total requirements.....	27,180	430,000,000

LOANS FOR WATER SUPPLY AND SEWAGE DISPOSAL

Estimated number of loans and amount of funds required during 1966 fiscal year to process association loans authorized under sec. 306 of the Consolidated Farmers Home Administration Act

State or territory	Loans approved or authorized for approval as of June 30, 1965	Loan funds needed for applications on hand as of June 30, 1965	Loan funds needed for applications expected during fiscal year 1966	Total funds needed for fiscal year 1966
U.S. total	\$58,055,850	\$168,161,000	\$134,855,000	\$361,071,850
Alabama	1,932,000	11,966,000	6,000,000	19,898,000
Alaska	0	0	300,000	300,000
Arizona	0	750,000	875,000	1,625,000
Arkansas	474,850	2,220,000	2,100,000	4,784,850
California	0	1,400,000	1,400,000	2,800,000
Colorado	58,850	6,400,000	6,800,000	13,258,850
Connecticut	0	250,000	1,000,000	1,250,000
Delaware	0	150,000	500,000	650,000
Florida	1,288,560	3,600,000	2,700,000	7,588,560
Georgia	280,000	1,040,000	1,120,000	2,440,000
Hawaii	0	0	130,000	130,000
Idaho	271,150	1,350,000	630,000	2,251,150
Illinois	953,400	3,300,000	2,500,000	6,753,400
Indiana	4,665,925	9,600,000	4,500,000	18,765,925
Iowa	750,300	1,100,000	1,300,000	3,150,300
Kansas	3,938,755	2,640,000	2,280,000	8,858,755
Kentucky	3,576,000	12,210,000	6,500,000	22,286,000
Louisiana	748,500	990,000	1,430,000	3,168,500
Maine	417,000	750,000	1,450,000	2,617,000
Maryland	0	450,000	450,000	900,000
Massachusetts	0	0	625,000	625,000
Michigan	361,000	900,000	1,720,000	2,981,000
Minnesota	71,000	700,000	800,000	1,571,000
Mississippi	4,629,000	12,120,000	10,320,000	27,069,000
Missouri	11,279,000	10,800,000	7,000,000	29,079,000
Montana	41,000	2,400,000	1,400,000	3,841,000
Nebraska	627,000	875,000	1,125,000	2,627,000
Nevada	0	750,000	750,000	1,500,000
New Hampshire	0	400,000	600,000	1,000,000
New Jersey	0	600,000	1,050,000	1,650,000
New Mexico	683,260	1,400,000	1,680,000	3,763,260
New York	0	5,000,000	2,600,000	7,600,000
North Carolina	1,541,590	10,440,000	7,020,000	19,001,590
North Dakota	73,920	500,000	450,000	1,023,920
Ohio	261,000	1,430,000	1,170,000	2,861,000
Oklahoma	3,240,450	9,860,000	6,460,000	19,560,450
Oregon	364,780	1,000,000	1,100,000	2,464,780
Pennsylvania	154,650	3,000,000	2,250,000	5,404,650
Rhode Island	0	0	300,000	300,000
South Carolina	45,000	3,100,000	2,100,000	5,245,000
South Dakota	551,150	3,000,000	3,000,000	6,551,150
Tennessee	1,878,000	8,150,000	5,520,000	15,548,000
Texas	8,543,110	15,820,000	16,380,000	40,743,110
Utah	613,000	750,000	1,250,000	2,613,000
Vermont	0	20,000,000	2,400,000	4,400,000
Virginia	0	1,400,000	1,400,000	2,800,000
Washington	1,750,100	2,200,000	2,400,000	6,350,100
West Virginia	1,073,600	4,050,000	1,920,000	7,043,600
Wisconsin	928,950	2,400,000	2,000,000	5,328,950
Wyoming	0	2,700,000	3,300,000	6,000,000
Puerto Rico	0	250,000	750,000	1,000,000
Virgin Islands	0	0	50,000	50,000

Mr. POAGE. I did not mean to interrupt your statement, but I wanted to see if that was not the situation.

Mr. BROCK. When the committee receives these tabulation sheets, they will note on the first page of the tabulations that we had a backlog of \$84-odd million in farm ownership loan dockets waiting to be financed from our authorization this year. We have on hand 15,030 dockets as of July 1, 1965. We anticipate receiving during this fiscal year an additional 40,000 applications. Mr. Chairman, all applications do not develop into loans due to the fact that some individuals or some associations, speaking in the area of water associations, are not eligible for loans. The total of the 15,030 plus the 40,000 makes a

total application of 55,030 applications. Then we use an attrition factor bringing this total down to 22,177 applications that we will expect to attempt to process during fiscal 1966, for a total of \$345,975,605.

Then you will note we have itemized these in the tabulation sheets by States, both in the farm ownership field and in the association water facility area. You will note we need a total of \$361,071,850 if we are to develop all of the water system and other association dockets that we anticipate will be eligible for loans from the Farmers Home Administration.

So, these tabulation sheets demonstrate there is a need for about \$790 million, rather than the \$450 million contained in the bill.

Mr. POAGE. You may proceed.

Mr. BROCK. Section 2 of the proposed legislation is identical with H.R. 5075, a bill which was favorably considered by this committee and passed by the House on March 15. There is no need for me to discuss this section before this committee.

Section 1 of S. 1766 has not been previously considered by the House.

Section 1 of S. 1766 would amend in three respects the present authority of the Farmers Home Administration in the field of financing rural community water systems. It would:

1. Permit grants up to 50 percent of the construction cost of a water system where necessary.

2. Define a rural area for water system purposes as one primarily engaged in or associated with agriculture of not more than 5,000 population, whereas at present we are operating under an administrative limitation of 2,500, primarily serving farmers and other rural residents, and

3. Would permit loans, either direct or insured, or a combination of loans and grants to a maximum of \$4 million instead of the present limitation of \$1 million for insured loans and \$500,000 for direct loans.

The provision permitting grants meets a definite need posed by many rural communities. In the administration of its present program the Farmers Home Administration has had applications from numerous communities which could not afford to pay the entire cost of a needed water supply. This might be due to the low incomes of many of the prospective users, to the high cost of locating a good water supply, or to providing a distribution system in an area where the population is not concentrated.

It is a simple fact of life that either the construction of such systems must be subsidized or many rural people never will have running water.

Mr. POAGE. I wonder if you would give us your opinion on one matter that disturbs me in connection with this philosophy. That is, how do we fairly treat a community that is now paying the full 100 percent? Is there not some inequity to those communities that have made the sacrifice and established their own water systems and owe you for all of it, to go next door and set up a water system for their neighbors and not ask them to pay for it?

Mr. BROCK. In our feasibility study of the water system, we will attempt to work out such plans so the community can pay the entire cost of the water system and will borrow the funds from us and will repay the Government. However, in certain communities

it might be impossible for a community to come up with a feasibility study that would bring a proper and efficient municipal water facility to that community unless some funds were provided in a grant program.

I think we need to look to the efficiency aspect of it, and we need to look to the growth factor in the community. We need to study the ability of the users to pay for this service. If there is a shortage, then they might need to come in for small grant funds.

Mr. POAGE. Do you not expect a lot of people who would not go into the program as it exists today because they would have to pay the bill, to come up with applications next year and show you how they cannot pay?

Mr. BROCK. We have had quite a little experience, Mr. Chairman, and in our past experience we will be able to demonstrate that this community will be able to pay and will not need a grant in order properly to install a system.

Mr. POAGE. I do not have much confidence in that. I am not opposed to giving some help because we help everybody under the sun. I do not know why we should not pay as much of the cost of rural systems as we pay in the cost of municipal water supply systems. We are doing it in a great many of the programs, but there is nothing about rural supply. I think I know and I think Senator Aiken intended and I think the 92 Members who joined him intended that the Government pay a substantial share of the cost of constructing these systems in the future. I think you intend to do it and I think that is what this committee intends to do. I think it is pulling the wool over everybody's eyes to say that we are going to see that these people pay for a large share of this. Everybody is getting as much out of the Government as he can get. We all know that. I do not think we need to kid ourselves a moment about it.

Mr. TEAGUE. Will you yield a moment?

Is that not analogous to the rent subsidy bill we acted on the other day? You have a man making, say, \$6,000 a year for a good many years, and he has been industrious and pays for his home. His neighbor has been making exactly the same amount of money, but he has not been as industrious and has not paid for his home, and now the Government pays part of his rent. I am not saying I oppose it, either. I am agreeing with your point.

Mr. POAGE. It is exactly the same, except that when two men have been paying rent, it is all gone anyhow, and they do not owe for their rent in the future; but these communities which have established these water supply systems this year and last year and the year before still owe you for 100 percent of their water supply systems.

Mr. BROCK. That is true.

Mr. POAGE. But the people who establish water supply systems the next year and the following year will owe you only 50 percent of the cost of their systems. That is what I am talking about. Is there an injustice that Mr. Gathings, a man who is frugal and agrees to pay for his water system, who has not paid for it but has signed notes to pay for it, is going to have to pay for it; and here is Mr. Teague, if I may use him as an example, who comes in next year, who has not applied yet but he comes in next year. I think he would be dumber than I think he is if he did not get all of the Government payment

that he can. You are not going to charge him 100 percent for his water supply system.

Mr. BROCK. No, Mr. Chairman, if he attempted to seek grant funds, but I reiterate, if that community is able to pay the full amount of the loan, there will not be any grant funds available..

Mr. POAGE. I do not buy that at all. We understand the facts of life. We know what this bill is for. I am not suggesting this in opposition to the bill. I know we are giving people a lot of things, and I am proposing to give these rural people just what we are giving city people. I am not offering any apology for doing it, but I am asking you how you justify this. If Mr. Teague does not pay part of the cost of his, how can you make Mr. Gathings pay 100 percent of his? That is the thing that bothers me. Everybody who can is getting a Government grant. The minute you open that door, the foot is in it and you cannot close the door.

You are a good Administrator and you have a good office and I am not criticizing, but you cannot deny a full grant to some; I do not care how much you want to.

(Off the record.)

Mr. BROCK. Mr. Chairman, I believe this section is parallel to the section in the Housing and Urban Development Act concerning community facilities.

Mr. POAGE. Has anybody turned down any grants under that program because the recipients were rich and opulent?

Mr. BROCK. The Housing and Urban Development Act specifies that they can make a grant. This feature in this bill specifies that if a rural project is in need of a grant, our agency then can make a grant.

Mr. POAGE. You are going to make it in 102 percent of the cases, maybe 103 percent. There will not be anybody denied a grant. I do not think we need to fool ourselves. We are talking about giving these people something, giving them something, not loaning them something but giving them something. That is what we are talking about.

Mr. BROCK. Yes, if it is necessary to make a grant we will make a grant.

Mr. POAGE. And it will be "necessary" in every case. If a fourth grade boy cannot come in and prove that he is so poor that you ought not to require him to pay the entire amount back, he ought to be in the asylum for the incurables, rather than the fourth grade.

Mr. BROCK. Mr. Chairman, I will not debate the point with you. I think our record will show that we will make many loans without grants in fiscal 1966 under S. 1766.

Mr. POAGE. I am not asking you to do that. Frankly, I do not want to see these towns get so much more favorable treatment than the rural areas. Do you know of any town that is being denied a grant because they have taxable values?

Mr. BROCK. No, I do not.

Mr. POAGE. I do not, either. I do not know why we should apply a much more harsh rule to rural areas than we are applying to the cities. All I am asking is, What are you going to do about the fellow who already has committed himself on a loan? Are we to forgive part of that loan?

Mr. BROCK. No; we would not do that. There is nothing in the act which would permit that.

Increasing to 5,000 population the definition of a rural area also seems to us to be sound and proper. Many small towns with populations below this figure, but above the present 2,500 limitation, need financing to install water systems or to improve or modernize their existing systems.

Mr. DOLE. Is there some law that picks it up over 5,000 now? Is there any other program in which communities over 5,000 receive similar assistance, say between 5,000 and 10,000?

Mr. BROCK. The Community Facilities Administration operates and has operated in the larger urban areas.

Mr. DOLE. Is there a gap where some communities would not be eligible?

Mr. BROCK. I do not believe there will be any gap at all.

Mr. CAMPBELL. Not as a matter of statute. There may be an actual gap where Community Facilities will not find feasibility in a town of 6,000 or 7,000 population, but the statutory authority will not contain a gap.

Mr. DOLE. Does their jurisdiction start at 5,000?

Mr. CAMPBELL. Their jurisdiction is unlimited. They could go into rural areas, but up to this time they have not gone into any unincorporated areas at all.

Mr. POAGE. Mr. Campbell, is the situation not almost exactly identical to the situation which exists between the Soil Conservation Service and the Army Engineers? The Army Engineers have no lower limit on what they can do. They can go out and build one culvert if they want to. Then they can straighten the Mississippi River, at the other extreme. The Soil Conservation Service is limited as to its upper limits. Is that not exactly the same situation?

Mr. CAMPBELL. There is a parallel, Mr. Chairman.

Mr. BROCK. There are valid reasons, too, for increasing the limitation on the size of the loan authorized for any single applicant association to \$4 million. It has been our experience since 1961 that because of the \$1-million limitation many applications could not be approved and many of the loans we did make could have financed even better systems had the \$1-million limitation not been in effect. Frequently, it is more efficient from an engineering standpoint and more practical from a management standpoint to build a water system that will service a maximum number of users. Many rural communities lie close enough together to be served by one system which would be more economical and more efficient. The \$1-million limitation prevents this economy and this efficiency.

We are pleased with the action taken in both the House and Senate on the legislation contained in section 2 of S. 1766. We recognize that the legislation contained in section 1 of S. 1766 will form a companion aid in rural areas to the assistance available under the Housing and Urban Development Act of 1965, and in combination will help assure that all sectors of the country are adequately supported in community facility development.

Mr. POAGE. Is there any possibility of duplication in connection with the Community Facilities Act or other acts?

Mr. BROCK. No; I do not see any problem in duplication of services. The Community Facilities Administration is also in business to aid communities which cannot obtain credit elsewhere. However, the Com-

munity Facilities Administration differs from our agency in that they have not made loans to other than public bodies. There are thousands of rural towns and rural water companies who need counseling and guidance in the development and operation of good community water systems. We are staffed to provide this supervision and guidance. Occasionally we receive a marginal application, one that perhaps could be made by the Community Facilities Administration. In such instances our State director contacts the Community Facilities Administration representative in his State and together they make the determination whether the Community Facilities Administration or the Farmers Home Administration should aid the applicant.

Mr. DOLE. We discussed earlier what would happen to these communities which have already obligated themselves. I think the key to that may be the fact that they could modernize their systems, could they not, under this program? In other words, say they still owe money on their present loan, they could make another application for modernization and in that application you probably could make a grant.

Mr. BROCK. They could make a subsequent application for additional loan funds to enlarge the system or to modernize the system, and then need grant funds in order to accomplish that purpose.

Mr. DOLE. Do you anticipate that much of that would take place?

Mr. BROCK. This could take place. At the present time we are receiving applications from communities all over the United States for additional loan funds to extend their services, and in that instance grant funds may be needed.

Mr. DOLE. So, it would be possible to balance the equities between the hypothetical Mr. Gathings and Mr. Teague?

Mr. BROCK. That is certainly true, Congressman Dole.

I would like to add one more thought in answer to Congressman Dole's question. We loaned funds to a community in a Southern State for a water facility installation, and now they find the water contains a large amount of iron oxide. The community is not able to request additional loan funds from us. They need a filtration plant in order to precipitate or to take out this iron oxide in the water. They would probably come to us for grant funds for this purpose for the filtration plant.

Mr. GATHINGS. Mr. Brock, I appreciate your good statement. I wonder what criteria would be used in making the determination of a town or community. How far would you go out? Will it be strictly the town and you will not go beyond the corporate limits in setting up your water system? What about a man who lives just outside of the incorporated limits of a town or community? What about that man who desires to tap in and get some water with which to water his stock and to keep his operation going and in order to have water for his family, without having to resort to a cistern?

Mr. BROCK. Congressman Gathings, we would not confine the installation to the incorporated limits of the town.

Mr. GATHINGS. How do you define it now, Mr. Brock?

Mr. BROCK. We extend our lines to the farmers near this community if the feasibility study shows that these users can pay for this extension.

Mr. STUBBLEFIELD. I think what you mean is that the water district is not limited to the confines of the incorporated town; that the district can extend far beyond that.

Mr. BROCK. That is right. If there are rural residents or farmers, we would extend the line if the feasibility study would point out that the user could pay for the cost.

Mr. GATHINGS. What is that cost now, say, for a 2-mile extension? What would the feasibility study ordinarily show to extend your water line 2 miles beyond the very last line that you have within the community area itself?

Mr. BROCK. We could furnish some examples for the record, Congressman Gathings. I come from a rural community in Nebraska. We might have three or four farmers to the mile. We might go out a mile or two. The cost would be greater because we know that beyond that next mile are three or four more. So, we would have to put a larger transmission line, if that is the proper term in speaking of water facilities, so we could take care of the needs of the three or four farmers beyond that point. We would be happy to furnish you for the record, examples of our costs per mile.

(The information referred to above follows:)

Last year the amount loaned by the Farmers Home Administration for water distribution pipelines averaged \$8,000 per mile. A recent loan approved in Mississippi included the following estimated costs per mile for branch waterlines: 4-inch, \$10,560; 3-inch, \$4,488; and 2-inch, \$3,168. A similar loan in Texas had the following costs: 4-inch, \$5,280; 3-inch, \$3,960; and 2-inch, \$2,376. A third example in Florida included: 4-inch, \$6,864; 3-inch, \$5,280; and 2-inch, \$3,960.

Mr. POAGE. While you are on that point, I think I might give this illustration. I know some of our communities have determined the character of their facilities by the number of users. If there are several users out there, you put down a 4-inch line extension because you have enough people out there to justify a 4-inch line and you can divide the cost and it does not cost too much per user. If you have one house and are going to run the line a mile or so, about the only practical way they seem to know, in my country, is to use the drip system. They will put a mile of 1-inch pipe or even, I believe, $\frac{3}{4}$ -inch pipe in some instances to one house. You get very little water through a 1-inch line a mile long. In fact, most of the time it just drips. You have to build a reservoir, just as you used to have to do if you had a private well. Your aboveground reservoir gives you pressure in the house. You drip water into it 24 hours a day and it will give you all the water that the house and the stock would use. You get your pressure from your own individual reservoir, not pressure out of the system pipeline.

Mr. GATHINGS. Mr. Brock, are you familiar with the testimony that was presented in the Senate Committee on Agriculture and Forestry by a group of people who represented well-digging concerns?

Mr. BROCK. Yes. I accompanied the Administrator to those hearings and I heard the testimony.

Mr. GATHINGS. What is your opinion of permitting individual systems to be built in these areas outside of the corporate limits, outside of an area where you would not care to extend your line?

Mr. BROCK. For many years, Congressman Gathings, we have made loans for individual water systems and we process thousands of loans each year for individual water systems. If they need to put down a well and cannot get it elsewhere, we furnish the funds through what we call our soil and water individual loan program. They can get loans from us on an individual basis.

Mr. CALLAN. Would there be any possibility of including a grant on that, also?

Mr. BROCK. Not as the legislation is proposed under S. 1766.

Mr. CALLAN. Do you think that might be advisable?

Mr. BROCK. That is a determination which the Congress makes.

Mr. TEAGUE. I have one question, Mr. Brock, which is in no way to imply a criticism. It is just a matter of curiosity.

In the tabulation you gave us concerning the amount of loans made and applied for in your overall operation, not confined to water systems, as I understand it, I note in California you need \$2,800,000, and in Governor Stafford's State of Vermont, \$1,400,000, and in Texas, \$40,743,000. I am curious why the program is so comparatively small in California in relation to other States.

Mr. BROCK. Indiana shows \$18 million. In some areas they have a tremendous problem finding water suitable even for livestock.

Mr. TEAGUE. Does this tabulation which I have in my hand, which you furnished us, relate only to water systems?

Mr. BROCK. This tabulation is related to water systems and other association loans. The other tabulation is related to the farm ownership program.

Mr. TEAGUE. Perhaps the answer is that we have lots of water problems in California, of course, but we have Bureau of Reclamation projects and local water developments.

Mr. BROCK. We accept all the applications we get from California, and if we can possibly work out a loan for a community in California, we are happy to do so.

Mr. STUBBLEFIELD. Mr. Brock, do you have any procedures and minimum design standards for the construction of water systems?

Mr. BROCK. Yes; we have standards. We probably will revise those standards. We told the Senate Committee on Agriculture that we would furnish a revised standard. When we work up a water facility loan, qualified engineers in the respective States work up the design and we study those designs and try to install the water system under the designs as proposed by the engineers who are qualified engineers in that State.

Mr. STUBBLEFIELD. You leave the system up to the State directors?

Mr. BROCK. No. The engineering study comes in to our national office here, and we have engineers who study the design as proposed by the engineers hired by the community. We might make suggestions as to a change in design for greater efficiency or economy in cost.

Mr. STUBBLEFIELD. Do you anticipate writing in the bill minimum design standards?

Mr. BROCK. I think such a bill would be too voluminous, but we did promise the Senate committee that we would revise our standards and furnish to the committee and to this committee, also, the standards that we have.

Mr. STUBBLEFIELD. Which you would dictate to the State director?

Mr. BROCK. Which the engineers would use as a guideline.

Mr. STUBBLEFIELD. In some States there do not seem to be any minimum standards. Some of them approve plastic pipe. Some of them disapprove it. Would you establish uniform standards for all the States, or would it still be subject to the State directors?

Mr. BROCK. We would be subject to the State health regulations in many respects as to type of materials to use.

Mr. CALLAN. I notice on page 81 of the hearing a list of the loans made from March 15 to April 29, the first 3 months of 1965. I notice no loans made for Nebraska or Iowa. Can you tell us why? Don't we make applications for loans there?

Mr. BROCK. We perhaps didn't have any applications which were eligible or we would have made the loans. All of our program is predicated on the fact that the community cannot get credit elsewhere. Many times probably in our State of Nebraska they can get credit elsewhere, so they would not be eligible for a loan.

Mr. CALLAN. I also notice in Florida the differential is about two and a half times with regard to the cost per family. For the record why do you have such a great differential between the two areas in the same State?

Mr. BROCK. I imagine the compactness of the community would be a great factor, and also whether we had to go 500 feet for water or 2,000 feet for water in installing this well, and what type of reservoir we might have to put up.

In some of the States, Kentucky and West Virginia, we could use watershed water which is available and which we would purify and we would not need to install a costly steel reservoir.

I imagine those are the factors which enter into the cost.

Mr. GREIGG. I want to go to the question of the type of construction. I think perhaps most States have their own standards. I know in the State of Iowa the health department sets up a specific code as to what type of construction you should have for water systems, and most of the communities throughout the State, large and small, have ordinances consistent with the established code as stated by the health department, State of Iowa.

Mr. BROCK. I think that is very true. We need to consult with the Public Health officials and the proper State authority in setting standards as to the type of material and the type of construction, Congressman.

Mr. POAGE. Mr. Brock, before we pass to the next witnesses here I want to ask you about page 5, which defines rural areas which includes an area primarily engaged in agriculture, not having in excess of 5,000 inhabitants.

Frankly it does not seem to me to be a very clear-cut definition. Do you think you can function under that definition?

Mr. BROCK. It would be extremely difficult, Mr. Chairman, to operate under this amendment because the amendment states it must be primarily engaged in or associated with agriculture, and we can immediately think of the States of Kentucky or West Virginia, or Indiana, where we might have mining which would be the principal occupation. Yet they are strictly rural communities, but they are not primarily engaged in agriculture.

I agree with you, Mr. Chairman, that it would be extremely difficult to function under this program with this amendment.

Mr. POAGE. I think we have to face up to the fact that we have a responsibility for rural areas and rural areas are ceasing in many cases to be strictly agricultural areas.

We must recognize that when we write a definition we are perhaps overlooking a lot of rural America where we have the same responsibility as we would have in the wheatfields.

Mr. STUBBLEFIELD. Do you know of any town of 5,000 or 2,500 which does not already have a water system?

Mr. BROCK. Frankly, I do not know.

Mr. STUBBLEFIELD. I don't, either.

Mr. BROCK. In the definition of raising this from 2,500 to 5,000, when we studied the census figures we found out that there were only 1,806 communities in the United States between 2,500 and 5,000, so we are adding only 1,806 communities to the definition. This was not a definition really but a guide we used which is not in the statute, but we are adding only 1,806 communities by using the 5,000 definition.

Mr. STUBBLEFIELD. How many applications do you have pending now? Do you have any pending now?

Mr. BROCK. From cities of 5,000?

Mr. STUBBLEFIELD. Yes.

Mr. BROCK. We don't accept applications.

Mr. STUBBLEFIELD. I mean from those of 2,500. Can you give me a breakdown?

Mr. BROCK. We have many applications.

Mr. STUBBLEFIELD. I would think a city of 500 would have a water supply.

Mr. BROCK. I agree with you, Congressman Stubblefield, that a city of 2,500 would probably have a water system. They might have an inadequate water system, antiquated water system. They might have a system where they have water now which is not suitable for human consumption, and they would need to seek loan funds.

Mr. POAGE. Is it not true that under the present law a majority of the subscribers, or a majority of the customers of the association, must make their livelihood from agriculture?

Mr. BROCK. That is not so.

Mr. CAMPBELL. The present law confines loans to those systems which primarily furnish this service to farmers, farm tenants, and other rural residents.

Mr. POAGE. And you have to have half of your subscribers, or more than half of them, who are rural residents?

Mr. CAMPBELL. That is right.

Mr. POAGE. So if they live in any kind of town at the present time you have to get half of them outside, don't you?

Mr. CAMPBELL. Not necessarily. Some incorporated towns are strictly rural in character and we can include the population of that town as well as the farmers who live around the boundaries of that incorporated town in determining that the total population is to be served.

We would not under the present statute and definition serve any small incorporated community which was part of a metropolitan area or suburb thereto.

Mr. GREIGG. Is it not in your judgment that you can determine whether a water system is inadequate or not and receive a grant based on an inadequate water system for a community?

Mr. BROCK. If it was determined that a grant was necessary; yes.

Mr. GREIGG. I think it is desirable when we talk about removing iron from the water in some of these filtering plants. However, I have many communities, Mr. Stubblefield, in my own district in the population range of from 2,500 to 5,000 where they have totally in-

adequate water supply systems. I wanted to establish that if the Department determines that these are inadequate, that grants actually can be made for these communities; you say they can?

Mr. BROCK. Yes, sir.

Mr. HEIMBURGER. Mr. Brock, would these rural water systems be built on the area saturation or complete area service basis as are electric co-ops? In other words, would they be required to offer service to every potential user within the area of the system?

Mr. BROCK. In serving the area we serve as many rural residents as is possible under a feasibility study. We would not extend this line out 3 or 4 miles because here is another man out here who does not have water. We take care of those needs with our individual loans.

Mr. HEIMBURGER. In other words, it would not be a requirement that water should be offered to every resident or every establishment within the outer boundaries of the area to be served?

Mr. CAMPBELL. If I may participate in this discussion.

Mr. HEIMBURGER. I wish you would.

Mr. CAMPBELL. Present regulations do require that exploration be given to everybody who needs water that can be served on an economical engineering design, whether they be within the boundaries of the community or outside the boundaries of the community.

If the system is going to be the only community system it will offer water to everyone who wants water. There may be some individual farms in the area served which have their own adequate water systems, and there would be no requirement that they become users of the central system. Some of these loans are made to public water districts financed by special assessments against the land, and in that type of case the land to which this water system would make water available will bear its proportionate share even though it does not actually tap onto the system at this time.

We usually start out, after the feasibility study, with the determination of what income would be necessary to operate, maintain, and pay the debt service. We translate that into the number of users who will need to start using water immediately to produce the income, and we may not make a loan, we may not close a loan, until the group or the public body has gotten assurances from, let us say, 300 users that they will connect immediately. In many States these systems come under the public utility concept, and, as you know, when a system such as this is declared a public utility it must serve those people who apply for service.

Mr. HEIMBURGER. In other words, except for the requirements of a State public utility act there will not be any hard and fast rule that water must be offered to everyone within the outer boundaries of the area you are serving?

Mr. CAMPBELL. I think counsel is correct. This is particularly true in our nonprofit association loans. We have no device to compel a user to join, and, conversely, a user has no legal right to insist on connecting if it is not feasible to serve him.

Mr. HEIMBURGER. There would be a feasibility test applied, then, so that if it costs two or three times as much to run a water line to a man's farm as it did to drill a well, you would recommend, at least, that he drill a well?

Mr. CAMPBELL. That is correct.

Mr. HEIMBURGER. The definition that the Senate has written into this bill, with regard to rural areas, does not necessarily involve any town or any community as we know it, unless you use the word "town" it does not involve any town at all.

Under this definition the water system could be right out in the middle of the open country.

Mr. CAMPBELL. That was true in the past and it will continue to be true even though the act does not redefine a rural area.

We have used the "rural residents" term in the existing provision of section 306 to justify an administrative determination that these services would be made available in open country and in communities of not to exceed 2,500 people, choosing that limit administratively from the census break as to what is rural and what is urban.

Mr. HEIMBURGER. I do not disagree with that. I wanted to point out a town is not involved.

Mr. CAMPBELL. That is correct.

Mr. HEIMBURGER. Can this water be used for irrigation purposes?

Mr. CAMPBELL. The base law would permit us to finance loans for the development of water for irrigation or domestic use, livestock, and some commercial use. Some of the provisions of the bill under consideration are primarily designed for domestic water rather than irrigation. It talks about a water system. I think they are talking about a domestic pipeline system rather than development of irrigation water.

Mr. POAGE. It is perfectly clear that anyone who wants to pay the bill can use it for irrigation but the cost can be so high you might as well talk about using milk from the dairy for irrigation. Of course you can if you want to pay the bill.

You can use this water for irrigation if you want to pay for it, but the cost will be so high that nobody except somebody who is just watering flowers for his house can afford to pay for it.

Mr. CAMPBELL. I think that is true, Mr. Chairman, with this exception—some of our loans are made to legal entities which have authority to distribute it for only one purpose.

If we make a loan for irrigation, we would deal with an entity which has authority to develop the water for irrigation. We would have to make a different type of loan.

Mr. STUBBLEFIELD. What will be the cutoff date on these applications as to whether they are eligible for grants? If they have started negotiations with the FHA and just about have it wrapped up, they will come in for a grant. If the water district started up on their own steam that was evidence they didn't need a grant.

Is there anything in this bill to cover that?

Mr. CAMPBELL. There is no provision in this bill which would settle that question, Mr. Congressman. Certainly my legal approach to the problem would be that if the loan had not yet been closed and construction not yet started, the contract would be open for renegotiation under the new authority. As to those which had been closed, as has been pointed out heretofore, if there is a further need for development, modernization, and so on, then a new contract dealing with the new problem would come under the new authority.

Mr. STUBBLEFIELD. In order to avoid any problem would it not be well to stipulate where you begin and where you end with regard to the grant money? They may have it 5 or 10 percent completed and want grant money. Everybody will want grant money. It would be helpful to have some cutoff date or some definite policy.

Mr. DOLE. If they would default on the loan then could you use this act after it passed to renegotiate?

Mr. CAMPBELL. I see nothing in the bill which clearly indicates that procedure was intended. However, under our base authority in the Consolidated Farmers Home Administration Act, the Secretary has ample authority to renegotiate the terms of any contract involving a loan, depending on the circumstances which exist at the time.

We reamortize and reschedule and, if repayment ability is not there, we reduce and compromise under limited powers Congress has given us.

Mr. GATHINGS. The importance of the question from the gentlemen of Kentucky is shown here—have you given any thought as to just where you will draw the line with regard to eligibility for a grant? Who is eligible for a grant? Who is on the borderline? Who is not eligible for a grant?

Mr. CAMPBELL. Mr. Gathings, I believe the program will develop in about this way: We will continue to entertain proposals from rural communities within this definition, whether they be incorporated or whether they be concentrations of residents in crossroads communities. We will work with them to create a legal entity which might undertake the development of a water system.

We will expect that they employ a local attorney and an engineer to design a proposed system and a supply of water which would be reliable which would service this community.

When we get that far into a proposal then we make a cost estimate and then look at the income of the proposed users and translate the cost per user under this estimated cost to the income and availability of revenue to pay for a system which would cost x dollars.

If that entire cost would result in a water charge to the proposed users of this community in excess of what we normally find a family can afford to pay for water then we would propose under this language to make a grant to the extent of that part of the total cost which is in excess of what a normal water user charge for the people of the income level that reside in that community.

Mr. GATHINGS. The latter part of your statement is what I was interested in. There are a lot of people in this country who reside on Indian reservations. You have a lot of people who reside in these towns and are getting food from a distribution center, from surpluses. Many people in these areas have meager means.

I have in mind towns in my own district where our people do not have high income. It is higher than it has been in previous years and it is moving up all the time, but I wondered what has been done in the Department with reference to just where that line would be put. What per capita income would be considered?

Of course, they have other bills to pay as well.

Mr. CAMPBELL. I am not prepared to give you a figure on a monthly water charge if that is what you have in mind, Congressman Gathings, which we would consider would be a reasonable charge across

the country. I think it must be related to the general level of income of the community. As you point out, there are some communities richer than others and can afford to pay a greater portion of their family income for water than people who reside in a different community. It is a matter which has to be judged in each case.

Mr. POAGE. It seems to me the questions have already developed that this is an unsound approach and we had better get back on something we know is sound. The Soil Conservation Service now pays for the development of stock ponds. The pay up to 50 percent of the cost of the dirt removal, with a limit on the cost of dirt removal. In some places the Government pays 10 cents a yard, in some places 8 cents, and in some places 12 cents.

However, they pay 50 percent of the cost and they pay it to the Swenson Cattle Co. as well as the smallest man in the community. They pay it to anybody who meets the requirements.

I think when Mr. Brock undertakes to say that this community has ability to pay and this community has not, he will have plenty of trouble. Of course, there might be the possibility of politics entering it at times but that is the only thing I can see that can be achieved by those kinds of decisions. Everybody needs help. New York City and Podunk all have too much in the way of taxes.

Again I come back to the proposition I mentioned earlier—I am not opposed to providing help to these communities, but I think you are inviting unlimited trouble when you attempt to decide that you will give aid to one community and deny it to another when they look just alike.

Mr. CAMPBELL. You are absolutely right. That is probably why in the Accelerated Public Works Act, which is now extant, there was no such requirement.

In the drafting of this legislation I believe the drafters took into account the possibility and probability of funding as well as the area of need, and felt that the choice between what you now propose of having a flat percentage grant and a percentage of repayment would involve more funds than were in sight to be committed to the grant program. We could serve more communities by applying this repayment test and spread what grant money we could foresee would be available among more communities than if we chose the other approach.

Mr. POAGE. Maybe if we just have the confidence in ourselves that the other committees seem to have we could get the funds. They have them, haven't they?

Mr. BROCK. They certainly have.

Mr. CAMPBELL. They are out of funds. They are not operating.

Mr. POAGE. You will be out when you spend beyond \$25 million. That is the limitation.

You will have to try to get some more money next year.

Mr. CAMPBELL. It is hard to tell people who are out of water they will have to wait until next year.

Mr. POAGE. Those who are out of water have been out of water for a long time and knew they would be short of water.

I had not realized that the House would be in session today at 11 o'clock.

Mr. GATHINGS. I just got a note here from the president of the Arkansas Farmers Union who is in the room. He had plane accommodations to leave this afternoon. He is anxious to get out of town and wanted just a couple minutes of the committee's time if possible.

Mr. POAGE. That is what I was getting at.

I thought we should dismiss these witnesses. We have Governor Stafford here who wants to be heard. Mr. Andrews is here and he wants to be heard.

Certainly I also want to hear from your constituent as fast as we can. I know the Governor has a short statement.

We thank the Department.

Mr. BROCK. Thank you and the committee for your attention in listening to us.

Mr. POAGE. We shall at this time hear from Governor Stafford.

STATEMENT OF HON. ROBERT T. STAFFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT

Mr. STAFFORD. I appreciate that very much, Mr. Chairman. I am delighted to have this opportunity to be heard on S. 1766 and the companion bills which have been introduced in the House. S. 1766 was introduced in the other body by my senior Senator from Vermont, Senator George Aiken, and 92 of his colleagues. With such backing it is not surprising that this legislation recently received unanimous support in the other body, although I appreciate the fact that we in the House reserve the right and exercise the right to make up our own minds on the desirability of this legislation. As a cosponsor of this landmark legislation on the House side, and I might add that the first bill in the House of Representatives was introduced by me, I give my strongest support to the rural water facilities proposal.

To the 30,000 rural communities which exist in these United States today without adequate water systems this legislation can indeed literally mean life or death.

I shall not go into the technicalities of S. 1766 as more expert testimony already has been heard by you from the Department representatives.

First, as the introducer of H.R. 7968, let me state that I fully accept the amendments made to S. 1766 by the Senate Committee on Agriculture and Forestry. These amendments, as you know, are five in number and are referred to on pages 4 and 5 of the Senate Report 500.

Secondly, I would like to emphasize the continuing need, indeed the critical need, for this legislation even though the Congress has recently greatly expanded grant programs for water system development under the Housing and Urban Development Act of 1965. This is not an overlapping of services between the proposed Rural Water Facilities Act and the water programs administered by the Community Facilities Administration under the Housing and Urban Development Act as the Department witnesses explained earlier. This proposal would be administered by the Farmers Home Administration.

This would be administered for and restricted to areas as it is now drawn, engaged in, or associated with agriculture.

The community facilities program is primarily for urban areas and so-called bedroom towns to urban cities. Its activities, as I understand it, are restricted to public bodies.

This rural water program is for the thousands of people who live in small agricultural areas. Assistance would be given not only to public bodies representing these people but to cooperatives and private groups who serve these citizens on a nonprofit basis.

I cannot accept the Department of Agriculture's last-minute decision dictated by the Bureau of the Budget that section 1 of this bill should be deferred. The testimony of the Administrator of the Farmers Home Administration and the plight of the 30,000 rural communities without adequate water belie this position.

Mr. Chairman, in closing I should like to interject a personal word if the committee will permit me concerning the original sponsor of this bill now under consideration. Senator Aiken has represented the people of his State and his Nation for more than a quarter of a century here in the Congress of the United States. He has gained the respect and admiration of all his colleagues on both sides of the aisle.

More important, he has gained the heartfelt thanks of common people everywhere for he has never forgotten their needs and their feelings. This legislation is a testament to the kind of life he has lived.

I am deeply in hopes that it will receive positive consideration by this committee and the House. Our rural areas need and deserve it.

Mr. Chairman, the Governor of Vermont, the Honorable Philip H. Hoff, appeared before the Senate Committee on Agriculture and Forestry earlier this year and testified before that committee.

If it is not inappropriate I would ask the committee's consent that the statement and the supporting data which Governor Hoff there supplied be made part of this record.

I shall be glad to supply it to the counsel of the committee.

Mr. POAGE. It is already part of the record, is it not? If the Senate heard him their record is printed the same as ours. There is no purpose in burdening our record with the same thing.

Mr. STAFFORD. In that case I will withdraw the request. I would not want to be guilty of any duplication of effort.

Mr. POAGE. We want to hear the Governor's testimony but if it is in the Senate hearings that is just as available as our own.

Mr. STAFFORD. I very much appreciate the chance to appear and testify this morning.

Mr. POAGE. We are glad to have had you.

Any questions?

We are very much obliged to you.

Our next witness will be Mark Andrews, Congressman from North Dakota.

STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. ANDREWS. I appreciate the opportunity. Because of the expert witnesses and the testimony of my colleague, Mr. Stafford, I will make mine short.

You know the main thrust of this bill. I would like to point out my bill, H.R. 2834, which is identical to the others, provides for this much-needed development for rural communities. We all know what REA has done for rural living. REA, by bringing electricity, and RTA, by bringing telephones to the family on the land, have made the farm a better place to live. So, too, do we need the help of water systems for rural and small towns.

Mr. Stafford mentioned, I am sure you realize, that 30,000 communities of less than 5,000 population have an inadequate water supply. Ours is unique legislation in that it has 92 Senate sponsors. I am sure support in the House will be equally great.

I would like also to point out that we have heard a lot in the House recently and in the Congress in the last few months about poverty and equal opportunity. Certainly the small town of rural America is the backbone of this country, and if we can make the small town a better place in which to live by providing the funds and the facilities to have a municipal water supply we could well encourage people to stay in these small towns.

This could be the spark that made the difference between the small town staying alive or fading out of existence.

I think perhaps that this helps all of America and I think this is the reason why the Governor of New York and both Senators from the State of New York have recognized this as necessary legislation.

We want to help the small communities to survive. It is no answer to our problem to have people moving out of the small town and into the large cities and adding to the troubles of the large city.

For this purpose I think, Mr. Chairman, that this would be a wise investment of the Government's money and I certainly am wholeheartedly in favor of this legislation.

Thank you for the opportunity to support this bill before you.

Mr. POAGE. We are glad to have had you with us.

We shall insert at this point a letter from Congressman James C. Cleveland, who could not be here this morning.

(The letter referred to follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 27, 1965.

HON. HAROLD COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR COLLEAGUE: I understand that hearings are scheduled on S. 1766, and similar legislation. The bill calls for a limitation of 5,000 or less in population, and I have been contacted by several small communities in my district that are just over that number urging that favorable consideration be given to an increase in the size of population. If you and your committee staff feel that an increase to 6,000 or 7,000 is warranted by factors which you have at your disposal, then I join my constituents in urging that this change be made in the legislation.

My district has been severely affected by the drought. There is a real need for this type of help. Generally speaking, the large communities by virtue of their size are not as badly in need of this assistance as are the smaller communities but the limitation of 5,000 would leave out several communities that badly need the help.

Thank you for your consideration of this request.

Sincerely yours,

JAMES C. CLEVELAND,
Member of Congress.

Mr. POAGE. We have our colleague, Mr. Stratton, from New York. We shall be glad to hear from you.

**STATEMENT OF HON. SAMUEL S. STRATTON, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. STRATTON. Mr. Chairman, I want to join in supporting this legislation, S. 1766.

We are facing in many parts of my district in New York State and in the Northeast a third year of severe drought and we do need help.

I am not certain that this bill is the only answer, Mr. Chairman, but I think it is certainly a very valuable piece of legislation and can contribute a great deal toward meeting our needs. Therefore, I certainly support this legislation and I am joining in sponsoring it.

I think we need other kinds of help as well as what this legislation will provide, Mr. Chairman. I am not sure that we have solved the problem of just what kind of legislative form this help ought to take. I think we need help, for example, in irrigating crops. I think perhaps we ought to have some experimentation in terms of stimulating rainfall because what we are faced with in my district and in many parts of the Northeast has had a very heavy impact on agriculture itself, and S. 1766 will not necessarily provide the water that is needed to take the place of the rainfall that we have not had, but the Aiken bill is certainly a big step forward and I support it.

I do think, Mr. Chairman, that perhaps the bill might be amended to give some assistance to individual water systems as well as merely to public water systems. There are people in rural areas that cannot economically become a part of a public water system, and yet they may need some assistance in developing a more adequate water supply system during this drought.

Other than that, Mr. Chairman, I support the bill and I hope that it will be favorably reported by this committee.

Mr. POAGE. Thank you, Mr. Stratton.

We will now hear from Congressman Widnall.

**STATEMENT OF HON. WILLIAM B. WIDNALL, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. WIDNALL. I am pleased to appear before your subcommittee on the several bills, including my own H.R. 9987, which will make possible a dependable water supply in thousands of smaller communities and rural areas throughout the country. They will help assure dependable water supplies in time of drought, and provide for an orderly and sound growth and development to help meet the needs of our expanding population.

These bills would authorize the Secretary of Agriculture to (1) make or insure loans not exceeding \$5 million to public and quasi-public agencies for water systems in smaller and rural oriented communities; (2) make grants not exceeding \$25 million in any fiscal year to finance projects for the storage, treatment, purification, or distribution of water; (3) define rural areas for the purpose of water systems as areas primarily engaged in or associated with agriculture and not having a population in excess of 5,000; (4) increase the limit on loans

which may be insured under subtitle A of the Consolidated Farmers Home Administration Act (real estate and similar loans) in any one year from \$200 million to \$450 million, and repeal the provision prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note; permit the Secretary to fix the insurance charge retained by him from borrowers' payments, and the portion of such charge deposited in the insurance fund; and (5) increase the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale to \$50 million from the present \$25 million limit.

In recognizing the particular financial needs of our smaller communities and rural areas, I am very mindful of the seriousness of the present drought situation to suburban and urban America, particularly in the Northeast. This is both a national and regional problem, and solutions must be found at both the national and regional levels. The water crisis, caused by the 4-year drought, and aggravated by New York City's excessive and unreasonable demands on the waters of the Delaware River threatens citizens in New Jersey as well as adjoining States, particularly Pennsylvania.

I am pleased that this bill, which has already passed the Senate, avoids any duplication with the current housing legislation. The services rendered under this bill by the Farmers Home Administration are restricted to those areas primarily engaged in or associated with agriculture and not having a population in excess of 5,000 inhabitants, for it was felt that assistance given to nonagricultural areas should be provided by some agency other than the Department of Agriculture.

Still, the coverage of the bill which I have introduced is considerable. For instance, some 30,000 rural communities need new water systems for food processing, for preparing vegetables for market, for fire protection, for the use of local industries and household uses, and to meet the high sanitary requirements of the milk producers in dairy areas. Many communities which need new or additional water supplies cannot presently afford them, and are as entitled to obtain Federal aid of the kind provided urban areas as any other communities of our country. In other words, size and population are not the only criteria which should be applied, but the needs and purposes must be considered as well.

Without objection we shall have our colleague, Mr. Redlin, extend his remarks.

Our colleagues, Mr. Schmidhauser, Mr. Cleveland, Mr. Whalley, and Mr. Hansen, have asked that their statements be included.

Without objection they shall be included in the record.

(The statements referred to follow:)

STATEMENT OF HON. ROLLAND REDLIN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, the importance of maintaining sanitary and healthful living conditions is well understood by my colleagues. Recent legislation to facilitate these conditions has been aimed primarily at urban and suburban areas. As a Representative of one of the most rural congressional districts, I wish to voice my support for new programs tailored for the specialized conditions of rural agricultural areas.

Last week, on July 23, I was pleased to note that the other body approved S. 1766, to inaugurate a grant program for soil and water associations and local public agencies to plan and construct water systems in rural areas, as well

as to make Farmers Home Administration loans available for the same purpose and to expand FHA lending authority. While I heartily approve the objectives of S. 1766, I would suggest scaling upward the grant program and broadening it to include assistance for drainage and waste disposal systems.

Mr. Chairman, many rural communities require new water systems, but cannot meet the costs. In North Dakota, where 65 percent of the people are rural residents, the situation is serious. The lack of adequate water and sewage systems prevents many rural towns from becoming processing centers for dairy and agricultural commodities.

Comprehensive programs to assist urban areas in providing water facilities have been in operation for several years. We need a corresponding program to cope with the special problems of rural areas and could utilize to good advantage experience, background and knowledge of the Farmers Home Administration.

Mr. Chairman, new and expanded programs to build water and sewage systems are badly needed to raise the overall living standards in our Nation's rural communities. I urge favorable consideration of legislation to make such improvements possible.

STATEMENT OF HON. JOHN R. SCHMIDHAUSER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

I want to thank the distinguished chairman and the members of this subcommittee for providing me with the opportunity to appear before you today on behalf of S. 1766. The need for favorable congressional action on the bill before this committee is underscored by our rapidly increasing population and our steadily expanding need for water. This need is further exhibited by the fact that many areas of our Nation are presently suffering a severe water shortage. This point was made in a booklet recently published by the Farmers Home Administration entitled "Thirty Thousand Communities Without Water." According to FHA, all of the 30,000 communities without water systems have less than 2,500 population and about 15,000 are under 100 population.

This lack of water systems also is revealed by statistics which point out that one out of every four farm homes, and one out of every five rural nonfarm homes, do not have running water. Furthermore, it should not be implied from these figures that the other rural homes have either an adequate or a dependable and safe source. The cisterns, wells, and ponds that provide water for our rural families often go dry, enhancing the possibility of contamination.

Our rural American's existing water supply also is threatened by nitrates from fertilizers, detergents, and waste products. Most of our cities have deep wells or are able to obtain equipment to purify unsafe water. On the other hand, many of our small towns and villages, and rural families throughout many parts of our Nation, must too often rely on shallow wells which are constantly threatened by contamination.

I respectfully urge that the members of this committee support the pending proposal. It is my firm belief that rural America cannot attain its rightful and most deserving place in our Great Society until some action is taken to meet the existing water problem. Lack of adequate, pure, running water is a significant hindrance to the full development of our rural communities. The lack of adequate pure running water adversely affects the efforts of rural communities to attract new, job-creating enterprises. I, also, believe that in many cases the present situation is a serious hindrance to the war on poverty, to the rural electrification program, to efforts to provide recreation and other facilities, and to wholesome rural living.

If I, again, may respectfully reiterate, the need exists, and as Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association, so ably stated, "It virtually cries out for a massive, full-scale program directed at eliminating the disparity in water service."

STATEMENT OF HON. JAMES C. CLEVELAND, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW HAMPSHIRE

Mr. Chairman, I am grateful for this opportunity to testify on behalf of S. 1766, which would provide for grants and increased loans for water facilities in rural agricultural areas. Certainly, my section of the country and the entire Northeast are in dire need of such assistance. The 4-year drought is having a severe impact.

While the most dramatic publicity concerning the water shortage is being given to New York City and other large metropolitan areas, the impact on small rural areas is every bit as severe. In some ways, the consequences of the drought are greater in the small, country areas because of their economic dependence on agriculture and because they lack the financial resources available to the big cities.

In considering this bill, however, I respectfully request that the committee revise the legislation so that 6,000 persons be made the population limit under the bill rather than the limit of 5,000 which is set in the Senate bill, S. 1766; or 5,500, which is the limit established in the comparable House bill, H.R. 10232 by Mr. Poage.

I prefer H.R. 10232 to S. 1766 with respect to section 7 in each bill (p. 4, lines 10 through 12 of H.R. 10232; and p. 5, lines 5 through 9 in S. 1766) because I am afraid that the narrower definition of a rural area, which is set forth in the Senate's bill, might lead to misunderstandings and difficulties in interpretation. I believe the definition set forth in H.R. 10232 is preferable from an administrative point of view. I hope the committee will find it feasible to recommend at least a small increase in the limits and adopt the broader language of the House bill.

With these qualifications, I am pleased to endorse the legislation and urge its passage.

STATEMENT OF HON. J. IRVING WHALLEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF PENNSYLVANIA

Chairman Poage and members of the subcommittee, almost unbelievably there are today, in the United States, still more than 15,000 rural towns and other thousands of fairly heavily settled rural areas without modern water systems, primarily in communities of less than 2,500 population.

These people, no less than other Americans are entitled to some of the niceties of everyday life, such as a reliable water supply. This is hardly to be considered a luxury.

With intermittent droughts spreading throughout the country and consequent stringency of water supplies it has become a real struggle for many thousands, if not millions, of the Nation's farmers and small rural communities to secure that substance which is so necessary to life and the manifold activities of rural living which is water.

With lowering water levels wells in many instances are being exhausted and funds are not available for further drilling or establishment of central supply systems for rural communities. They do not have the resources nor the credit but they do have the desire for and vital need for water.

The Consolidated Farmers Home Administration Act of 1961 was a step in the right direction when it authorized loans to be made to rural communities for the purpose of establishing central water systems, either to groups of individuals and to individuals for improving water supply.

This authority has been utilized to good purposes. However, the limitation of \$200 million on the amount of loans outstanding has not been sufficient to meet the demand for this and kindred purposes.

At the present time there is a backlog of requests for loans or insurance for loans under section 306(a) of the Consolidated Farmers Home Administration Act. On December 31, 1964, while loans were being made at the rate of 1,200 a month, 16,324 applications were on hand; 1,429 applications were on hand in June of this year for water supply loans alone.

Mind you these were from individuals, groups, and rural communities who could not otherwise secure the necessary financing from other credit sources. Credit is simply not available to nonpublic bodies for creation of new water distribution systems.

Commercial credit agencies require some assurance of sustained revenue sources before they will extend credit for this purpose. Even small rural towns and water districts lack the ability to provide these assurances and so are forced to rely on this program.

With the modern-day demands for high health and sanitary standards where the Nation's food products originate, water of good quality and sufficient quantity is an absolute necessity in such areas as livestock raising, dairying, poultry, food processing as well as for fire protection and domestic use.

These communities are not eligible for Federal grants to improve their water supply, they cannot meet commercial credit demands but are in serious trouble and they may not be able to continue farming or living in rural areas without some assistance.

The past record of repayment has been superbly good and there is no reason it should not continue to be. This must assuredly be an indication of the worthwhile accomplishments to date.

The expansion of the total authorization from the present \$200 million to \$450 million is urgently needed, both because of the backlog and because of the growing drought conditions which have reached the emergency stage in many sections of the country. This \$450 million limit includes not only the water supply loans but land use change, farm ownership, and soil and water conservation loans. To be large enough to meet all of these needs \$450 million is none too great.

Under certain conditions where the local groups cannot or may not legally borrow sufficient funds to meet their needs there are provisions for grants and for planning. These are limited to \$25 million and \$5 million annually and would be used only for emergency cases.

The benefits to be realized from this amplification of the Consolidated Farmers Home Administration Act are readily apparent and worthwhile.

With water made available more people would remain on the land, contributing to the Nation's growing food requirements. Additional employment opportunities in local industries are consequently sure to develop, sanitary standards on farms and food processing establishments would be maintained and probably improved. And last, but not least, the ever-present specter of possible disaster, complete loss of water supply, may be dispelled and life made a little better for a group of Americans who have no other recourse.

I urge your support for this legislation as represented by H.R. 10118.

STATEMENT OF HON. JOHN R. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF IOWA

Mr. Chairman, I want to thank Chairman Poage and the members of this subcommittee for granting me the privilege of testifying before this committee on S. 1766 and my companion bill H.R. 10123.

Yesterday I inserted in the Congressional Record my comments on the introduction of H.R. 10123. I would like to make these remarks a part of the testimony being made before this committee.

LOANS FOR WATER SUPPLY

Mr. Hansen of Iowa. Mr. Speaker, on Friday, July 23, the other body passed S. 1766, authored by Senator George D. Aiken. The bill provides authority for the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans. There were 98 cosponsors of this measure with the Senator from Vermont.

This heavy support certainly attests to the fact that there is a real need for the provisions contained therein. It might be said that grants and loans for water systems in small towns and rural communities is provided for in section 702 of the Housing and Urban Development Act of 1965. Technically this is true, but from a practical standpoint, the HHFA has too little understanding and appreciation of the needs in small communities to cope with this problem effectively. Moreover, they are primarily geared to administering projects in urban areas and are not equipped philosophically to handle the strictly rural and small-town problems as evidenced by the development of the Farmers Home Administration in its successful activity in the housing loan field in small towns and rural areas.

It is for this reason that I have filed H.R. 10123 as a companion piece of legislation to S. 1766 in an effort to assist in the correction of a long-overdue deficiency.

A letter which I received from Mr. Gene L. Hoffman, Farmers Home Administration Director of the State of Iowa, outlines very pointedly a typical example and I submit it for whatever value it will have in bringing this question clearly before my colleagues in the House of Representatives:

U.S. DEPARTMENT OF AGRICULTURE,
FARMERS HOME ADMINISTRATION,
Des Moines, Iowa, May 28, 1965.

HON. JOHN R. HANSEN,
House of Representatives,
Washington, D.C.

DEAR JOHN: I received a copy of the letter that Robert G. Lewis, Administrator, Rural Community Development Service, Department of Agriculture, sent you concerning an inquiry from Mr. Charles Nelson, mayor of the town of Orient, Iowa. Perhaps I can best supply the information you desire.

About 2 years ago members of my staff and myself met with the local council in Orient to explore the possibility of their cooperating in the watershed project. Under the watershed program administered by the Soil Conservation Service, consideration can be given to benefits of a water supply to a municipality, for recreation, as well as flood control. Had a watershed been developed, there was a possibility that part of the costs incurred in providing a water supply for the municipality would have been included as a part of the cost of the project.

Orient is located on Highway No. 25 midway between Creston and Greenfield. The present population of 341 represents a decline from 427 in 1950. The town has neither a water system nor a sanitary sewer system. The people in the community are aggressive and interested in acquiring both water and sewer for their residences.

This past year the town contracted with an engineer and had several test wells drilled. Preliminary estimates place the cost at around \$115,000 for an adequate system. A bonding program was scheduled which included \$39,508 general obligation bonds; \$44,250 special assessment bonds; and \$50,000 in revenue bonds. The general obligation and revenue bonds would draw 5-percent interest and special assessment bonds would accrue at the 6-percent interest rate. Initially, the plan was based on 100 users. An election on May 12 rejected the plan by a substantial majority.

Mr. Charles Nelson, mayor of Orient, heard about our effort to help the town of Clearfield and contacted our office on May 6, 1965. Mr. Kenneth Bower, a member of my staff, called on two of the council members and discussed our soil and water association loans to help small towns provide water systems. They were very much interested and asked that we meet with the council and other members of the community.

On May 19, Mr. Bower attended a meeting of the council with the city attorney present. Potential possibilities of a water system were discussed, recognizing that at least 100 community users would be needed to make the plan feasible. After the council discussion, a group of approximately 40 local residents met at the schoolhouse and raised a number of questions relative to the proposal. A majority of those present were senior citizens. Many of them have low incomes and the cost of water was a very important factor in their decision. Even these senior citizens recognize, however, the importance of both water and sewer if their community is to remain alive, thrive, and grow. Plans were made for a house-to-house survey to determine actual interest in continuing with plans for FHA assistance.

Several times during the meeting questions were asked as to availability of grants to assist small towns in efforts to install both water and sewage systems. John, I am sorry we had to tell them that such assistance is not presently available. Frankly, they cannot understand, and I am unable to give any feasible explanation, as to why larger municipalities are eligible for various types of grant assistance and small towns are not.

There are 707 towns in Iowa with a population of under 1,000. Over 300 of these towns have inadequate water or sewage systems. Many of the wells in these rural communities are contaminated. They do not afford even meager fire protection. In many of them the majority of the residents are senior citizens. They want to retire where they have spent the major portion of their life and in their own home environment.

John, you are aware of the personal position I have taken for years with respect to preservation of our rural communities. We can't move all of the

people in rural communities into Des Moines, Cedar Rapids, Waterloo, Omaha, et cetera. Yet if these small communities are going to grow, they must be able to offer the same services of water and sewage and even credit for modest housing. This is necessary if we are going to entice and keep our young families in these communities.

The town of Orient is a classic example. It is well located near the industrial center of Creston and the local citizens feel that many younger people would prefer to live in Orient and would probably build homes if water and sewer were available. School districts have been reorganized in the Orient vicinity and they have both a grade and high school in the town. It is quite likely that this situation will not be disturbed in the foreseeable future. Assistance in helping defray the cost of water and sewer installation would be a justifiable investment by the Government. A modest 25-percent contribution in the form of a grant would make this project feasible and do much to stabilize the community.

John, I am sure that both you and I recognize that any grant assistance that could be made available to provide essential services to our small communities is as important to our Nation as grant and aid given to urban development. Future investment in rural communities could be much less costly than that which has already been incurred in handling displaced rural people in urban areas.

We shall continue to work with the town of Orient and hope that a feasible project can be developed to provide a safe and sanitary water system and offer some fire protection. If we make the loan I assume they will make the personal sacrifice of paying high monthly rentals which will be necessary to repay it. If, on the other hand, funds were available to make a grant for part of the costs, the senior citizen in Orient could enjoy the water while he used and paid for it.

Sincerely yours,

GENE L. HOFFMAN, *State Director.*

Mr. Speaker, this is an urgent matter for many of our small communities and I hope the House of Representatives will move with dispatch on this measure. Those of us in rural America feel that the effective work being done in the urban centers by HHFA should be duplicated in our sections of the Nation.

Mr. DOLE. Mr. Skubitz has a companion bill. May his statement be submitted for the record?

Mr. POAGE. Yes.

(Congressman Skubitz' statement follows:)

STATEMENT OF HON. JOE SKUBITZ, A REPRESENTATIVE IN CONGRESS, FROM THE
STATE OF KANSAS

Mr. Chairman, first, I want to thank you for permitting me to appear before this committee to submit a statement in relation to S. 1766. On July 9 of this year I introduced a companion bill, H.R. 9737. I come before you today in support of these bills and the philosophy which they uphold.

As I pointed out in my remarks when I introduced H.R. 9737, the Rural Electrification Administration has done a wonderful job in supplying electricity and telephone service to rural America. When REA was established some 30 years ago, 9 out of every 10 farmers in this Nation were without electricity to light their homes and to provide power to operate their equipment. Private enterprise could not profitably supply power in these areas at a price that the farmers could pay.

The Congress of the United States therefore provided funds through a loan program whereby these farmers could organize, borrow funds, and establish their own lines. Since 1936, 5,386,088 farmers have been provided electricity at a reasonable rate. As a result of this program less than 2 percent of our farmers are without electricity today. Through the REA we were successful in bringing electricity and telephone service to our farm population. But more than this needs to be done, and much could be accomplished through enactment of the legislation before you today.

In general, this legislation—the rural water facilities bill—would provide for grants and increased loans for water facilities in rural areas. The Congress has already approved authority for grants to political bodies to assist in providing

water facilities for our urban people. Citizens in rural areas have the same need and are entitled to the same degree of assistance. The health and welfare of these proud citizens are just as important to our national interest as the welfare of our city dwellers who cry for larger dams, bigger reservoirs, and more water supply systems to take care of their water requirements.

Farmers all over the United States are finding it increasingly difficult to meet the high sanitary requirements for food production with old-fashioned supplies of water. There are 6½ million farm families dependent upon wells and cisterns, 65 percent of which are contaminated at various levels according to figures supplied by the Public Health Service. Some 30,000 rural communities—towns with less than 5,000 population—do not have an adequate water supply. It is a tragic fact that one out of five farm homes are without running water. This is a critical situation in the Fifth District of Kansas where over half of the people reside in communities under 2,500.

Mr. Chairman, for continued social and economic progress we cannot serve our cities to the exclusion of rural citizens. The requirement is for coordinated development of rural and urban areas. It is estimated that our rural areas will have to absorb an estimated 100 million people in the next generation.

Thousands of small rural communities are withering on the vine because they lack water. Without a central water system, without a waste disposal system, no community could hope to attract industry or encourage others to settle in it. Thousands of our senior citizens are forced to leave these areas and take up residence in more modern communities where living costs and taxes are much higher.

In 1961 we began to show some interest in the plight of these forgotten areas. Since 1961 the Farmers Home Administration has loaned \$72 million to finance rural water systems in 558 rural communities. Unless this program is stepped up irreparable damage will result.

Therefore, I am lending my support to the legislation pending before you today—the rural water facilities bill. We should recognize the development potential in our rural areas and help them meet the needs of an expanding America. We must make the conveniences of the cities, provided for with public funds, also available to the small towns and rural communities.

Mr. DOLE. Mr. Bandstra also has a statement he would like inserted.
(Mr. Bandstra's statement follows:)

STATEMENT BY HON. BERT BANDSTRA, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF IOWA

Mr. Chairman, members of the subcommittee, I am here to testify in support of H.R. 10052, which I introduced on July 26 to supersede H.R. 7998.

H.R. 10052 amends the Consolidated Farmers Home Administration Act of 1961 to provide for a program to develop rural water facilities. The bill would authorize up to \$25 million annually in grants to help rural communities finance construction of water systems and also authorize up to \$5 million annually for comprehensive planning of such water systems. In addition, it would expand the existing authorization under which the Farmers Home Administration provides loans for the development of rural water resources.

The need for this legislation is obvious. It is estimated that there are about 30,000 rural communities in the United States today that lack an adequate water supply. In my home State of Iowa, according to latest figures from the U.S. Public Health Service, there are about 290 towns with more than 100 population that do not have communitywide water facilities. Seventy of these towns, with a combined population of about 18,600, are located in the Fourth Congressional District of Iowa, which I represent. The Fourth District, a predominately rural area, has only about 13 percent of the State's population. At the same time, however, it contains about 24 percent of the Iowa towns without community water service. And so I am particularly aware of the need for helping rural communities develop modern water facilities.

With one exception, H.R. 10052 is identical to S. 1766, which passed the Senate on July 23 and is now before this subcommittee. The single exception relates to subsection (7) under the amendment to section 306(a). In the Senate bill, subsection (7) would restrict loans and grants by the Farmers Home Administration to rural communities "primarily engaged in or associated with agriculture." Under H.R. 10052, this restriction would be removed and loans

and grants would be available to any rural community with a population of 5,000 or less.

I feel it would be unfortunate if the restriction in subsection (7) of the Senate bill were enacted into law. At present, there is no such restriction on the Farmers Home Administration's loan program, and I can see no valid reason for limiting a future program in this way. If a rural community applies for assistance in developing a water facility, the primary consideration should be how badly the community needs a water system and not how closely it is associated with agriculture. The Housing and Urban Development Act of 1965 provides for grants in developing urban community water systems under the Housing and Home Finance Agency. During the debate on the housing bill in the Senate, it was made clear that the HHFA program would apply primarily to urban areas, and that the Farmers Home Administration program proposed by the legislation before this subcommittee would serve to meet the needs of rural areas. The Farmers Home Administration program, therefore, should be broad enough to include all rural communities in need of assistance in developing water facilities.

The lack of adequate water facilities is one of the most pressing problems facing many rural communities. Without a good community water supply, a community cannot hope to develop economically. And, if its economy does not grow, it lacks the financial resources to construct water facilities. H.R. 10052 will help many communities find a way out of this dilemma, and I respectfully urge that it be given favorable consideration.

Mr. POAGE. Is there anyone else who would like to submit a statement?

(No response.)

Mr. POAGE. Mr. Gathings' constituent, Mr. Johnson, is with us. We want to hear from him. He has to leave this afternoon.

While the bells have rung and the roll is being called, if you have just a very brief statement, Mr. Johnson, we will hear from you.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION, LITTLE ROCK, ARK.

Mr. JOHNSON. Thank you, Mr. Chairman. I will be very brief. I am Lewis J. Johnson, president of the Arkansas Farmers Union representing the National Farmers Union. We want to go on record favoring this bill.

As it would apply to Arkansas, Mr. Gathings, we have some 400 small towns in our rural communities that would come under this. It is a wonderful thing. It will give us an opportunity to reactivate these small communities. We think this bill certainly is needed.

I heard the grant part of it mentioned, Mr. Chairman. If I might say this, and I will hush—I served on the Arkansas Pollution Commission. You have a Federal grant which provides a percentage for all participants. I am suggesting that that might serve the purpose here if you are going to have grants. Make it percentagewise for all of them eligible to participate in the program, which will get you away from saying this community needs it more than this community, Mr. Gathings.

It would simply say we will match it 30 percent; borrow the other 70 percent. Or it might be, match it 20 percent, whatever the wishes of Congress.

However, we need this bill. We need this appropriation. We need this fund in Arkansas so we may continue progress in building back our rural communities.

I want to thank you very much for allowing me to come before you this morning.

Mr. POAGE. Thank you very much, Mr. Johnson. We appreciate your being with us. We appreciate your statement.

Mr. CALLAN. For the record, Mr. Chairman, on July 14, at page 16183 of the Congressional Record, there is information regarding this bill that I think some of the Members might want to consider. This is the Record of July 14, 1965, page 16183.

Mr. POAGE. Is there anyone else here who wanted to be heard in favor of the bill?

STATEMENT OF EDWARD W. KILEY, REPRESENTING NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. KILEY. Mr. Chairman, my name is Ed Kiley with the National Rural Electric Cooperative Association.

I have a prepared statement. It has been submitted. In lieu of time, I would be glad to just submit that statement.

Mr. POAGE. Without objection, it will be included in the record. (Statement of Mr. Kiley follows:)

STATEMENT OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and gentlemen of the subcommittee, I am Edward W. Kiley, rural areas development specialist of the National Rural Electric Cooperative Association. This is a national service organization for almost 1,000 rural electric systems operating in 46 States, and serving nearly 10 percent of the population of the United States with electric power.

Rural electric systems have consistently supported legislation which would provide adequate water systems throughout rural America. We urged changes in the existing law to remove the present \$1 million ceiling on loans to any one organization, and limit loans only by feasibility with the provisions to allow additions as they become feasible. At this point, I would like to submit for the record resolutions passed at the 1964 and 1965 annual meetings of our association dealing with this subject.

Statistics show that some 30,000 communities in rural America (towns of 5,000 and under) do not have an adequate water supply. One out of four rural farm homes and one out of five rural nonfarm homes are without running water.

In the annual loan fund survey of our membership this year, we included questions regarding area development needs. Over one-third of the systems reported that water and sewer facilities in their service areas are inadequate; and about 1 out of 10 of these systems reported no water and sewer facilities available whatsoever.

As rural areas development specialist at NRECA, I receive many requests for assistance with varied development projects. By far the most frequent requests I receive are for help in developing water systems.

President Johnson, in his farm message, called for a parity of opportunity for rural America. Without adequate water and sewage facilities, rural America will continue to be handicapped as compared with urban America. Rural electric systems, recognizing this, fully support all efforts to close this gap.

Our systems have consistently worked for the development of their communities. Through their efforts in the last 4 years, 135,000 jobs have been created by 1,500 various projects, which represent an investment of over one-half billion dollars, most of which was locally raised funds.

We believe that just as the Rural Electrification Administration, through its program and the efforts of rural people in the past 30 years, electrified rural America, so too in 1965 a similar coordinated effort is required to obtain much needed rural water systems. Enactment of S. 1766 can help attain this goal.

In reviewing the provisions of this bill, we believe that the \$25 million limitation per year for grants is far too low to begin to accomplish the job that must be done. If this program is to move forward and achieve worthwhile results, I am confident larger annual grant authorizations will be required in the years ahead.

Section 2 of the bill, increasing the lending authority of the Farmers Home Administration for water systems from \$200 to \$450 million, is excellent because it demonstrates awareness by Congress that greater efforts in this area are essential. But we believe this amount will not be adequate to do the job.

It is my understanding that while 900 water system loans have been made by the Farmers Home Administration, there is now a backlog of almost 1,500 applications not yet processed or tentatively approved. These alone total over \$225 million.

One further point: The bill as reported out of the Senate Agriculture and Forestry Committee, in subsection 7 of section 1, on page 5, line 8, defines rural areas for the purpose of water systems to include any area "primarily engaged in or associated with agriculture." We feel this is unnecessarily restrictive, vague, and not necessarily applicable to rural areas today. Rural areas were defined clearly in the original bill as being communities have a population under 5,000. This new language could conceivably work a hardship in some cases.

The intent of Congress, we feel, has always been that Farmers Home Administration should serve strictly rural areas, while Community Facilities Administration of the Housing and Home Finance Agency serves largely urban centers. Therefore, this restrictive language is unnecessary and should be removed.

It has been our experience that legislation affecting rural areas and particularly legislation for rural water systems programs, have been continually tacked on to urban area bills. This has resulted in various agencies of the Federal Government being assigned bits and pieces of the job of aiding the rural sections of the country. In our opinion, such efforts cannot be successful. We recognize in this legislation an opportunity for the comprehensive effort we seek and are pleased that it will be under the leadership of a rural-oriented agency.

Farmers Home Administration has demonstrated that it can provide the service to do this job, through its 1,600 field offices. The history of their water system loan program is unexcelled. To date, Farmers Home Administration has loaned over \$100 million and only one loan of \$60,000 is in default. This is less than one-tenth of 1 percent.

Rural America is being electrified as a result of a Federal-local partnership that began in 1935. The achievements of this program, in terms of human dignity, productivity, buying power, and opportunity have been of enormous benefit to this Nation.

The success of a comprehensive effort to bring water to rural America can, in my opinion, make the same kind of impact on our Nation's economy and can succeed in achieving these same results.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 23D ANNUAL MEETING, JANUARY 25-28, 1965

RURAL WATER SYSTEMS

Whereas the Department of Agriculture through the Farmers Home Administration has in the past 3 years made construction loans to over 300 communities to build public water systems supplying over 100,000 residences with good water; and

Whereas there are still many communities and areas that need and want a public water supply and will make applications for loans to construct same; and

Whereas these loans are now limited to a maximum of \$1 million to any one organization, thus limiting the size of a project so that in many instances it cannot be most economically operated; and

Whereas there is a need to build larger systems in many locations and to expand some already constructed and on which the present maximum loan has been made: Now, therefore, be it

Resolved, That we petition the Congress, the Department of Agriculture, and the Farmers Home Administration to revise the laws and rules as necessary

to remove the limitations on the amount that may be loaned any one organization, and limit loans only by feasibility, with provisions for additional sections when feasible as determined by the Administrator in a manner similar to that now used by REA in making electric and telephone loans.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 22d ANNUAL MEETING, MARCH 9-12, 1964

RURAL COMMUNITY SERVICES, WATER, SEWERS, FIRE PROTECTION

Whereas there are now many rural areas contributing to the economic soundness of our rural electric systems, where the water table is falling fast because of increased concentration of homes and business establishments along paved roads as the exploding population seeks satisfactory living sites, and which concentration using septic disposal fields is also causing contamination of wells and individual water supplies making it impossible for many to secure adequate and potable water, satisfactory sewage disposal, fire protection, and other community services; and

Whereas none of the government programs and agencies have a program that adequately serves these rural areas; and

Whereas the Farmers Home Administration has made a good start on central water systems and is best set up to administer the rural community area needs if their program is expanded and remodeled to meet these needs for loans and guidance in community facilities: Now, therefore, be it

Resolved, That Congress be asked and urged to authorize the Department of Agriculture through the Farmers Home Administration to provide a program and financing for rural central water systems, sewage disposal facilities, fire-fighting and protection units and other community facilities as the needs develop similar to those now provided incorporated urban groups through other agencies of government.

STATEMENT OF THADDEUS S. SNELL, REPRESENTING WATER SYSTEMS COUNCIL

Mr. SNELL. My name is Thaddeus S. Snell. I represent the Water Systems Council. We are in favor of the bill and we have some suggestions which we would like to make, constructive suggestions, but we favor the bill.

We would not like to be recorded as opposing it.

We have some comments and suggestions which we would like to make and a few amendments which we would like to submit but we do favor it.

Mr. POAGE. If you want to talk to us, we will try to give you a chance to talk. You may talk yourself out of court but you make the decision on whether you want us to hear you this afternoon.

Do you want us to hear you this afternoon or not or would you rather submit a statement?

Mr. SNELL. Does the committee propose to adjourn now?

Mr. POAGE. The committee must adjourn. That is the second bell and the committee has to answer that rollcall. The committee has to adjourn.

Mr. SNELL. We have a prepared statement which we will submit for the record.

Mr. POAGE. You may insert your statement in the record.

(The statement of Mr. Snell follows:)

STATEMENT OF THADDEUS S. SNELL ON BEHALF OF THE WATER SYSTEMS COUNCIL

Mr. Chairman, members of the committee, My name is Thaddeus S. Snell. I am an attorney practicing at 134 South LaSalle Street, Chicago, Ill., I am here today on behalf of the Water Systems Council, a national trade association whose members manufacture farm and domestic pumps and water systems and their component parts. The council has about 50 members and associate members. With me today is Durward Humes, executive secretary of the Water Systems Council.

Mr. Chairman, on behalf of the Water Systems Council I want to express our appreciation for the opportunity to testify on this significant legislation.

Water Systems Council members not only endorse but have actively promoted the basic objective of S. 1766 since before the turn of the century. Collectively this industry has devoted its resources and efforts for over 30 years to bring people living in rural areas ample, reliable supplies of pure and wholesome water for agricultural and domestic needs. We are keenly aware that rural water use, excluding irrigation, has more than doubled in the past 25 years. Steadily increasing demands can be anticipated as more and more rural families begin using automatic washers, dishwashers and garbage disposals, as more livestock are raised to feed a growing population, and as more farmers take advantage of automated water services for liquid manure handling, liquid feeding, environmental control, and similar modern farming techniques.

The Water System Council is cognizant that Federal assistance is appropriate to bring improvements in water supplies at a reasonable cost to rural residents who are unable, or to the extent that they are unable, to finance such improvements themselves. The Consolidated Farmers Home Administration Act of 1961, as amended, established a framework for such assistance. Sections 302, 303, and 304 of this act authorize loans or the insurance of loans to individuals who own and operate farms, live on farms or are farm tenants for purposes of development and improvement of water facilities where no other credit is available to them. Section 306 of this act as it presently reads also authorizes loans or the insurance of loans to associations, not-for-profit corporations and public or quasi-public agencies operating as a water district to develop and improve the facilities supplying water to farmers and rural residents where credit is not otherwise available and financial assistance is needed.

S. 1766 proposes to fill a gap in this existing legislation by authorizing grants to such water districts under certain circumstances. As we understand it, if the development costs are so high that they cannot be financed on a sound basis through loans, part of the cost may be provided by grants to supply water from a central supply system developed by a water district if such a supply system is economically the most feasible solution to the problem.

We recognize the need for filling this gap and support this concept. However, we suggest that the problem is still not quite solved. The bill falls short of providing a total answer to the problem in three particulars:

First, the bill does not establish or require the establishment of guidelines or standards of economic feasibility which will assure the most economical use of available Federal funds.

Second, the bill does not establish or require the establishment of technical and engineering standards to assure proper construction of the facilities being financed.

Third, it does not solve the problem of the individual whose water supply is inadequate, who is not part of a water district and who is unable to improve his water supply through a loan or insured loan as authorized under sections 302, 303, and 304 of the act.

FEASIBILITY STANDARDS

The Consolidated Farmers Home Administration Act of 1961 does not contain guidelines or standards of economic feasibility, nor are such standards contained in any regulations of which we are aware. It is apparent from answers contained on pages 62 and 63 of the printed hearing before the Senate committee

that the administration has no specific guidelines or standards by which it determines whether a system is economically feasible, but only a general approach to the problem.

We suggest that such standards should be developed.

It should be noted that there are various aspects of economic feasibility. For instance, there is the question of what type of facility or combination of facilities is economically most feasible to supply water to those who need it. Then there are questions of the ability of the users to obtain other financing, ability of the users to repay the development cost together with the cost of operation without lowering their standard of living, the proportion of the total development cost which should be covered by a grant as distinguished from a loan, and whether the balance remaining to be covered by a loan is or is not within the economic capabilities of the users to repay.

Statistics supplied by the Farmers Home Administration show both high cost and wide variation in cost, probably due in part at least to lack of standards. Appendix A, which I will file and ask to be included after my statement in the record, shows the costs per connection of water district loans approved the first part of this year. It will be noted that these loans vary from \$270 per connection to more than \$2,000 per connection. FHA also stated to the Senate committee that the average development cost per connection of rural water districts under section 306 has been approximately \$1,140 per tap.

To give the committee an idea of the cost of private systems, we have included as appendix B some representative figures showing costs for a total water system together with amortization, maintenance, and operating costs over a 40-year period, which is comparable to the life of a section 306 water district loan. It will be noted that the total development cost varies from \$564 to \$941. It can readily be seen that the per connection development cost of 66 of the 104 loans approved this year exceeded the total cost of a 150-foot well with a modern individual submersible pump and system which would provide equivalent results. Many cost substantially in excess of this amount. The cost of 17 additional systems exceeded the cost of a 100-foot well, modern jet pump and pressure system. Only 10 systems had a lower cost of those for which details were available.

It should also be noted that the total annual cost of the individual well may be a third or less of the cost of obtaining water from a water district. More detail is necessary for a comprehensive analysis which we would be glad to undertake if we were supplied the figures.

Despite these high-cost installations, other applications could not be processed because of lack of funds.

Other economic figures submitted by the Administration support the need for further study of the economics involved.

The Administration indicated to the Senate committee that the average cost per 1,000 gallons of water used by rural water district residents is approximately \$1.50 per 1,000 gallons, which may be reduced to 50 cents per 1,000 gallons for large users. On the other hand, the Administration stated that the average monthly charge was \$7.50 per month for an average of 3,000 gallons per month. This is a cost of \$2.50 per 1,000 gallons.

The national average domestic consumption of water is generally assumed to be about 50 gallons per person per day. This is approximately 1,500 gallons per person per month, or about 6,000 gallons for a family of four for domestic use. Assuming a minimum charge of \$7.50 for 3,000 gallons, plus \$1.50 per 1,000 gallons thereafter, this would place the cost per family at about \$12 per month, or \$144 a year. For farm use this is only the beginning. Cattle will consume from 10 to 20 gallons per day per head, sheep approximately 2 gallons per day, and even turkeys 1 gallon per day per turkey. Thus the cost of water at the average rates quoted by the Farmers Home Administration if supplying any significant farm operation would obviously be substantial.

We do not suggest that this committee concern itself with the details of economic feasibility. No do we submit them in criticism of the Farmers Home Administration. We recognize that the Administration's authority has been unduly limited and that they have had inadequate flexibility in seeking a sound solution. We do suggest, however, that it is the committee's responsibility to establish at least two basic principles: first, FHA should establish guidelines or standards of economic feasibility and apply these guidelines and standards uniformly, and, secondly, FHA approvals, be they loans, insured loans or grants should be authorized only where the proposal will accomplish the objective most economically.

We made the same suggestion in testimony before the Senate Agriculture and Forestry Committee. We also submitted suggested amendments to the bill which would accomplish these objectives.

While the Senate did not see fit to adopt amendments to the bill itself, the Senate committee did accept the principles and obtained from the Farmers Home Administration an agreement that it would establish such guidelines or standards. This commitment was noted in the report on page 4, where the following statement appears:

"In its implementation of this law, the committee understands that the Farmers Home Administration will establish guidelines or standards of economic feasibility which will assure the most economical use of the Federal funds available to carry out the purposes of this legislation * * *"

Should this committee see fit to consider writing into the legislation itself this concept, we have again included among the amendments suggested to the Senate version of the bill amendments to achieve this result.

MINIMUM CONSTRUCTION STANDARDS

The second suggestion of the Water Systems Council is that all facilities installed with Farmers Home Administration financing should meet certain minimum construction standards. It is unwise from every viewpoint to construct substandard water facilities.

We are concerned that some of the water district systems which have been constructed to date with FHA financing have failed to meet commonly accepted construction standards and have been inadequately designed to meet contemplated demands.

The rural water district program is administered with a view to providing service to the maximum possible number of residents within the area encompassed by a proposed system. While this objective is laudable, the sparseness of the population along the periphery of these systems, and sometimes throughout the system, makes it difficult to design a system which is economically practical. The result we understand in some instances has been a compromise of the engineering principles in favor of economic requirements. For example, in one instance 8,300 linear feet constituting 41 percent of an entire distribution system was constructed with 2¼-inch pipe. The State board of health's requirement considered the capacity of a 2¼-inch pipe so limited that it permits the use of such pipe to a maximum extent of 3,000 feet in one system (or 6,000 feet where a branch line connects with a larger main). Such a system as installed is not only substandard at the outset but has no flexibility to respond to an increase in demand for additional connections.

This same engineering plan proposes to use 4,000 linear feet of galvanized service lines and 4,550 linear feet of copper service lines connecting the watermain to the meter box on the property line. The State board of health has found that soil conditions similar to that in the area involved will deteriorate the galvanized pipe within a period of 15 years on the average. Thus despite a 40-year term loan, a substantial part of the service lines will have to be replaced every 15 years, or approximately three times during the life of the loan. Moreover, the use by the system of 1½-inch galvanized pipe for service lines will encourage the homeowners to use the same size and type of pipe to run lines from the meter box into the home. Periodic replacement of this pipe will be the responsibility of the property owner who may or may not be aware of his problem.

The administration's answers to questions submitted during the Senate committee hearing indicate some possible misunderstanding as to minimum standards. It was stated (p. 63, hearings):

"Each water system design is carefully calculated to provide the water supply needed by each user along the line using a maximum simultaneous demand of 3 gallons per minute per tap."

Three gallons per minute per tap is wholly inadequate. Few pumps used in individual systems produce less than 10 gallons per minute, and a flow rate of less than 5 gallons per minute is practically useless. The Water Systems Council Technical Committee considers a system based on 1 gallon per minute for each outlet in a house as a reasonable design standard. Few houses have less than eight outlets for domestic use. A peak demand figure of between 15 and 20 gallons per minute is a more realistic design standard for domestic use only. Farm use would increase this number substantially.

The inadequacy of such criteria is further highlighted by the Secretary's comment to the Senate committee chairman (p. 9, Senate 500) that:

"Another great need in rural communities is effective firefighting facilities, including reservoirs and other sources of water, fire towers, other structures, and equipment for firefighting."

Compromises in design criteria for central supply systems to achieve economic feasibility undermine the basic objectives which we all endorse.

We also understand that in some instances financial projections for the water district contemplate increases in the number of connections several times the initial number but do not incorporate such anticipated growth in the system's design characteristics. Therefore even though the system is adequately designed to meet minimum construction standards with the number of initial connections anticipated, the system as designed is totally incapable of fulfilling the demand which will be imposed by contemplated growth.

A number of groups concerned with community planning have expressed grave concern at the inadequacy of rural water districts generally to supply the increased water demands which many of them will face over the next several decades.

At its 1964 annual meeting, the Tennessee Municipal League took a strong stand in opposition to the rural water district program because of its failure to coordinate the construction of water systems with the development of other community facilities in a manner insuring orderly future growth. A policy statement released by the Tennessee organization reads as follows:

"The requirements of farmers and others in rural areas for pure water through public utility systems should be supplied by municipal and county governments. It is imperative that all governments involved—whether Federal, State, or local—apply the same standards to new commercial, residential subdivision, and house-and-lot development along rural waterlines as those applied in and around urban communities. This must be done in order to prevent sprawling, substandard development eventually reaching urban densities, which has proven so closely to tens of thousands of Tennessee property owners and scores of Tennessee towns and cities in the past."

At its 1965 meeting completely about a month ago, the organization renewed its opposition to rural water districts, which it described as "cancerous shadow governments." The league pledged to fight creation of new districts by obtaining legislation preventing the formation of such districts without proper safeguards (the Nashville Tennessean, June 9, 1965, at p. 5).

Similar opposition has been voiced by the American Municipal Association (now known as the National League of Cities). In 1964, the annual American Municipal Congress adopted a policy statement criticizing "certain Federal programs" which "encourage undesirable sprawl" because they—

"(1) Do not take into account population trends;

"(2) Are not requirement to meet adequate standards;

"(3) Require or permit the creation of special districts that bypass general governments; or

"(4) Are not part of a plan that takes into account how the particular program will affect the overall growth of the area. Among Federal agencies involved in these practices in the fields of public facilities and urban housing are Farmers Home Administration * * *."

The Senate committee chose to handle our suggestions as to construction standards as it did the matter of economic feasibility. It did not adopt our suggested amendments but stated at page 4 of its report that it understood the Farmers Home Administration—

"* * * will also establish technical and engineering standards to assure proper construction of the facilities being financed under the law."

We have, however, also included in appendixes to my statement, which I ask be included in the record, suggested amendments to the bill to accomplish this objective in the legislation itself for the committee's consideration.

ADVISORY COMMITTEES

Formulating proper construction standards and guidelines of economic feasibility are complex matters. The few problems and conflicts to which I have already alluded underscore that which hardly need be stated. The Administration should have the benefit of the vast knowledge that exists, and the advice of other experts in these fields. Municipal organizations, well drillers, ground water experts, power authorities, manufacturers of pumps and pipe, and econo-

mists, to name only a few, should be asked to assist and advise the Administration so that the best possible results can be achieved. Conflicts in facts and figures, different viewpoints and assumptions, and misunderstandings can best be handled and resolved, we believe, through an advisory committee.

We consider this to be a matter of such importance that we have included as a suggested amendment to the bill itself an authorization to form such a committee or committees. However, if the Secretary already has adequate authority, perhaps some comment in the report from this committee would suffice.

For our industry, we would welcome the opportunity of working with the Farmers Home Administration in any way we can be useful to accomplish this commonly recognized goal.

THE ROLE OF THE PRIVATE WATER SYSTEM

I come now to our third and final major point; namely, that S. 1766, with all of its merits, still does not give the Farmers Home Administration the full authority and flexibility which it needs to provide a total solution to the problem. One major deficiency will remain if S. 1766 is enacted in its present form. There is no provision for the individual living in rural America whose water supply is inadequate, who is not within an area which can be served economically from a central system, and who is unable to improve his water supply through a loan or insured loan as authorized under sections 302, 303, and 304 of the act. This individual may be in the drought stricken areas of the Northeast or in the more economically depressed areas of Appalachia, or he may be on the fringes of a water district centered in a small rural community almost anywhere in America. The only economically feasible solution to his problem is either a new or an improved individual water system with part of the cost being paid by the Federal Government. Neither the present law nor S. 1766 provide the necessary authority to fill this need. The necessary authority should be included in S. 1766.

The rural water district, or association as it is called in S. 1766, is a satisfactory vehicle for accomplishing the agreed objective if the water district has the authority and the flexibility to tailor a solution to fit the problem. This it will not have under S. 1766 as now written. The water district can only provide a water supply system based upon a central source of water with distribution therefrom to the various users. Such a system is economically most feasible and in all respects preferable in some circumstances but not in all circumstances or with respect to all potential users. As the Secretary recognized in his letter of June 18 to the chairman of the Senate Committee on Agriculture and Forestry, rural communities needing improved water supply facilities often cannot afford a central system because of "the high cost of providing distribution systems * * * in sparsely settled areas." Where pipe has to be run long distances to supply a few customers, in many instances it is grossly uneconomical. The excessive cost can only be justified if there is no alternative for solving the problem. If water can only be obtained at high cost from deep wells then the cost of the distribution system can be justified. This is not normally the case.

The results to date have been that in order to provide improved water facilities in the sparsely settled areas to which the Secretary referred, and in order to build a system which is still economically feasible, significant compromises in construction standards have been necessary. The reason that this is the only solution which has been possible is because the water districts were not authorized by law to consider alternatives.

People living in rural areas in which a central system is economically feasible and the preferable solution to the problem should not be penalized either through substandard construction or excessive cost simply to bring water from a central source to relatively few others living in outlying areas when there is an alternative solution equally satisfactory and economically more feasible to solve the problem of those in such outlying areas.

The solution to which I refer of course is the use of individual water systems in such outlying areas utilizing modern pumps and pressure systems which will give running water in the home in exactly the same way as it can be obtained from the central system. Such systems can be designed so that they can be connected with a central system if the area develops and grows to the point where it will pay to extend the distribution system.

The water district can still be utilized as the vehicle for accomplishing this objective if it is viewed in the proper perspective. We see the water district as being similar to a cooperative in which all of the people in the area cooperate to find the proper solution to bringing adequate supplies of potable water to everyone. Probably there will be some part of the area where a central system is a preferable solution. The central system can then be financed through loans or insured loans under existing law or by partial grants under S. 1766. In the peripheral areas where the central systems cease to be economically feasible without compromising construction standards, and individual wells are the best answer, the water district can still provide the answer in one of several ways. In the first place, the water district can assume that part of the cost of construction of individual wells which S. 1766 authorizes in terms of grants. This will reduce the balance of the cost which the individual must assume. This may place the individual in a position where he can then obtain a loan or an insured loan under the provisions of sections 302, 303, or 304 of the present law. The water district could also loan the money to the individuals to pay the balance of the cost of constructing a proper individual system. The water district then could collect from the individual monthly payments in repayment of the loan for a period of time and repay the Farmers Home Administration, just as it collects monthly from those who utilize the central system for repayment of the loan obtained to build the central system.

I rather doubt that this suggestion was thoroughly understood by the Senate committee. There was a reference in the report to " * * * some suggestions that the authority should be expanded to provide grants for individual water systems * * *" with the conclusion that "the bulk of the evidence supported the objectives * * * without material modification." As we have made it clear, we, too, support the objectives of this legislation but we again urge that the legislation does not provide a total answer to the total problem in its present form and urge that the Farmers Home Administration be given the necessary authority and flexibility to solve these serious problems in their entirety.

While we defer to the committee as how this solution can best be accomplished, we want to be as helpful as possible. Therefore, we have suggested relatively minor changes in language in the bill which we believe will give the Farmers Home Administration the authority and flexibility it needs. We suggest that the bill be amended by deleting from lines 17, 18, and 19 on page 2 the phrase "specific projects for works for the storage, treatment, purification, or distribution of water in rural areas", and inserting in lieu thereof the phrase, "water facilities". With this change the Secretary would be authorized to make grants in the amounts provided to finance water facilities. The term "facility" appears elsewhere in the act in several places and therefore this change would be entirely consistent with terminology elsewhere appearing. We then suggest that the term "facility" or the plural "facilities" be defined as including "any public or private water supply system, or any combination of such systems, together with any storage, treatment, purification, or distribution system in connection therewith". This picks up the detail which we just suggested be deleted but also includes the concept that the private or individual water supply system may be included in formulating the best solution to the problem.

Of course acceptance of this proposal depends upon the committee's understanding of what the individual water supply system can do. On this point I fear there may be some misunderstanding.

I have before me a brochure which has been very carefully prepared by the U.S. Department of Agriculture. It is identified as PA 653, was issued in 1965 and has on the cover the title "30,000 Communities Without Water." It is an excellent sales brochure, merchandising the benefits to be obtained from running water. Unfortunately it creates, or at least has created with some people, an entirely erroneous impression. The brochure has a picture on the cover of an old fashioned hand pump. Inside the front cover is pictured a hand pitcher and basin. The impression is created that this is the only alternative to a community water system. Throughout the booklet through pictures, excellent art work, and specific statements, the community water system is given credit for almost every type of improvement in rural living of which the imagination can conceive, from the fertility of the herd of milk cattle through the appearance of the farm house, to the quality of the schools and even the expression on the faces of the children. Such comments appear as "Just as hearts beat faster when electric

lights replaced smoky kerosene lamps, there is a strong emotional upswing when piped-in water replaces the old water bucket". One farmer from Kansas was quoted as saying that "Back in the 1930's we got electricity—that was a great jump forward. This year we got running water. Now we can begin to live."

We certainly agree that running water will improve living conditions anywhere. However, we must emphatically disagree with the suggestion that running water in a home can only be obtained from a central water system. The Kansas farmer could have obtained running water from an individual pressure system as soon as he had electricity. Why he waited nearly 20 years to "begin to live" is hard to say. This publication was designed around the authority that rural water districts now have. It is unfortunate that it needlessly and erroneously places the individual water system in such an unfavorable light.

We are certain that those responsible for administering the present law who have made loans and insured loans for the construction of modern individual water systems and are well aware of their benefits, do not subscribe to this erroneous impression and perhaps with the expansion of their authority they may see fit to produce an equally effective brochure extolling the virtues of the individual water system.

GENERAL COMMENTS

We have a few general comments on S. 1766. Paragraph (3) under section 306(a) of the act, under the provisions of the bill as now written, will relate only to grants. We suggest that the authority to make or to insure loans under paragraph (1) should also be governed by the provisions of paragraph (3) to the same extent that the authority to make grants under section 2 is so governed. Therefore we have proposed an amendment to delete the first line of paragraph (3), which is line 19 of page 3 of the bill, and have proposed substitute language to include a reference to paragraph (1).

The language of subparagraph (iii) of the same paragraph (3), seems to raise some questions. The first part refers to the necessity that facilities be consistent with water development plans and the second part of the same sentence requires that such facilities not be inconsistent with various plans. We suggest that there need not be a provision requiring consistency and prohibiting inconsistency with established plans. To accomplish this we have suggested an amendment deleting the first part of this sentence. We also suggest that the last sentence of this paragraph (3) should be deleted. It appears to give the Secretary specific authority to make grants during the period of time prior to completion of a comprehensive plan, yet there is nothing in the bill or elsewhere in the law to the best of our knowledge which prohibits the Secretary from making grants during such period. Therefore the sentence seems to be unnecessary.

CONCLUSION

The Water Systems Council endorses the basic concept that Federal funds be made available to help farmers and rural residents obtain adequate supplies of potable water where credit is not otherwise available. We believe the Farmers Home Administration should have authority and flexibility to seek a total solution to the total problem—a solution, based on the recommendation of each water district, which makes the best use of available funds. Central systems should be used where they are economically feasible and individual systems should be used where they offer the best solution, all under the jurisdiction and supervision of the water district. The construction of both community and individual facilities should be in accordance with minimum standards consistent with sound engineering principles and future needs of the community. We suggest that the Secretary should be specifically directed to formulate standards or guidelines of economic feasibility and construction standards, and should be encouraged to establish an advisory committee to assist in their formulation.

On behalf of the members of the Water Systems Council I would like to thank the committee for this opportunity to express our views, and for its consideration of the suggestions which we have made today. Our members hope they may have an opportunity in the future to work more closely with the administration to improve water supplies in rural America.

(Appendixes A, B, C, and D attached to the above statement may be found in the committee files.)

STATEMENT OF WILLIAM N. WALKER, REPRESENTING NATIONAL WATER WELL ASSOCIATION

Mr. WALKER. My name is William N. Walker. I am legal counsel to the National Water Well Association.

We also have a prepared statement. We also have some constructive suggestions which we would like an opportunity to discuss with the committee at some other time if the committee is planning on meeting at some other time to consider this matter.

We would like to enter our statement in any case.

(The statement of Mr. Walker follows:)

STATEMENT OF WILLIAM N. WALKER ON BEHALF OF NATIONAL WATER WELL ASSOCIATION

Mr. Chairman, gentlemen of the committee, my name is William N. Walker. I am an attorney with offices at 134 South LaSalle Street, Chicago, Ill. I appear today on behalf of the National Water Well Association, a national trade association representing the water well drilling industries. The association represents more than 12,000 individuals and companies in the United States engaged in the business of water well drilling and 350 companies engaged in the manufacture and supply of water well drilling equipment. In addition, our technical division includes more than 400 geologists, hydrologists, and other experts in ground water technology, located both in this country and abroad. Appearing with me today is Mr. Edward H. Martin, executive secretary of the association; Mr. Lloyd Brown, of Kansas City, Mo., president of the association; Mr. Richard H. Lauman, of Bethpage, N.Y., president-elect; and Mr. J. D. Kirkland, of Hereford, Tex., vice president.

Mr. Chairman, I should first like to express the appreciation of the National Water Well Association for this opportunity to express our views on this matter. As an industry we are vitally concerned with ground water and the uses to which it is put, and we view S. 1766 as a most important concern of the Congress.

Let me state initially that the National Water Well Association does not oppose S. 1766 and that we do not appear today for the purpose of dissuading the members of this subcommittee from its importance. Indeed, intimately involved with water resources as our industry is, we share the widespread concern, expressed by many Members of Congress and other knowledgeable persons, that this country may face a severe water crisis in the near future. Consequently, it is altogether consistent with our business interests that we support legislation seeking to devise means by which the ingredients of this crisis may be eliminated, or their effects minimized.

It is for this reason that we support the basic objective of S. 1766 which is to provide improved water supply facilities for rural residents who are unable to obtain such facilities for themselves. However, while we reaffirm our support for the objectives of the bill, we feel obliged to propose certain changes in the means which the bill would employ to achieve its goals.

First, we support the suggestions made by the representatives of the Water Systems Council that the Farmers Home Administration be directed to develop standards of economic feasibility and technical standards governing the construction of both private and community water supply systems in its administration of the Consolidated Farmers Home Administration Act of 1961. We feel that such standards are essential to insure an economic allocation of both our natural water resources and the Federal funds employed to develop those resources. Since the Water Systems Council has ably documented the reasons underlying this suggestion, we will not burden the record with further elaboration on the subject of standards. Similarly, the Water Systems Council has clearly stated the importance of providing for the appointment of an ad hoc advisory committee to assist in the promulgation of these standards, and further discussion of that proposal at this time is unnecessary. Instead, we will confine our remarks to a discussion of the basic approach of the bill, and in this connection we will make what we believe to be constructive suggestions designed to improve this approach.

In analyzing the bill, it is well to understand at the outset both the nature of the problem sought to be solved, and the methods proposed to effect the solution. Fundamentally, the problem with which S. 1766 is concerned has two facets. On the one hand, rural water use has more than doubled over the past 25 years, and steadily increasing demands can be anticipated in the years ahead as more and more rural families begin using water-consuming household appliances, and as more and more farmers take advantage of the automated water services which have become a standard part of modern farming techniques. On the other hand, many rural residents and farmers have either not obtained, or have been unable to obtain, the increased supplies of water necessary to a proper utilization of these accouterments of modern life. To the extent that this dearth of ample water supplies has occurred, economic growth has been impeded and development of economic resources retarded. Basically, then, the problem with which S. 1766 is concerned revolves about continually accelerating demands for water, coupled with insufficient water supply facilities, resulting in a diminished rate of economic progress; in short, a vicious circle which many rural areas have been unable to escape.

The way to end the cycle is to provide water in ample quantities to meet the increasing demand, and this is the objective of S. 1766. There are two methods by which this objective can be achieved. First, a large central source of supply can be developed and pipelines run across the countryside to deliver the water to consumers. This is the central water system which is familiar to city dwellers throughout the United States. A second method, however, not so well known, is the individual or private water system consisting of a water well, pump, storage tank, and distribution system designed as a self-contained unit operating on electricity, to provide water under pressure to individual farmers and rural homeowners.

Both of these methods are capable of contributing to a solution of the shortage of adequate water supply facilities existing in many parts of rural America; and, because the characteristics of the two systems differ greatly, they can be used to supplement one another, thereby providing a solution to the water problems of more residents in a particular area than either could provide alone.

But S. 1766 does not propose to employ both of these methods in achieving the objective all of us support; rather it proposes to employ only the use of central systems to the exclusion of private systems. We believe that this approach is unwise, that it will result in a misallocation both of our water resources and of Federal funds, and that it will be unable effectively to achieve the desired goal.

This reliance upon the use of central systems is not apparent from the language of the bill but appears only as reference is made to the history of FHA's administration of the Consolidated Farmers Home Administration Act of 1961. The proposed section 306(a) (1) of the bill speaks in terms of loans to associations "to provide for * * * the conservation, development, use, and control of water * * *" and the proposed section 306(a) (2) speaks in terms of grants to associations "to finance specific projects for works for the storage, treatment, purification, or distribution of water * * *." Taken alone, the language of both of these sections would appear sufficiently broad to embrace the making of loans, insured loans, or grants to associations for the development of private systems. But we are informed of no instance in which the FHA, operating under the similar language of section 306(a) of the 1961 act, made or insured any loan to an association for the purpose of developing private water systems, even though in given instances such systems might have been economically more feasible and have provided satisfactory solutions to given water problems. We have no reason to believe that the new language proposed in section 306(a) (2) of the bill will be administered differently.

This restricted approach to the problem is sought to be justified by reason of the fact that sections 302, 303, and 304 of the 1961 act authorize the making or insurance of loans to individuals for, among other things, the construction of private water systems. It is argued that anyone who is unable to obtain financing elsewhere for such systems can obtain the needed credit under these provisions. But the authority contained in sections 302 to 304 is demonstrably inadequate for at least three reasons. First, the loan and loan insurance authority contained in these sections is restricted to farmowners and farm tenants and does not extend to nonfarm rural residents. Second, the partial grant authority proposed by the

bill does not extend to persons eligible for loans under these sections. Lastly, these sections are inadequate because they depend for their success upon individual motivation.

I should like to elaborate for a moment on the last statement. Generally speaking, persons residing in rural areas who suffer from inadequate water supplies, are in their predicament because they are relying upon springs, cisterns or shallow dug wells as their water. There are exceptions, of course, persons whose property is not underlain by adequate ground water; but generally persons lacking adequate water facilities have not sought to obtain relief from their chronic water problems, but have continued to rely upon their inadequate and outmoded water source. To say this, of course, is merely to say these people are like the rest of us and put important matters off far too long. Yet this inertia is one of the major reasons for the existence of water problems in rural areas. In most cases the water is there, hidden beneath the ground in ample quantities to serve the needs of the rural resident. Moreover, the means of obtaining this water are readily available in the form of modern private systems, and financing is available on acceptable terms to enable nearly all rural families to construct such systems. Why, then, does a water problem exist? We believe the answer lies in the inertia of the rural residents and the ineffective merchandising of the water systems industries. The fact is that many persons, presently suffering from inadequate water supplies, have simply failed to take advantage of the solution offered by private water systems, and our industry must take a major share of the blame for this condition. We believe, however, that a program to correct this problem which relies upon individual initiative to provide the necessary water facilities will not be able to overcome this inertia, and to the extent it fails to do so, will be ineffective. It is for this reason that we contend that the loan and insured loan authority of sections 302 to 304 of the 1961 act should not be relied upon to provide individual water facilities; unless some kind of stimulus is provided to counteract people's natural inertia, they will not take advantage of the opportunities provided by the act in sufficient numbers to produce any substantial reduction in the overall water supply dilemma.

The solution employed by the association loan and insured loan programs of the 1961 act and expanded by the association grant program proposed by S. 1766 is able to overcome the inertia problem by employing the stimulus of group action. Those persons in a community who want a central water system go out promoting the idea among their neighbors, urging the slowpokes to get on the bandwagon and thereby helping such persons to take advantage of opportunities which otherwise would pass them by.

The idea is a good one, and it works. The FHA has been able to make available water service through water associations to thousands of persons who may not otherwise have been able to get it.

But this leads us back to our original point. Why does FHA restrict its activities in this regard to projects employing central water systems? Why does it not apply the same effective methods to projects employing private systems? We contend that this one-legged approach to a complex problem is unrealistic and that it is a hindrance to development of a viable solution to the problem. Accordingly, we suggest that FHA be directed to adopt a more flexible approach utilizing the contributions of private systems as well as central systems in devising programs aimed at solving water problems in rural areas.

Our suggestion may best be explained by using an example. Assume, for example, that in rural county X there is a township Y which makes an application for FHA credit assistance. In analyzing this request, the FHA administrators may find that around the core of the town, there is a sufficient concentration of population to justify the construction of a central water system. Assuming that such a system is properly engineered and constructed, it should provide a solution to the water problems of the persons located within its boundaries. But what about the homeowners and farmers who live on the periphery of the system or the ranchers who live in outlying areas? They have a water problem, too, and the central system is doing them no good whatsoever. Apparently, the attitude of FHA is to do nothing about them; so long as the central system has been constructed FHA has done its job and that's the end of it.

Mr. Chairman, we feel this attitude is wrong. We feel that the water association concept is broad enough to provide for these people by permitting, within the association framework, the financing of private systems to supply their water

needs. The mechanics of this operation would be as follows: First, all persons living within our hypothetical township Y, who feel they have inadequate water supplies, would be encouraged to sign up as members of the association. An engineering survey would then be made to determine the area which it is both economically and technically feasible to serve by use of a central system, and the plans would be drawn up for such a system. The remainder—those persons who cannot practically be served by a central system—would be declared eligible for private systems. The association would then let one or more contracts for the construction of the wells for these private systems, securing a favorable price for a volume order, and purchase the necessary well casing material, pumps, storage tanks, and pipe, in volume at similarly favorable rates. The property owner would be obligated to make repayment to the association over a 40-year period in the same way as the person who has tapped onto the central system pays his monthly water bill. The private system would be owned by the association just as the central system is, and the user's monthly fee to the association would have to include a sum sufficient to cover periodic maintenance and repair.

By utilizing this basic concept, the water needs of rural residents in outlying areas would be provided for, the private systems and their components, purchased in volumes would be obtained at reduced cost, and the individual property owners would be enabled to pay for their system over the life of the association (presumably 40 years), thereby reducing their monthly costs. And there is a further benefit as well: by providing an alternative to the central system as a solution to rural water problems, the necessity of straining the facilities of central systems to their maximum is eliminated, and such systems can be designed to serve only areas of concentrated population, thereby reducing their overall costs and increasing the efficiency of their operation.

Other situations can be envisioned where the necessity of constructing central water systems will be eliminated altogether by employing private systems to meet specific water needs.

What we are suggesting, Mr. Chairman, is use of these two alternative methods of increasing water supply in combination with one another. Where economics or other factors dictate, a central system alone may be used, in other circumstances a central system supplemented by private systems may be used, or in still different circumstances, private systems alone may be used. In short, we suggest tailoring the solution to fit the problem—all within the water association concept.

The presentation made by the Water Systems Council has suggested language to be added to S. 1766 to effect this result. We adopt that language as our own and urge its acceptance by the subcommittee. It is our belief that an approach such as we have suggested will extend the authority of the FHA to perform better the tasks with which it has been charged and will enable it to deal more flexibly with the complexities of rural water problems than it presently is able to do.

Thank you.

MR. POAGE. My thought was I know there are some people here—you may be one of them—I thought some of these people here objected to this approach. I know everybody likes to say he is in favor of the bill and I am glad to have you say so, but those who find objections to the bill—gentlemen, can we come back here this afternoon, say at 2:30?

At 2:30 we will try to come back here and hear the objections to the bill. We don't want to have anyone else tell us it is a "good" bill and promotes the "welfare of rural America."

If someone has some objections to the bill, we will reconvene at 2:30 this afternoon and listen to those who have objections.

The committee will stand in recess until 2:30.

(Whereupon, at 11:40 a.m., the subcommittee was recessed to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

Mr. POAGE. The committee will please come to order.

We want to welcome Congressman Harvey back to our midst. He has been incapacitated with a broken leg for some weeks. We are glad to have him back.

Mr. HARVEY. Thank you, Mr. Chairman. I appreciate being back. One of the great consolations I had while I had to be hospitalized was that I just knew this Government wasn't going to fall to pieces before I got back.

Thank you, Mr. Chairman.

Mr. POAGE. This afternoon we are going to try to hear those who have different ideas as to how we should approach this problem rather than having someone tell us how much this will mean to farmers.

I know we will be called to the floor at almost any time. We are going to ask everybody to be as brief as you can. That doesn't mean we don't want to hear from you or we would not have had the meeting. We hope no one will read us any 12-page statements. We will put the statements in the record, regardless of what you have written.

I have no witness list of any kind and I don't know who the gentlemen are who are here. Some of you were here this morning and wanted to be heard. If you can make some arrangement among yourselves, we will be glad to hear from you.

We will insert a statement at this point in the record from Harry L. Graham of the National Grange.

(The statement of Mr. Graham follows:)

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE OF THE
NATIONAL GRANGE

Mr. Chairman and members of the committee, I am Harry L. Graham, legislative representative of the National Grange. The increasingly critical problem facing America is the supply of pure water in adequate amounts of acceptable standards to meet the unbelievably exhausting demands of the American people. It is not a problem which is confined to urban areas. It is indeed as critical in some rural areas as in the cities and in some instances more so.

We will not take the time in this hearing to detail what these demands are now and are likely to be in the future. This evidence is being developed in other communities and long-range studies are presently being made for the solution of the water needs of our areas where population is most highly concentrated. We shall be happy to discuss this at greater length and detail in a committee which is addressing itself to this larger problem.

What we do want to point out today is that the problems of water supply begin in rural areas, at the headwaters of the streams, in small and large watershed projects and in many of the small towns and hamlets as well as individual dwellings across the country.

In many of these rural areas, the increasing crowding of residences together without adequate planning for either water or sewage disposal has created health problems in terms of contamination of available water supplies for those who live in these areas and contamination of streams and underground water sources for those who live some distances away.

I have stated before this committee in previous appearances that I have had more than a casual amount of experience as a professional appraiser. A great deal of this experience had to do with the appraising of whole townships and counties for tax purposes. I can tell you from experiences that there is not a small town or hamlet that I have ever inspected which has the kind of water which we would want to drink or to have our children drink if they depend upon shallow wells and septic tanks for their supply and disposal system. Some of the newer developments, especially those that qualify under FHA specifications, must so design their developments that they have adequate drain fields in their septic tank systems and they must go deep enough that an impervious layer of soil is between the septic tanks and the water which is used for household purposes.

However, where there are only a few of these developments, relatively speaking, in the Nation, there are literally thousands of small towns and hamlets which are already in existence with available lot space much too small for an adequate drainage system with relatively shallow wells drawing their water from underneath these drain fields, and using water that is contaminated with chloroform and heavily polluted with the residue of hard detergents that have been, in recent years, so much of our way of life. Soapy water, foamy water, running from household taps in these rural towns is more common than most of us would care to admit.

We have heard a great deal about the pollution of streams from using chemical pesticides in our rural areas. I would venture the opinion that more streams have been polluted by inadequate drainage systems for the disposal of domestic and industrial sewage than have been contaminated by the use of chemical pesticides.

These little streams which become creeks and consolidate into rivers which flow into our lakes and become a part of the total water supply of our country must be cleaned up and kept clean if the water downstream is to be usable for our heavy residential and commercial demands. In order to accomplish this, it is necessary that the water supply be acquired in an area that is not contaminated or at a depth that precludes a surface contamination. In order to keep this water supply pure and to protect the health of the residents in the area and downstream residents, it is necessary that adequate sewage disposal facilities be made available for the people of these areas.

Our urban areas have long had the services of the Federal Government available for their planning of water systems, and grants and long-term credits available for the construction of these same systems.

The Farmers Home Administration engineers have been successful in developing relatively simple and inexpensive water systems for rural areas. Their services should be made increasingly available for the areas that need water systems such as we have indicated. These rural areas also need to be given the privilege of using Federal grants for part of the cost of the construction of the systems. If such grants are in the interest of the general welfare for urban areas, they are just as much in the interest of the general welfare for rural citizenry.

There is also the necessity for making available adequate capital at a reasonable rate for these small communities, even as this kind of capital has been made available for our urban centers in a number of other pieces of legislation.

In our judgment, S. 1766, introduced by the distinguished senior Senator from Vermont, one of the more distinguished agricultural leaders of the Nation, simply makes the services of the Federal Government previously available to our urban areas now available to rural citizens as well.

The extremely large percentage of his colleagues in the Senate who were cosponsors of this legislation indicates both the high esteem they have for Senator Aiken and their approval of the principles set forth in this legislation.

The National Grange wishes to commend Senator Aiken for introducing this legislation and urges this committee to give it the attention and support which is necessary for prompt enactment of this proposal into legislation.

Mr. POAGE. I will now call Mr. Glenn Van Brammer of the office of Congressman Resnick.

You asked permission this morning to insert a statement from Mr. Resnick and you have permission to submit any statement you care to make.

STATEMENT OF GLENN VAN BRAMMER OF THE OFFICE OF HON. JOSEPH Y. RESNICK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. VAN BRAMMER. These are the bills we will be discussing and which I will explain in a moment.

As I say, this will be very brief.

I first would like to thank you for the opportunity to testify in behalf of Congressman Resnick on Senate bill 1766.

Our deep concern for this type of legislation can best be phrased in respect to the drought in our district that we are now undergoing in upstate New York. This is the fourth consecutive year of drought.

One of our major cities, Poughkeepsie, and a score of the smaller municipalities, face a very real possibility of not being able to supply their inhabitants with water in the very near future unless new facilities are constructed.

I might point out now that several of our communities have already been forced to begin to haul water in two-quarter containers to hundreds of families. The problems faced by the rural inhabitants are even more precarious. The water table in several of our five counties has dropped as much as 20 feet.

An area in a vast majority of homes is supplied with water on an individual facility or well basis. I am sure you can realize this is causing severe financial hardship, to say nothing of the daily discomfort and inconvenience.

Many of our district's cash crops are suffering for lack of water and no industry in our district is realistically undertaking any sizable expansion program with a threatened lack of water in the very near future.

From what I can understand, this prolonged drought in the Northeast has been caused by a major shift in wind and weather patterns and no one is being able to predict when this pattern is going to be returned to normal.

Now, on June 24, Congressman Resnick introduced a bill, 9459, to authorize the Secretary of Agriculture to conduct programs to reduce the impact of drought on rural residents, agriculture and livestock enterprises, and small municipalities. We feel that the incorporation of some of the provisions of this bill into the framework of S. 1766, as amended, would do much to alleviate the distress in drought-stricken areas.

Yesterday Congressman Resnick introduced H.R. 10145, a revision of the earlier bill, which we believe would fit into the language and principles of Senator Aiken's bill.

You have before you a corrected version of 9459 with pen corrections that are the only differences to the new bill.

These additional provisions would give specific and wider authority to the Secretary of Agriculture in drought areas, would make aid available not only to communities and nonprofit groups and corporations, but also to individuals and would in the several States which do not allow Federal loans or grants to nonprofit organizations and unincorporated communities in order to finance central water districts, authorize the Secretary to issue charters for this purpose and would, on a cost-sharing basis, give financial assistance to communities forced to haul water to meet their needs.

In making provisions for long-term, low-interest loans to individuals, it would be taking into account those individuals living in areas too isolated to be hooked up to central water districts. Indeed, due to livestock and irrigation needs, and these individuals may have a more acute need for larger amounts of water than those people who can be tied to central districts.

By financially assisting communities who are forced to haul water, we will be freeing local revenue to study, develop, and proceed with the establishment of much-needed central water districts.

Now, in the last proposed substantive amendment to S. 1766 we would, by providing the authority of the Secretary of Agriculture to issue charters to public authorities or corporations so that they could receive Federal aid, we feel it would be taking a great step forward in the battle against the effects of drought.

Now, I must point out that at this time we did not add this section without a great deal of thought, especially concerning what we feel is each State's right to charter its own authority for this purpose.

Congressman Resnick has stated many times that each level of government must be given the opportunity to solve its own problems before the next level has the obligation to act. We feel that in certain situations such as ours in New York our Governor has not accepted the responsibility of meeting the critical needs of the area for new or additional water supplies.

As I pointed out earlier, we are primarily considered with emergency drought legislation and to that end we have added a provision in this bill that such an authority—that is, authority created by the Secretary of Agriculture in the Federal charter—and I quote from the bill:

May be created only with an identifiable existing public body as the beneficiary or ultimate transferee of the facilities developed by such authorities.

In conclusion, I would like to respectfully ask that this distinguished committee explore the possibility of amending S. 1766 so as to include the provisions set forth in H.R. 10145, which is what you have before you.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you very much.

Are there any questions?

If not, we are very much obliged to you.

Next we will recognize Mr. Snell.

**STATEMENT OF THADDEUS S. SNELL (Resumed), REPRESENTING
WATER SYSTEMS COUNCIL; ACCOMPANIED BY DURWARD
HUMES, EXECUTIVE SECRETARY, WATER SYSTEMS COUNCIL;
AND JULES THOMAS, EXECUTIVE SECRETARY, AMERICAN INSTI-
TUTE OF SUPPLY ASSOCIATIONS**

Mr. SNELL. With me today is Mr. Durward Humes, executive secretary of the Water Systems Council, and on my left Mr. Jules Thomas, who is the executive secretary of the American Institute of Supply Associations.

We are appearing today on behalf of the Water Systems Council and related organizations whose members manufacture farm and domestic pumps and water systems and their component parts.

We want to express our appreciation for your giving us this opportunity, particularly in view of the unforeseen events this morning, for giving us a chance this afternoon to appear.

We have prepared a statement which we boiled down to a mere 23 pages with a number of appendixes attached and in view of the committee's courtesy in allowing us to appear this afternoon, we would like to have the statement filed and we will just make a few summary remarks highlighting the principal points we have to make.

At the outset, I would like to make it quite clear that the Water System Council supports the barebone outline of S. 1766. I would also like to make it clear that the Water Systems Council recognizes that the Farmers Home Administration has been doing a fine job in administering the consolidated Farmers Home Administration Act of 1961.

At the same time, we feel we should make some constructive suggestions which we feel will improve not only the administration of the act, but the framework within which this objective is being sought to be accomplished.

There is no difference of opinion that there are areas in America, rural America, where adequate supplies of water are not available; nor is there any difference of opinion that Federal assistance should be available to solve this problem. Nor, as I have indicated, that the Farmers Home Administration is a fine vehicle and agency of the Government to carry out whatever law is finally enacted.

We do suggest that S. 1766, despite the fact that it makes some progress toward a final and total solution, is not in itself a total solution to this problem.

I think it is fair to say that the program of rural water districts about which we heard testimony this morning is a new program which has many problems. I believe it is fair to say that the Farmers Home Administration does not have all of the answers to the administration of this program.

In the testimony before the Senate and in subsequent answers to questions which were asked the Farmers Home Administration, it became quite clear that they do not have standards of construction which are applied universally throughout the country.

It also became quite apparent—

Mr. POAGE. May I interrupt you right there? Do you think they ought to have standards of construction to be applied universally across the country?

Mr. SNELL. Yes, sir; we feel there should be minimum standards of construction which any system which is approved must meet.

We feel very strongly that this is an objective toward which the administration should work. This is possible. There are standards available today. There are criteria which can be developed and worked into a standard which can be applied throughout the country.

We also feel the same way about standards of, or guidelines of economic feasibility. We heard this morning about feasibility studies which are being made, but the facts of the matter are that there are no guidelines for interpreting the studies once they have been made.

Now, the Farmers Home Administration made the point before the Senate committee that they are decentralized in the administration of this act. This is fine, but decentralization means that people out in the field are going to be making decisions, and we feel very strongly that those decisions should be made in accordance with standards which the Department sets up, both as to construction and as to the interpretation of the economic feasibility studies which have been made.

Therefore, we recommended in our testimony before the Senate committee both that construction standards and feasibility guidelines or standards be established, and we understand from reading the report of the Senate committee that the Farmers Home Administration agreed to develop these standards.

The committee indicated in the report that such assurances had been received. We heard comment this morning along the same line, but we think we should go one step further.

Standards are a very complicated subject and, as was brought out this morning, there is a vast amount of information which is available in the industry which may not be readily available to the Farmers Home Administration in their own files. We would certainly like, on behalf of the Water Systems Council and related organizations to offer whatever assistance and expertise and files and assistance we can give to the Farmers Home Administration in the development of these standards.

We would strongly urge to this committee that they recommend at least to the Farmers Home Administration that an advisory committee be established where the various views of experts in the field can be brought together around the table with the long-range objective of formulating and laying down adequate standards and guidelines.

We do not make this proposal from an obstructionist viewpoint. In other words, we are not suggesting an advisory committee in an effort to delay progress, and the emergency matters and the program as a whole should go forward. At the same time, we feel this is no excuse or no reason to avoid the formulation, on a long-term, long-range basis, of adequate standards of construction and of economic feasibility.

We do recommend to the committee they give consideration to suggesting to the Farmers Home Administration the establishment of advisory committees.

If legislation is necessary in this field, then we suggest it be incorporated in S. 1766.

Now, the final point on which we would like to offer a suggestion has to do with the role of the individual or private water system in solving the problem that we all recognize exists.

I believe, Mr. Chairman, that this comment of ours might best be highlighted by reference to a recent publication of the Department of Agriculture. I just happen to have four copies here which I might offer to those members of the committee who are present to look at.

This is a very fine piece of literature. It is entitled "U.S. Department of Agriculture, P.A. 653" and has on it, on the front cover, the words "30,000 Communities Without Water."

These apparently are the 30,000 communities that the Farmers Home Administration has been referring to in his testimony before the Senate committee and this committee.

On the front cover of this brochure is a picture of an old-fashioned hand pump with one little drop of water coming out of it. Inside the front cover I would like to point out is a picture of a pitcher and a basin. In reading this brochure it is quite apparent that the Farmers Home Administration suggests that the problem is symbolized by that hand pump, pitcher, and washbasin, and that rural America today

is faced with the problem of getting water by this means or by an alternative on the back cover, a community water system.

They point out with beautiful art work, very illustrative photographs, and well written copy the problems and the opportunities which the Farmers Home Administration offers to solve the problems. I call attention to just a couple of statements.

On page 2, the middle of the page, under the heading "Running Water Systems Generate Rural Areas' Development," is this sentence:

Just as hearts beat faster when the electric light replaced smoky kerosene lamps, there is a strong emotional upswing when piped-in water replaces the old water bucket.

Turning back one page—

Mr. POAGE. I do not want to interrupt, but we are all very familiar with the old pumps and all that. The bells will ring again. Let us talk about the bill and what you think ought to be done about it. We will take judicial knowledge of the fact of the deplorable conditions on the farm.

Mr. SNELL. That is not my point, Mr. Chairman. I did not quite get to it. My point is that there are problems on farms. We do not criticize the brochure, but we criticize one impression, and that is that the problem can only be solved by a community system. This simply is not true. The modern individual water system which American industry and free enterprise have developed today can give the American farmer, through an individual system, the same benefits, in fact, in many instances greater benefits than he can get from a central system.

I would like Mr. Durward Humes in a moment to say what the private water system can do.

I would like to conclude my statement by saying that we strongly urge that this committee consider that part of the best possible answer to this problem is effectively to utilize the individual water system, together with the central system that is so well merchandised here. We do not suggest that the central system is not a good answer in some circumstances. We suggest only that the individual water system is the best answer under some circumstances. We suggest that S. 1766 does give Farmers Home Administration the necessary authority or the necessary flexibility to find the best answer to the problem most effectively to utilize the Federal funds which this committee would like to make available. We urge the committee to find a way to increase the authority and to increase the flexibility so the Farmers Home Administration can find the proper answers and can utilize the services of the individual water system where it can best be used.

Mr. Chairman, that really is our story in a nutshell. I can only add that we would like to offer the full services of our industry in any way in which we can be useful in bringing water supplies to rural America.

Again, I thank the committee for its consideration today, and I would like to ask if the committee could hear a word or two from Mr. Durward Humes about the individual water system, because I think there is an impression conveyed that the individual water system, the private well, is still the hand pump with a drop coming out. This is not the case. Thank you, Mr. Chairman.

Mr. POAGE. We shall be glad to hear Mr. Humes, but I wonder if it would not be helpful if you now tell us just what you want us to do.

I assume that the majority of the committee feel that we want to use individual water systems, we want to use collective water systems, we want to use all of the facilities available to provide water whenever we can. Just what is it that you want us to do?

It seems to me we have to be a little more frank than we were this morning. What we propose to do by this bill, whether you like it or whether you do not like it, is to have the Federal Government subsidize rural water systems. That is the purpose of this bill. We have a perfectly good system of lending money to people who want to borrow the money and pay for their own system. It is working, and working really well. But it is true that we have gone so far toward giving these facilities to the urban people that justice seems to require that we extend the same privilege to rural people which has been extended to urban people.

Regardless of the attitude of the Department, I think the committee knows that this is not a question of simply extending grants to a few poverty-stricken areas. As far as I am concerned, I do not want a bill to go out of here on any such basis as that. I did not vote for the area redevelopment bill. I do not intend to vote for any of these bills which simply say you can do these things in Mr. Teague's district but cannot do them in Mr. Dole's, or in my district but not in Mr. Harvey's district. I want legislation which will make aid available wherever it is needed and on the same terms all over the United States.

What do you think we ought to do? This becomes a problem of how you pay the subsidy to the individual. Is that not the question?

Mr. SNELL. I believe it is, Mr. Chairman, because the present law permits loans to both the individual and the water district, so the individual farmer who wants an individual well is now covered in that respect in the present legislation. S. 1766 deals with grants and additional money.

Mr. POAGE. And also sewer systems, which we have not discussed.

Mr. SNELL. That is another question. We certainly feel there ought to be Federal money to put in sewer systems because a great deal of the pollution today is the fault of sewer systems which are inadequate, and not the fault of individual wells. The great natural resource in this country, ground water, eventually will have to be utilized through private wells to a greater extent.

The answer to your question I believe is this: We think that where the individual cannot afford to borrow the money to improve his individual system under existing authority, he should also be able to borrow up to 50 percent—let us say that is the formula—of the cost of improving his system. As we visualize this, this is another form of farmers cooperative. In other words, this is a "people proposition," if I may use that phrase. In an area where some people perhaps have adequate water systems and some people do not, part of the area may be best served by a central system. Maybe we have a town of 2,000. I grew up in a town like that. It is surrounded by country area, with people whose water systems may be adequate or may not be adequate or some of them may be adequate and some may not. The water district or the association, as the law calls it under the present law, as we visualize it can be the medium or the vehicle for channeling Federal funds into a solution, whatever that solution may be. We visualize this water district or association or cooperative type of organization

looking at this situation and then recommending to Farmers Home Administration that in this area we develop or put in a new central water system, and in the peripheral areas we make available Federal funds through the water district to the extent of 50 percent of the cost of installing or improving the individual water system that is needed and that is the most economically feasible answer to the problem.

Mr. POAGE. When you say Federal funds, you mean grants?

Mr. SNELL. Yes, sir; I mean grants. The remainder can then be borrowed under existing authority, sections 302, 303, and 304 of the present act, either directly from the Federal Government or through an insured loan.

If the cost is reduced 50 percent because 50 percent is paid by grant, it very well then may be brought within the economic ability of the individual to pay for it.

There is another aspect of this that we think is rather important, and that is the psychological aspect. I point to just one little statement on page 1 of this brochure, quoting a Kansas farmer, who said back in 1930, "We have electricity. That was the great jump forward. This year we have running water. Now we can begin to live." That is a very curious statement, because from the day that that man had electricity available on his farm he had the ability to put in a modern pressurized water system with running water in his house. Why he waited 30 years to begin to live is a mystery. The answer is, it is psychological, Mr. Chairman.

Mr. POAGE. I never lived in Kansas, but I have lived in the Southwest, and I know some of the problems there. There are vast areas where you cannot get any usable ground water. I understand there is water under the earth almost anywhere, but I live in the country myself where there is one good well in the county. Neither man nor beast could drink the water from the wells.

Mr. SNELL. This is possible in some areas.

Mr. POAGE. There are many areas in Kansas that are in that shape, are there not?

Mr. SNELL. This may be why he did not begin to live for 30 years. Also, I suspect the answer in many areas may be that there are ample supplies of water, but there is a psychological problem. The old spring or the old cistern may be the best thing until people get together. When they get together in a cooperative or in an association and start thinking about improving their water supply by the best means, then perhaps they can overcome the psychological hurdle that I suspect is one of the real drawbacks to improving the water supplies in the 30,000 communities that the FHA mentioned.

Mr. POAGE. You must be familiar with the Plains and you know that above the Cap Rock on the Plains you get good water.

Mr. SNELL. Yes, sir.

Mr. POAGE. That is the only way they are able to settle that country, because there is no permanent surface water. There are no streams. There are lakes, but they dry up by the first of June. There is good ground water on the Plains, but the minute you drop off that Cap Rock you probably will get no water at all, or nothing but gyp water. And the wells get saltier the further east you go. For a vast area for several hundred miles that is true. That is true clear down almost to my country. There is a vast area in which wells are, to say the least, utterly

undependable and in a whole lot of the area you can depend on it that they will be no good.

I think we ought not to get too enthusiastic about ground water, because ground water is fine when you have it and it is usable, but the character of ground water of much of the United States is simply not fit to use, so people have to use surface water.

Mr. SNELL. That is true, Mr. Chairman, except I think it is a rather astounding fact that of the water supply available in this country, only 2 percent is surface water and 98 percent of the available water in this country is ground water. This is an astounding figure. Much of America is conditioned to thinking about surface water, surface water supplies, and surface water pollution. Actually, the ground water resources of this country as a whole present a tremendous undeveloped opportunity. Some areas are not fortunate, that is true. In some areas a central system is the only answer if you are to have running water in the house. But this is not true in many areas of the country. That is why we do not believe that the present inflexibility of S. 1766 is the total answer. It is all right in part. It does not go far enough.

I would like to point out a specific solution that we are suggesting in my statement, on page 2 of appendix D, at the back of the statement. We have retyped the Senate version as it was passed, with some suggested amendments. We, of course, defer to the committee's experience in this regard, but we want to be as helpful as we can and make a specific suggestion to amend paragraph (2) of section 1 of the bill by inserting the words "water facilities" for the phrase "specific projects for the storage, treatment, purification, or distribution of water in rural areas."

That simply says that the Secretary is authorized to make grants up to a certain amount to finance water facilities.

Then we offer on page 5 of that appendix, a definition of the word "facility" to include "any public or private water supply system, or any combination of such systems, together with any storage, treatment, purification, or distribution system in connection therewith."

We suggest that that much right there will then give the water district the flexibility to decide how it can best solve its own problem in the economics of its local situation, within the geology of the local situation, and within the politics of the local area. The Farmers Home Administration, we believe, then will have the authority as well as the flexibility to use this grant money in whatever way will most effectively accomplish the purpose. Where this is an individual system, we think with some study probably the Farmers Home Administration will agree with me that their funds will go further if they do not have to penalize the people who are in a relatively concentrated area by paying the very high cost of distribution of water to outlying areas where the problem can be solved in another way just as well.

Also, they will not be faced with that which they have been faced with today, which is compromising construction standards in order to accomplish economic feasibility.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you.

Mr. CALLAN. I have just one question, Mr. Chairman.

If your amendment were incorporated in the bill, would you confine this just to areas that have water districts?

Mr. SNELL. When we made these suggestions, our thought was that the grant money would be channeled through one or two districts. The law permits individuals to get loans and to obtain insured loans for the improvement of an individual system.

Mr. CALLAN. The very thing the chairman is talking about. I do not think there would be any community in Nebraska which would qualify under this proposition because we happen to be in an area where there is plenty of ground water. I do not think there is a water district in the State. Some of the people who live out around the area do not have wells. You would set up an area just because they had a water district, and people living outside that area would qualify for a grant.

Mr. SNELL. Yes.

Mr. CALLAN. Whereas the people in my district have water and there is no water district, so they would not qualify.

Mr. SNELL. I believe a water district can be set up almost anywhere. I think it was brought out this morning through the examination of the FHA witnesses that this does not need to include a city at all. In fact, there are many water districts that are entirely rural in nature, and the only participants are people who are actually farmers or people living in a farm area. Actually, there need be no central system to a water district, as we see it.

Mr. CALLAN. There must be a water district in order to qualify for funds.

Mr. POAGE. Would you not set up a water district in order to qualify for the grants?

Mr. CALLAN. I surely would. This is what we would have to do to qualify, that is right.

Mr. POAGE. If it is desirable to confine these grants to public or quasi-public agencies rather than making grants to individuals, there is some merit in that.

Mr. SNELL. We would not have any objection if a way can be found to make grants directly to individuals.

Mr. POAGE. You run into a great many problems in making grants directly to individuals which would be avoided if they were made only to the quasi-public agencies.

Mr. CALLAN. I agree, Mr. Chairman. I wonder if there is any possibility, if we are to do this, of making the grant to the same individual who qualifies for an FHA loan. Apparently he would not have the money to go ahead with the building, so if he were qualified for an FHA loan, he might also be qualified for a grant.

Mr. POAGE. That gets us back to what we were talking about this morning. If you put it on the basis of distressed areas and distressed individuals, you have an entirely different thing from what I would envision as a program that we would extend to rural areas—the same kind of program that we now have for urban areas—which is not based upon the individual resources of the individual recipient, but is available as a matter of right. The same kind of program we have in the Soil Conservation Service which I think works well. We ought to provide the same sort of thing for human water.

At the present time if you want a stock pond, the U.S. Government, within certain limitations, will pay one-half the cost. It will not pay actually half of all the costs, but half of certain of the costs. Whether you are the biggest corporation in the United States or the smallest landowner in the United States, that privilege is extended to you.

It seems to me we can apply the same type of program to domestic water supply that we can to stock water supply. When you do that, you eliminate all this question about trying to find out whether the man can borrow the money or whether his grandfather left him an estate or whether his wife is going to come into an inheritance, and things of that kind.

Mr. CALLAN. I am trying to figure how Nebraska might qualify in this program, Mr. Chairman.

Mr. POAGE. It seems to me that people in Nebraska or any other State, no matter how scattered your population or how available your ground water, could organize themselves into units or water districts—water associations, they are called under the law—and certainly if there is a subsidy, you will find people organizing in those associations right away.

Mr. STUBBLEFIELD. They already have under the Community Facilities Administration.

Mr. POAGE. That is right. You would have to organize water associations before you would be eligible. Whether that should be required or whether you just make grants to the individual as such is the point.

I think there is a great deal to be said in favor of confining the grant to the associations, because at least you would have somebody else to blame, rather than the Department.

Mr. STUBBLEFIELD. If you make the grants to individuals, \$25 million would not go very far.

Mr. POAGE. It is not going very far anyhow.

Mr. TEAGUE. Have you any estimate, Mr. Snell, of what the additional cost would be or could be if the program were expanded as you have recommended?

Mr. SNELL. I can answer that question only this way: I do not have any estimate as to what the cost might be, but I am convinced that whatever money is appropriated will go further and will accomplish greater good for more people if it is given the flexibility that we suggest.

In appendix A to my statement I have included the cost per family of the water districts that have been built in the first 3 months of this year. It is interesting to note that of the 104 districts, 66 had a cost per family which was in excess of the cost of putting in an individual well to a depth of 150 feet with a submersible pump completely with a pressure system and running water in the house. Of the 104, 66 were in excess of that cost. In many instances the cost was over \$2,000 per home, per connection.

Mr. TEAGUE. If my idea is correct, I have some idea that inasmuch as you do represent the water systems council, you are here in the interest of your clients and with the hope that this program might be expanded, not only made more flexible, and that your clients might sell more water systems than you would without this flexibility.

Mr. SNELL. Of course, we do hope, naturally, that we will participate in accomplishing the result. Our economic benefit is, of course, the motivation. We are motivated to accomplish the best result, we think. We believe the Farmers Home Administration would be in a better position than we are to answer the question of how much money it will take to solve the problem of 30,000 communities. We do not have those figures available.

The thing we are urging this committee to consider is, whatever money the committee sees fit to appropriate, we would like to see it used in the most efficient way to bring the best results to the most people. We leave it to the committee and to the Farmers Home Administration to decide how much money should be made available for this purpose.

I agree it is probable that the money included in S. 1766 is not going to do the job for rural America as a whole. How much more is needed, I simply do not know.

Mr. POAGE. If there are no further questions, we shall hear you, Mr. Humes.

**STATEMENT OF DURWARD HUMES, EXECUTIVE SECRETARY,
WATER SYSTEMS COUNCIL, CHICAGO, ILL.**

Mr. HUMES. My name is Durward Humes. I am executive secretary of the Water Systems Council.

Since Mr. Snell has covered most of the points that I was going to comment on and reinforce, I would like to take just a moment to talk to you about the concept of the hand pump and the individual water systems. The picture on the front of the FHA brochure we think is a very misleading one, and we think, unfortunately, it is a very common one.

I do not know how many of you gentlemen have ever seen—if you do not mind, I will stand up and this will take only 2 minutes—the modern submersible water pump. This pump will produce between 200 and 800 gallons per hour, depending on how deep a well we are pumping from. It is immersed in the water. It is made of stainless steel here, bronze here, and quite a bit of plastic inside.

This is a modern pump, gentlemen. This is the motor. This is the intake for the water. I wish I had a cutaway to show you the impellers. There are 10 stages or impellers in this particular pump to build up first speed and then finally pressure so the water goes up the drop pipe and the controls go up through the wires which you see here.

This pump and many like it serve the some 10 million private individual water systems in this country today.

We acknowledge that there are many people with cisterns, shallow wells, even surface water sources, but for those in most areas of the country where there is good ground water—and this is true of most populated areas—this type of pump in a 4-inch well at a cost, roughly, for this particular pump and total installation of between \$700 and \$1,000, will do the job and do it beautifully. As a matter of fact, if the water is there, you are going to get a lot more than the 3 gallons per minute which was mentioned by FHA as its minimum standard.

As I say, this will produce up to 800 gallons per hour, assuming that the water is there. It will do it where the water is needed without

costly distribution lines. The water will be there for firefighting. The water will be there in terms of how much is needed on that farm or residence.

We thank you. That is my statement.

Mr. POAGE. Thank you very much.

If there are no further questions, we thank you, gentlemen, and we shall now hear from Mr. William N. Walker, National Water Well Association, also of Chicago, Ill., who will be accompanied by Mr. Edward H. Martin, Jr.

STATEMENT OF WILLIAM N. WALKER (Resumed), COUNSEL, NATIONAL WATER WELL ASSOCIATION, GLENVIEW, ILL.; ACCOMPANIED BY EDWARD H. MARTIN, JR., EXECUTIVE SECRETARY, NATIONAL WATER WELL ASSOCIATION

Mr. WALKER. Thank you, Mr. Chairman. We also appreciate the graciousness of the committee for reconvening in order to give us an opportunity to express our views.

For the record, my name is William N. Walker. I am an attorney practicing at 134 South LaSalle Street in Chicago. I am here representing the National Water Wells Association, which is a national trade association of the water systems industries.

The association represents more than 12,000 individuals and companies in the United States engaged in the business of water well drilling, and 350 companies engaged in the manufacture and supply of water well drilling equipment. In addition, our technical division includes more than 400 geologists, hydrologists, and other experts in ground water technology, located both in this country and abroad.

Appearing with me today is Mr. Edward H. Martin, executive secretary of the association; Mr. Lloyd Brown of Kansas City, Mo., president of the association; Mr. Richard H. Lauman of Bethpage, N.Y., president-elect, and Mr. J. D. Kirkland, of Hereford, Tex., vice president.

The National Water Well Association endorses the views stated by Mr. Snell. Our interests in this matter are identical with those of the Water Systems Council since we drill the holes that the water systems people put their pumps into. Hence, I will not burden the record with any duplication of Mr. Snell's remarks but, rather, would seek to incorporate the essence of his remarks as my own.

I would like to add just a few thoughts very briefly, and perhaps answer some of the questions which have been raised by the committee.

This morning a question was asked, I believe by Congressman Gathings, of Mr. Brock, of the FHA, What does one do with a person who lives out beyond the edge of a rural water district who has a water problem? How does FHA help this kind of individual?

Mr. Brock indicated that there are loans available for individuals under the present setup of the Consolidated Farmers Home Administration Act of 1961. It is true, there are loans available to individuals for private water wells. However, that authority is, we believe, demonstrably inadequate in three particulars.

First, the authorizing sections of this legislation, sections 302, 303, and 304 are restricted to persons who are farmowners or farm tenants.

Hence, the authority does not go to rural residents who are not engaged in farming.

Secondly, the grant authority which would be provided under the Aiken bill, S. 1766, does not extend to these individuals.

Third is the psychological problem to which Mr. Snell alluded, that most of the persons, speaking generally now, who are faced with water problems in rural areas, are those persons who are relying upon shallow-dug wells or cisterns or similar outmoded water sources—springs or lakes, for example. We are perfectly willing to agree this is not an ample or adequate water source. What is needed is either a central water supply or an ample supply of good, pure, ground water.

These individuals are like the rest of us—they put things off too long. There is a vast inertia among persons in rural areas who have been unable or unwilling or could not afford to construct a private water system to take advantage of the benefits of the submersible pump and the other components of a private system. Hence, they do have water problems now.

We believe that what is needed in order to remedy this situation is not to try and rely upon their individual initiative. A program which invites them to come down to the FHA office and sign up for a loan to correct their problem is not going to work. Indeed, it will not work in any substantial sense. It will not have a significant effect upon the problem. We need some kind of stimulus, something to get these people aware of the advantages which they might obtain through getting better water.

The FHA has devised a way of stimulating these people, and they have done a wonderful job via the water association. The individual in a rural community who wants a central water system talks to his FHA man about it and understands about it and goes out and promotes the idea among his neighbors. He sells the idea. He tells the slowpokes to get on the bandwagon, that you can benefit from a central water system, from more water.

We think that this type of concept can also be applied to the individual system.

Congressman Callan was asking what could be done in the situation of a town in his district in Nebraska to permit those people to take advantage of the benefits of the FHA Act. We think the answer to that would be for these persons to form a water district to seek a grant and/or loan, and then to analyze their specific water problem and, if there are ample quantities of ground water available, they might very well solve their problem by putting in a number of individual water systems.

There are all sorts of benefits to be derived from this for the individual. First, of course they are going to get better water. This is naturally the first aim. Also, it will be much less expensive, all told, because the water association itself or the water district can let a contract to a well driller or to a series of well drillers to construct, let us say, 35 or 40 wells. A contract let in volume in this fashion will result in lower costs to all of the persons who will be benefited thereby. They could purchase the well casings and pumps in volume, thereby securing a reduced price.

The individuals themselves would have a water system, their own water system, supplying adequate running water in the house. They

would pay back this system in monthly payments to the association just like those who are now hooked up to the central system and pay a monthly water bill.

So, there is an eminently practical way of achieving the alternative to which Mr. Snell alluded. That alternative is individual systems in combination with or perhaps in substitution for central systems, given certain economic conditions and given, of course, the availability of the ground water. This will not work, for example, in arid areas. There it is essential to have a central system. Where water is available, we believe you ought to look to the alternative.

In summary, gentlemen, the National Water Well Association suggests four basic changes in the Aiken bill.

First, we would ask that the committee seriously consider the promulgation of standards of economic feasibility for the construction of any system.

Second, we would suggest that it consider directing the FHA to promulgate standards of construction.

Third, we would suggest that the committee consider the appointment of an advisory committee to make sure that these standards are the best standards that can be drafted. Put all the experts from industry, government, and planning agencies to work on the problem.

Fourth, we would suggest that the amendment proposed by the Water Systems Council which would increase the flexibility of the FHA in its operations to permit the use of individual systems in combination with or in lieu of central systems, also be seriously considered.

I thank you, Mr. Chairman.

Mr. POAGE. Thank you very much.

I wonder if you and Mr. Snell have prepared the amendments which you think would be advisable.

Mr. WALKER. Yes, sir, we have. You will find those as appendixes C and D to Mr. Snell's statement. That is correct.

I might say, Mr. Chairman, that the National Water Well Association at this time would like to offer any assistance which our industry can give to the committee or to FHA in seeking the objective which all of us are seeking to accomplish; namely, improving the rural water situation.

Mr. POAGE. I have earlier pointed out the faults I find in Senator Aiken's bill. I thought Senator Aiken had enlarged the scope of the financing facilities so they might not only be supplying water, but also might be providing for waste disposal, sewage systems. I do not believe the bill as it now stands does that.

Mr. WALKER. No, sir. We wish it did.

Mr. POAGE. We want to write a bill here to carry to rural areas the facilities which are available to the city people. Why should we not make some provision or regulation to provide for the disposal of wastes along with the water supply systems? You cannot have a waste disposal system without a water system. If you have uncontrolled waste disposal systems, you certainly will pollute the water source.

Mr. WALKER. That is right, sir. That is one of our most serious concerns at this time.

Mr. POAGE. It seems to me that one of our problems is this matter of not making provision for waste disposal in rural areas. Would

it be your thought that it would be wise to include such authority in this legislation?

Mr. WALKER. Very definitely so, sir. The National Water Well Association would wholeheartedly endorse any effort in this regard. It is our feeling that one of the greatest threats which is facing the United States now is a possible shortage of good water and cheap water. To the extent we pollute our ground water and to the extent that we fail to protect that ground water, we are going to increase the dimensions of the pollution problem.

Hence, we would be very much in support of your proposal.

Mr. POAGE. Do you see any reason why, as a practical matter, we could not graft this onto this proposal?

Mr. WALKER. No reason whatsoever, absolutely not.

Mr. POAGE. Are there other questions?

Mr. GATHINGS. Did I understand that your recommendation would call for permanent legislation and the striking out of October 1, 1968?

Mr. WALKER. I am sorry, where are you reading, Mr. Gathings?

Mr. GATHINGS. The information Mr. Snell gave us here in exhibit No. 4. Appendix D, page 3 of his statement. Do you concur in that recommendation?

Mr. WALKER. Yes, sir. The reason for striking that provision is that when read in context, the October 1, 1968, date does not appear to be practicable. In other words, the sentence reads:

Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

I would say between 1965, this being July 29, and 1968, there is not very much time to permit any community to undergo the expense of putting together a comprehensive water plan, particularly when any comprehensive planning job of this nature must take into consideration the problems of waste disposal as well as water supply. It is a very complex problem. Two and a half years is simply not enough time. This would cut off after October 1, 1968, all grants to any communities which have not followed through on such a plan.

Mr. GATHINGS. Congress generally is in session about 9 to 10 months of the year, at least 8 months. We have operated here, as we did the year before last, until December 24. Just about time to go home for Christmas if we didn't live too far.

Mr. WALKER. I recognize the substance of your statement which is quite true, that there is perhaps time in a theoretical sense. I wonder, though, if it is practical to require of these communities as a prerequisite to the solution of the problem with which we are concerned that they take this step, particularly in view of the expense which would be involved in such a plan.

Mr. GATHINGS. Well, a reasonable time.

Mr. WALKER. If I might refer you to Mr. Snell's statement, page 22. There appears a paragraph which expresses his thoughts in drafting the language to which you just made reference. I confess I am not sufficiently familiar with it to make any further extemporaneous comment.

Mr. GATHINGS. Thank you very much. I shall read that.

Mr. POAGE. Thank you.

Further questions?

Mr. TEAGUE. No questions, Mr. Chairman.

Mr. POAGE. If there are no further questions we are very much obliged to you, Mr. Walker.

Mr. Martin, do you have anything to say?

Mr. MARTIN. No, sir.

Mr. STUBBLEFIELD. Mr. Chairman, how would you figure the costs and user charges?

Mr. WALKER. I think that you could spread this out over a period of 40 years. One of the appendixes to Mr. Snell's statement contains a figure. Appendix B to Mr. Snell's statement contains a statement of the private water system cost analysis.

Mr. STUBBLEFIELD. If you had a tandem district, and on the fringes you have individual wells, how would you arrive at the user charge? Would it be the same for everyone in the district?

Mr. WALKER. I don't think it could be practically. It might be worked out that way. That certainly is a possibility, but I think more likely the way you would work it out is to prorate the cost of the system itself, of the various individual systems, taken as a whole, and divide it by the number of families having such systems, prorate that over a period of 40 years, which is the contemplated life of the system, and add to that a certain cost to make up maintenance and also a certain cost to repay the association for services which it might from time to time render, including, of course, billing and what have you, and that kind of thing.

Mr. STUBBLEFIELD. How about service? How about the central systems?

Mr. WALKER. I think the central systems, particularly the pumping plants and whatnot, would perhaps require a different skill from that of maintaining an ordinary individual water system.

Mr. STUBBLEFIELD. Do you contemplate the district would pay for the maintenance of these individual wells?

Mr. WALKER. I think as they are presently set up the districts contemplate maintenance of the distribution lines presently. Hence there is no reason why, assuming they are reimbursed, that they couldn't also assume the responsibility of maintenance for the private systems as well.

Mr. STUBBLEFIELD. Thank you.

Mr. POAGE. If there are no further questions we are very much obliged to you gentlemen.

I would think we might save some time if the members stayed with us a few moments and try to solve this problem with me.

Mr. WALKER. Thank you, Mr. Chairman.

(The following telegram and statement were also submitted to the subcommittee:)

DAVENPORT, IOWA, July 29, 1965.

W. R. POAGE,
*Chairman, Conservation and Credit Subcommittee,
House Committee on Agriculture, Washington, D.C.:*

Am sorry that unavoidable conflict makes it impossible for me to appear as water system council president at rural water facilities hearing. Our membership has considered the position to be presented and concurs strongly with statements made by Messrs. Snell and Humes.

JAMES E. RICHARD,
*President, Water Systems Council and
President, Red Jacket Manufacturing Co.*

STATEMENT OF PATRICK HEALY, EXECUTIVE DIRECTOR, NATIONAL LEAGUE OF CITIES

Mr. Chairman and members of the House Subcommittee on Conservation and Credit, I am Patrick Healy, executive director of the National League of Cities (formerly the American Municipal Association), an organization representing over 13,000 cities and towns of all sizes, some in densely populated urban areas and others in sparsely populated rural areas, throughout the United States. I appear on behalf of the National League of Cities to comment on and suggest amendments to H.R. 10052 by Representative Bandstra, and S. 1766 by Senator Aiken, which amend the Consolidated Farmers Home Administration Act of 1961, authorizing the Secretary of Agriculture to make grants and loans to public and quasi-public agencies, nonprofit corporations, and associations for the construction of water systems serving rural areas and to make grants-in-aid for rural community development planning.

The interest of the many large and small municipalities NLC represents in this legislation should be quite apparent, since their officials are charged with encouraging logical urban growth and providing local services, such as water and sanitation, to urban and urban fringe areas efficiently and at a minimum of cost to the public. It is the belief of the officials we represent that legislation such as H.R. 10052 and S. 1766 has led and will continue to lead, if this legislation is enacted, to what is called substandard urban expansion and the proliferation of ill-conceived and inefficient special units of local government and private associations which are not equipped to provide urban services to small but urbanizing concentrations of population.

Substandard urban development is well defined in NLC's National Municipal Policy, a copy of which is attached to this statement for inclusion in the record. Briefly, it is urban growth characterized by a lack of comprehensive planning and minimal public facilities. Such growth, typically, occurs in rural areas which are near but not adjacent to urban areas, and much of it is now occurring in the approximately 220 standard metropolitan statistical areas, as defined by the U.S. Bureau of the Census. It has occurred, however, and will continue to occur adjacent to many of our country's smaller cities and towns.

We recognize that the responsibility for substandard urban expansion does not rest solely upon the shoulders of the Federal Government or its Department of Agriculture. As a matter of fact, we are not opposed to the idea of extending the qualities of urban life, such as pure, inexpensive water supplies, to the farm. The Secretary of Agriculture should possess the power to assist individual farmers or small groups of farmers obtain financing for strictly rural water systems. But it must be recognized that the existing Department of Agriculture loan and insured loan program for rural water systems has led to an alarming increase in substandard urban development adjacent to the municipalities of the Nation.

Perhaps the following factors can be blamed for this undesirable urban growth :

1. States have generally failed to provide for logical urban growth by allowing the formation of single-purpose units of local government and private associations with power to provide municipal services, such as water and sanitation, without requiring the installation of facilities in conformity with areawide plans and uniform standards.

2. Similarly, the States have failed to allow municipalities to expand their boundaries to serve growth areas. Broad annexation powers would allow municipalities to prevent substandard urban expansion before it occurs by enabling them to install the facilities and provide the services to areas of new growth.

3. The Federal Government, in an effort to bring the qualities of city life to rural areas, has provided financing for water systems which are adequate to serve isolated farmhouses, but which, inevitably, end up serving more extensive residential developments inadequately. S. 1766 is an example of the legislation being considered by Congress during this session which would broaden this authority.

4. Finally, many municipalities and counties fail to recognize the necessity and logic of planning for sound and orderly urban growth, thereby allowing substandard urban development to arise at their doorsteps. Such municipalities and counties should plan for their growth by adopting a master plan, zoning resolutions, building codes and the like, all of which would help insure the sound and orderly development of their entire community.

It appears, at first blush, that the language of S. 1766 has been drafted with sound planning and development requirements in mind. But we are alarmed by what a close reading and strict interpretation of its provisions reveals as the actual scope of the legislation.

I. PLANNING REQUIREMENT

What appears to be an excellent planning requirement has been included in part (iii) of subsection (3) of the amended section 306(a). This planning requirement, however, applies only to the grant program authorized by this legislation. It does not apply to the loan or insured loan programs, both of which have already encouraged and will, if this bill is enacted, stimulate further substandard urban expansion as much as the grant program. The Secretary of Agriculture is given, furthermore, over 3 years of leadtime to put the grant program into operation without requiring that grants made pursuant to this legislation conform to the planning requirement of section 306(a). As a result, this planning requirement is sharply limited in its scope.

Consequently, we strongly urge that S. 1766 be amended as follows:

1. Line 8, page 3, should read: "(3) No grant or loan shall be made and no loan shall be insured under paragraphs 1 or 2 of this".
2. Lines 22, 23, 24, and 25, page 3, should be deleted beginning after the period on line 22.

These amendments would, on the one hand, require that loan programs would come under the planning requirement and that, on the other, the leadtime before application of the planning requirement be eliminated.

Part (iii) of this subsection fails to indicate how the Secretary shall determine that a project is consistent with a comprehensive community water plan for the area. Since many States, counties, and municipalities have developed such plans, we suggest adding the following language to insure that consistency with the plans for water development will be achieved:

Following the period on line 22, page 3, add "In order to determine consistency or inconsistency with a community water development plan for the area where the proposed project will be located, the Secretary shall establish regulations requiring the submission of applications to appropriate State agencies and any political subdivisions operating or franchising the operation of a water or sewer utility within 25 miles of the proposed project, and such comments shall be attached to the application forwarded to the Secretary. The Secretary shall give full consideration to such comments when furnishing financial assistance to the proposed projects."

These suggested amendments would make the planning requirement meaningful but still allow the Secretary of Agriculture to assist rural areas with the development of rural water systems. They would implement a general recommendation concerning planning requirements for Federal grant and loan programs made by the Advisory Commission on Intergovernmental Relations in its report entitled "Impact of Federal Urban Development Programs on Local Government Organization" and "Planning and Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas." These recommendations have been endorsed and are supported by the National League of Cities, the National Association of Counties, and many other organizations of public officials.

The suggested amendments are also in keeping with the Public Health Service's Advisory Committee for State Legislation on Planning of Urban Water Supply and Sewerage Systems. This ad hoc committee has just completed drafting recommended State legislation (a copy of which is attached to this testimony for inclusion in the record on S. 1766) governing the planning and regulation of water supply and sewerage services. This suggested legislation is now under consideration for inclusion in the Council of State Government's Suggested State Legislation. We fully expect the council to adopt these suggested acts as a part of its legislative program for States, and, as a result, this legislation should be enacted by a number of States. The National League of Cities fully supports these suggested acts and encourages its membership to support their passage at the State level.

II. CONSTRUCTION OF RURAL SYSTEMS IN CONFORMITY WITH ADJACENT PUBLIC WATER SYSTEMS

Most of the grants, loans, or insured loans authorized by these amendments to the Consolidated Farmers Home Administration Act will be made in areas within reasonable proximity to existing public (municipally operated or franchised) water systems. We have no objection to the Department of Agriculture assisting with the financing rural water systems as long as the systems will be used to supply territory which will remain sparsely populated and continue to have rural characteristics, such as being devoted exclusively to the production of crops. There is a natural tendency, however, for some of those who receive grants, loans or insured loans under this program to use the improved water supply system to promote the physical growth of the area served by the system. In other words, the existence of water which is distributed to a rural area can be used to attract buyers to a residential area close to an incorporated or unincorporated urban place. The reason for the attraction is simple—the residents will be offered the amenities of urban life based upon a water supply, without having to pay for other urban services, such as streets, police and fire protection, sanitation, schools and the like. Should the water supply upon which this development is founded prove to be inadequate to serve the residential development which it precipitated, someone, probably the adjacent public water system, will be required to provide the necessary water supply in addition to the other local services the new development requires. In any event, the adjacent public authority will, in all probability, be required to improve the originally installed rural water system to conform with urban demands when the urban area grows to include the residential development spawned by the rural water system.

This artificial urbanization of remote areas has the further disadvantage of scattering existing public services. Schools must be constructed in these areas or school children must be transported greater distances to be educated, and both of these alternatives result in greater costs for the citizens of local areas. While the advantages and amenities of town are at hand, the residents of the newly urbanizing area bear relatively little of the cost of financing the extension of local governmental services to their homes.

The avoidance of this costly long-term problem of substandard urban expansion, requires the adoption of the following amendments to S. 1766:

Add a new subsection (4) to read, and renumber all succeeding subsections:

"(4) The Secretary shall establish regulations governing the making or insuring of grants or loans for projects located within twenty-five (25) miles of any public water system which will require:

"(i) the proposed project, if it will be located within five (5) miles of a public water system, shall be constructed as a part of said system, if the operator thereof possesses the power to operate said public water system without its corporate limits, provided however, that if the proposed project is located within five (5) miles of two (2) or more public water systems, the Secretary shall require it to be constructed as a part of that public water system which will permit the most economical and convenient construction of the proposed project.

"(ii) the proposed project, if it will be located within an area from five (5) to twenty-five (25) miles of a public water system, shall be constructed in such a manner that it will be capable of being connected to such public water system when the growth of said public system makes such connection economical."

This amendment will allow Congress to enact S. 1766 with the knowledge that water will be supplied to rural areas which have the potential of becoming urban in character on a basis which will insure sound and orderly development. Congress will also be able to act with the knowledge that the potential residents of these areas will not be subjected to living in a substandard urban environment just because the original water system was planned, financed, and constructed without giving proper attention to the growth potentials of the area the system was supposed to serve. The residents of such areas would also be protected against the subsequent costs involved in reinstallation of adequate utility service. Such costs have, in some cases, been demonstrated to be a major factor in the decline of suburban areas and, where imposed upon homeowners, a serious hardship.

The language, public water system, used in the suggested amendment must be defined in the legislation. We suggest the following language, to be included as a new subsection (9):

"(9) Public water system, for the purposes of this Act, shall mean any water system operated by a political subdivision of any State or any water systems whose operation is franchised by any such political subdivision of any state."

III. LIMITATIONS ON AMOUNTS OF GRANTS AND LOANS

Part (iii) of subsection (2) of the amended section 306(a) has the practical effect of preventing local governments from qualifying for grants, loans, or insured loans under this legislation. This is due to the fact that this language limits public bodies to assistance equal to that which is in excess of the amount which can be legally financed by the body and for which alternate financing is not available. Local governments are bound by debt limitations of varying kinds and types, but, almost universally, local governments are not limited in the amount of debt they can create to finance water system improvements. Thus the language of this section, since alternate methods of financing which are permitted by law are available, prevents local governments from participating in the grant, loan, and insured loan program authorized by this bill. We strongly urge, therefore, that part (iii) of subsection (2) of the amended section 306(a) be deleted from S. 1766 in its entirety.

IV. PREFERENCE FOR GENERAL UNITS OF LOCAL GOVERNMENT

S. 1766 would permit grants, loans, and insured loans to be made to associations, quasi-public, and public agencies alike. A similar provision is found in the existing language of the Consolidated Farmers Home Administration Act of 1961, but few public agencies have been the recipient of loans or insured loans authorized by that act. In light of the primary responsibility of local government for providing or regulating the provision of water and sanitation services, in addition to other municipal services, the Department of Agriculture should encourage general units of local government, such as cities, towns, and counties, to participate in the programs authorized by this legislation. To that end, we suggest the addition of a subsection (10) to the amended section 306(a), to read as follows:

"(10) The Secretary shall, in the absence of substantial reasons to the contrary, make or insure grants and loans under the authority of this Act only to cities, towns, counties, and other units of general local government."

This suggested amendment also conforms to the recommended policy for Federal grant and loan programs which has been adopted by the Advisory Commission on Intergovernmental Relations in its publications entitled "Impact of Federal Urban Development Programs on Local Government Organization and Planning" and "The Problem of Special Districts in American Government." These recommendations are also endorsed and supported by the National League of Cities, the National Association of Counties, and other organizations of public officials.

The National League of Cities strongly supports progressive programs which will bring the full amenities of life to all citizens of the Nation, especially the citizens of rural areas which, traditionally, have lagged behind the standards of living enjoyed in urban areas. We must be ever mindful, however, that the Nation has an overwhelming investment in the established urban areas of the country, their facilities, and services. We cannot afford the luxury of the enactment of legislation which would undermine these services and facilities through poorly planned and powerfully influential utility development.

We urge, Mr. Chairman, the committee's careful attention to our suggested amendments as an essential step in the perfection of legislation which has a commendable goal and a worthwhile objective.

Mr. POAGE. The subcommittee will go into executive session.

(Whereupon, at 4:10 p.m., the subcommittee went into executive session.)

It is the duty of the National League of Women to support the efforts of the Government in the war, and to do so in a way that will be of the greatest benefit to the country.

The National League of Women is a non-partisan organization, and its only aim is to secure the best possible results for the country. It is not a political party, and it does not have any political aims. It is a body of women, and its only interest is in the welfare of the country.

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