

NCLB

No Community Left Behind

*Blueprint for Affordable, Equitable and Sustainable
Water and Wastewater Services*



**American Water Works
Association**



**NATIONAL ASSOCIATION
OF WATER COMPANIES**



**Association of
REGIONAL WATER
Organizations**

WFX
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METROPOLITAN
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**Water Environment
Federation**
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**MOONSHOT
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NACWA

Glossary

Community Water System (CWS): A public water system that has at least 15 service connections that serve year-round residents or that regularly serves at least 25 year-round residents.

Disadvantaged Community: The service area of a public water or wastewater system that meets affordability criteria established after public review and comment by the State in which the public water system is located.

Economies of Scale: Reductions in unit cost as the scale of production increases.

Equity: The fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies.

Investor-Owned Utility (IOU): A private utility owned by investors and typically regulated by a state public utility commission.

Low-Income Household Water Assistance Program (LIHWAP): A program created by the American Rescue Plan Act as part of the COVID-19 pandemic response to assist households with low incomes in paying arrearages (past due bills) and rates charged to the household for drinking water and/or wastewater services.

Publicly Owned Treatment Works (POTW): A treatment works, as defined by Section 212 of the Clean Water Act, that is owned by the State or municipality. This includes any devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature. It also includes sewers, pipes, and other conveyances only if they convey wastewater to a POTW treatment plant.

Regional Solutions: Structural and non-structural methods of capturing scale economies and improving operational performance among systems.

Executive Summary

There are approximately 50,000 community water systems providing drinking water¹ and approximately 16,000 publicly owned treatment works² (hereafter collectively referenced as “drinking water” or “wastewater” system”) in operation across the United States. Many of these systems have infrastructure that is at or beyond its useful life and in need of replacement. As a consequence, there is a very large and growing need for additional water infrastructure investment. The 2021 Infrastructure Investment and Jobs Act (IIJA) allowed some systems to leverage portions of \$55 billion in federal funds to address pressing capital improvements. However, absent additional action from U.S. Congress, the IIJA funds will expire in 2026, and hundreds of billions of additional water infrastructure investment will be needed over the next 20 years.

Existing water infrastructure funding needs will be exacerbated by the following trends:

- Workforce aging into retirement
- More stringent regulations requiring capital funding, increased operations and maintenance costs, and more specialized training
- Climate change and the corresponding need for resiliency
- Necessary investments in cybersecurity

The impact of the rising cost of water service is most acutely felt by households with low incomes, yet sustainable solutions cannot rely solely on external funding. Long-term self-sufficiency is essential. While not a panacea, by achieving economies of scale community water services can be more self-sustaining through local rates.

The purpose of this paper is to inform federal, state and local decision-makers about some of the opportunities available to obtain greater economies of scale. By stimulating dialogue about policies that facilitate regional solutions, the authors seek to improve access to, and consideration of, various forms of regional cooperation.

There are numerous approaches to achieve regional solutions, including:

- Consolidation, such as mergers
- Water Cooperatives
- Shared Services



¹ For more information: [EPA Justification of Appropriation Estimates for the Committee on Appropriations.](#)

² For more information: [National Coordinator for Critical Infrastructure Security and Resilience – Water and Wastewater Systems.](#)

Introduction

Water infrastructure in the United States comprises approximately 50,000 community water systems (referenced as “drinking water” systems) and 16,000 publicly owned treatment works (referenced as “clean water treatment” or “wastewater” systems). Many of these systems are aging and deteriorating, introducing risks to public health, the environment, and the economy. The majority of drinking water systems are classified as small systems, serving fewer than 10,000 people¹. These small systems, just like larger systems, must maintain skilled work forces and critical infrastructure, often with severe funding constraints.

NCLB does not support forced consolidation but seeks to communicate potential benefits of regional solutions and support communities interested in voluntarily pursuing those options.

Maintaining adequate water infrastructure requires continued re-investment in existing facilities while simultaneously planning to meet current and future challenges. For drinking water, the U.S. Environmental Protection Agency (EPA) estimates a need of \$625 billion for pipe replacement, treatment plant upgrades, storage tanks, and other assets over the next 20 years². Wastewater and stormwater critical investments amount to an additional \$630 billion over the same time period³. While the Infrastructure Investment and Jobs Act (IIJA), provided a positive five-year stream of investment through a combination of low-interest loans and loan forgiveness, short-term federal funding on its own will not assure sustainable, safe and reliable water services over the long-term. Many water systems will need to consider significant steps toward self-sufficiency, and many will evaluate strategies to achieve greater economies of scale.

Regional solutions are a potential avenue to that goal. With greater scale there is the potential for reducing the cost per gallon of water services, developing and retaining a more skilled workforce, and making necessary improvements more effectively and efficiently.

These benefits are important to the ongoing provision of water service and become an even greater benefit when one considers the costs and complexity of compliance with recent regulatory requirements, including those to replace lead service lines, treat for perfluoroalkyl substances (PFAS) and address ever more stringent control of nutrients in wastewater effluent.

Beyond these costly federal requirements, water systems face sustained cybersecurity risks, as well as the need for improvements to assure facility resiliency and adequate water supplies in the face of climate change.

Sound, locally led decision-making can identify solutions to many existing challenges. Regional solutions may open pathways to achieving broad community objectives like improving the local economy and expanding water service to households on individual wells or septic systems.

Constraints on local technical and financial capacity can be significant hurdles for systems that serve disadvantaged populations.

Regional solutions in various forms can advance the following goals both locally and ultimately nationally:

1. The long-term sustainability of the nation’s water infrastructure
2. Compliance with Federal and State regulations
3. Enhancing water systems’ capacity to meet and exceed public health objectives
4. Building capacity to overcome ongoing challenges faced by disadvantaged communities
5. Create organizational structures that can support watershed-scale solutions.

State regulators regularly encourage restructuring to address chronic noncompliance and fiscal distress. Unfortunately, waiting until a water system has reached the point of significant non-compliance only increases the barriers to regional solutions.

1 For more information: [EPA Drinking Water Capacity Development](#).

2 For more information: [EPA Drinking Water Infrastructure Needs Assessment](#).

3 For more information: [EPA Clean Watersheds Needs Survey](#).

Regional solutions work when:

1. Water service providers deliver clear, technically sound analyses of standalone and regional options that are readily comparable for decision-makers.
2. The affected public has an opportunity to learn about and provide input to local decision-makers, and when public involvement includes trusted voices.
3. The local decision-making process is understood by relevant regulators and financial analysts, and their concerns and recommendations are considered.

For many communities, the upfront cost associated with such an effort can be daunting. At present, funding for the necessary analysis and stakeholder processes must be borne by the participating communities. Absent the building of local consensus, efforts to craft regional solutions may fail due to concerns over loss of local control, accompanying changes in water rates, and poor inter-community relationships.

Well-crafted analyses and active community engagement can overcome these barriers. Now is the time for serious community conversations about the opportunities offered by regional solutions. We hope that this paper serves to stimulate that discussion.

Proponents of the NCLB initiative are committed to:

- Identifying opportunities for voluntary regionalization, consolidation, cooperatives and shared services, particularly for the benefit of lower income, lower resourced, communities.
- Sharing case studies and best practices that would help facilitate replication of successful regionalization, consolidation, cooperatives and shared services.
- Identifying, and enhancing, funding opportunities for implementation of regionalization and consolidation.
- Ensuring that consolidation or partnerships, whether public-public or public-private, are accomplished in a transparent and equitable manner, including regulatory protections and technical guidance for less resourced communities and safe harbors for utilities taking in non-compliant systems.

Forms of Voluntary Restructuring, and Collaborations

Shared services agreements

Shared services agreements are an approach to formalize cooperation between systems. In the case of water and wastewater services, shared services agreements can be used for the bulk purchase of chemicals, contracting for the use of heavy machinery such as backhoes to replace and repair water mains, and sharing licensed operators.

This is a familiar structure in local government. Local governments may purchase equipment and supplies through “state contracts” that afford significant buying power. Mutual aid agreements are also a common feature in the provision of local emergency services. In fact, the water and wastewater sectors have a nationwide mutual aid agreement that is used to facilitate cooperation in the event of natural disasters or other emergencies, allowing local governments to share resources, personnel and equipment¹.

Wholesale Water

A wholesale water agreement is executed between two or more water systems, where one entity purchases raw or treated water from another, typically delivered through a physical interconnection. Systems that purchase wholesale water do not need to invest in additional infrastructure of their own. Drinking water systems purchasing water wholesale can reduce their need to locate and permit a source of supply, and / or locate, design, permit and construct or expand a treatment facility.

Similarly wholesale wastewater or stormwater treatment capacity can afford purchasing systems the capacity they need more readily than construction of new facilities. The wholesaler benefits by obtaining a partner in paying for existing infrastructure. Pricing must consider the investment that the wholesaler has made (is making) in infrastructure and operations. Risk management (e.g., the opportunity to access a more resilient supply, timing of access to additional water supply, the timing of financial obligations), and many other financial and engineering details are weighed in a thorough analysis prior to joining wholesale water agreements. When such agreements are reached, both systems benefit and each can maintain control in setting its own rates, determining its standard of service, and retaining its unique assets.

Presidio County, Texas is pursuing a regional approach to water service for multiple small rural colonias and townships in a water-stressed area of the state. The County established a 39-member steering committee with representatives from each community – some with fewer than 20 homes - and a broad range of local stakeholders. This structure allows disadvantaged communities and underserved colonias to leverage additional resources and expertise for development and affordable and sustainable water resources. [Learn more>>](#)

Contract Operations

Contract operations allow a water system to enter into a contract with another entity to provide water and/or wastewater operations services. Contract operations can utilize existing facilities the water system owns or involve the development of new treatment capacity. Contract operations allow individual systems to maintain their independence, while benefiting from the experience, buying power, and personnel of an organization focused on water service. The greater expertise and financial capacity of the contract operator can improve operations and maintenance, gain operational efficiencies, introduce newer technology, and improve regulatory compliance.

Contracted services may only involve a portion of a water system’s operation. For example, services could be for operation and management (O&M), back-office operations (e.g., customer billing, payroll, etc.), system operators, or engineering services. These contract agreements can be between public water systems or between a public water system and a private entity. Contract operations can play a particularly valuable role in addressing workforce challenges.

Shared Governance Structures

In a shared governance structure such as joint powers boards, cooperatives, and special utility districts, two or more entities create a shared entity. Such an entity can meet all or part of participating entities’ water service needs.

¹ For more information on WARN, see: [Water/Wastewater Agency Response Network](#).

For example, a public service authority can represent a shared investment in water supply and transmission, which individual member communities distribute to their customers. By working together to establish and manage the new governing entity, the participating members can focus resources on improving their collective circumstances.

Such arrangements could result in a shared workforce, needed treatment or treatment capacity, expanded source water options, and improved access to lower cost financing.

Camden County (NJ) Municipal Utilities Authority undertook a wastewater regionalization project which involved consolidating 37 municipalities, and their 52 wastewater treatment plants, into one regional wastewater treatment plant with a regional interceptor system to convey flow from the municipalities to the new regional treatment plant. As a result, the water quality of the Delaware River and its tributaries improved significantly, with bacteria levels dropping by over 95% in the tributaries. In addition, the elimination of the non-compliant municipal treatment plants resulted in the waiver of a countywide development ban and allowed for the resumption of economic growth in Camden County. The capital cost and subsequent operating costs of the regionalization were much lower than the cost of upgrading the 52 individual municipal plants and their corresponding operating costs. [Learn more>>](#)

Consolidation of Assets and/or Services

Consolidation is where two or more legal entities become one entity operating as a single legal entity with a common management and financial structure. Consolidation can take many different forms, including acquisitions, mergers, joint ventures, cooperative agreements, or creations of new regional water authorities.

As with the prior shared governance model, consolidation need not depend on there being one strong organization absorbing all the other members. Under a joint merger, two or more relatively equal partners adjust governance, operations, and financial frameworks to create a new entity that is owned and controlled by the previously separate parties.

Central Arkansas Water, created in 2001 by the state legislature, CAW was formed through the merger of Little Rock Water and Greenbrier Water, creating a single water utility that serves a combined population of 450,000. The successful merger covers 4-counties and has led to the consolidation of 27 smaller systems and water user groups. The merger has resulted in the region's ability to meet its water needs and minimize the financial burden customers of the system. [Learn more>>](#)

Under a balanced merger, two or more entities consolidate with the goal of establishing a new governance structure. The new structure provides a basis for at least some direct participation by decision-makers who represent each pre-existing system's customers in future decisions.

Consolidation may occur when a financially strong, higher-capacity organization acquires the assets, management, and customers of another system. Consolidation through a merger, perhaps more than other regional solutions, transfers individual liabilities to a common liability (e.g., debt, regulatory violations, etc.).

The cooperative model is far more common in the electric utility sector, but it is increasing in popularity in the water sector. Like an electric cooperative, a water cooperative is recognized as exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Service Code for the purposes of generating, purchasing, and supplying water and wastewater services.

Consolidation can also occur when an investor-owned utility (IOU) or private water company acquires the physical assets and management duties of a water system that wishes to divest itself of its water or wastewater system. The acquisition of water systems by IOUs is far more common than acquisition of wastewater systems, for which contract operations are a more frequent alternative, due primarily to regulatory barriers.

Scaling Solutions

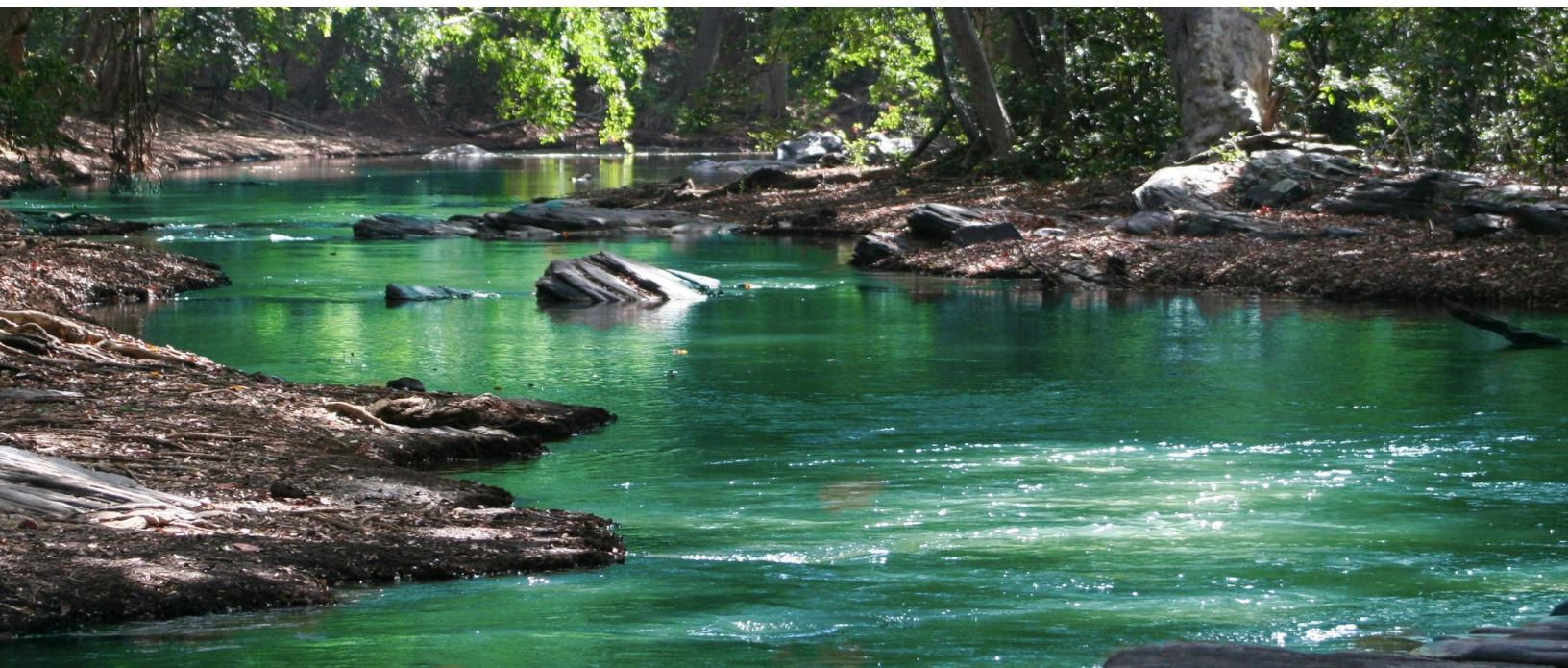
The Need

The United States is less than 25 years into the current millennium, and we know as a nation the pressing need for re-investment in water infrastructure will result in upward pressure on the cost of water services. In 2024, new federal regulations addressing lead and PFAS are imposing billions of additional annual costs on communities for decades to come. Perhaps more importantly, the nation's consumers, in all communities of all sizes, have higher expectations for reliable water service and the provision of service in an environmentally and socially responsible manner. Many communities will need to look to regional solutions to meet these combined challenges so that they can provide safe and reliable water service at an affordable cost to all the customers they serve.

While many communities may benefit from a regional solution, the challenges facing small, rural and disadvantaged water and wastewater systems are severe in many communities. Among the challenges these systems face are:

- **Aging Infrastructure:** The small number of rate payers in these communities, who often have lower incomes compared to metropolitan areas, creates a limited pool of resources from which to reinvest. Limited rate bases make it difficult to execute large capital projects, and the failure of that investment can itself lead to lost revenue (e.g., water loss) and consent orders (e.g., sewage spills).
- **Regulatory Compliance:** Low-income communities have consistently seen health-based violations at a higher rate when compared to otherwise similar higher-income communities. Achieving compliance rests not only on the capacity to build and maintain infrastructure but the ability to hire and retain the trained staff necessary to meet the nation's stringent safe drinking water and clean drinking water regulations.

For six communities in central Illinois, the creation of the **United Regional Water Authority** was a necessary step to provide an affordable, reliable and safe source of drinking water. All the communities have a lower median household income compared to the state average, with an average poverty rate of 9%. The collaboration among these communities led to the construction of a new, regional, state-of-the-art facility, delivering water to more than 5,000 people. On the banks of the Sangamon River, the communities of Harristown, Niantic, Illiopolis, Latham, Mt. Auburn, as well as EJ Water Cooperative, collectively constructed a 1.5MGD water treatment plant that will provide long-term affordable drinking water to each community, saving the communities tens of millions of dollars from the cost of individual treatment plants. [Learn more>>](#)



- **Infrastructure and Personnel are Getting More Expensive:** While Buy America, Build America and the Davis-Bacon Act are impacting the cost of infrastructure, fundamentally costs are rising. A lead service line replacement that cost \$6,000 in 2015 costs \$15,000 in 2024. The prices for materials and expertise used in construction are increasing at a rate that well exceeds the consumer price index.
- **Aging Workforce:** The average age of water operators in the United States is 48, and 30-50 percent of the workforce will be eligible to retire within the next five to 10 years. The loss of a licensed water operator creates a short-term stress on the system, and the loss of institutional knowledge that can take years to replace. Having an appropriately qualified responsible operator in charge is required for drinking water systems. Workforce challenges also extend to other staff positions, especially skilled technicians.
- **Limited Ability to Finance Capital Projects:** Due to their limited rate base, small systems may have poor credit ratings or no rating at all. This severely limits the financing vehicles available to them and increases the cost of financing needed investments.

Without achieving economies of scale, many small systems are at greater risk of regulatory non-compliance, inability to deliver affordable water to their customers, and inability to make investments necessary for providing sustainable services. Now is the time to build a responsible policy conversation about regional solutions and what the water sector and government can do to facilitate local collaborations.

Implications for the Treasury are Clear

A series of one-time, supplemental federal investments through the American Rescue Plan Act (ARPA), the Infrastructure Investment and Jobs Act (IIJA), and the Inflation Reduction Act (IRA) have delivered tens of billions of dollars over the past five years for the water sector. This level of federal investment, although well above recent historical amounts, will not on its own meet the estimated \$1.25 trillion in existing infrastructure needs over the next 20 years^{1,2}.

The central issue at hand is how best to invest in our nation's water infrastructure to improve public health and protect the environment, particularly for those financially distressed systems with repeated violations of health-based standards and discharge permit limits. The continued federal subsidization of financially unsustainable systems is not viable in the long-term. Alternative regional solutions that will lead to more affordable, clean, and sustainable water and wastewater services to all residents, whether rural or urban, must be explored.

By achieving efficiencies and combining available revenues, regional solutions can be a part of ensuring the sustainability of the nation's water infrastructure into the next century.

1 For more information: [EPA Drinking Water Infrastructure Needs Assessment](#).

2 For more information: [EPA Clean Watersheds Needs Survey](#).

Social Benefits of Regional Solutions

Affordable, safe, and sustainable drinking and wastewater services deliver positive public health, environmental, and economic impacts to a community. Regional approaches not only provide localized benefits, but they can also produce benefits to society at large.

- **Economic Development Opportunities:** Adequate water and wastewater services are an essential component of growth and development at both the community and regional level. Regional solutions can help support integrated water management to meet and balance the needs of agriculture, industry and urban demands. Most industries are dependent upon sustainable water resources and are unlikely to remain in or relocate to areas that are unable to provide the most basic process water or domestic water needs for its employees. Residential developments require certainty in their water sources and inadequate wastewater management depresses property values. By providing adequate water and wastewater services, a community and region demonstrates readiness for commercial and residential growth and development.
- **Equitable Access to Funding:** Where disadvantaged communities have experienced underinvestment, a regional solution can help deliver access to service, improved quality of life, and the prospect of greater economic opportunity. In areas where infrastructure improvements are required, a regional solution can help achieve economies of scale to deliver those improvements at a lower per household cost, making service more affordable to households with lower incomes.
- **Equitable Access to Innovative Technologies:** Innovative treatment and utility management technologies can be costly due to up-front investments, ongoing operating costs, and/or involved technical expertise. Regional approaches allow smaller and disadvantaged communities to share in the costs of implementing sustainable technologies, such as green infrastructure for stormwater management or energy efficiencies in water production and wastewater management.
- **Improved Resource Management:** When ground and surface water resources are exploited regionally without coordination, there is the potential for adverse environmental impacts and resource depletion. Examples include Central Valley in California, Ogallala aquifer in the Central Plains states, and the Sparta aquifer in Mississippi. Similarly, the combined discharges of small wastewater systems can have implications for surface water quality, particularly on smaller waterways, with the associated loss of recreational and domestic uses. Regional approaches can improve surface water quality and limit groundwater depletion as systems work collaboratively to manage their shared water resources, even as changing demographics and climate change increasingly stress those resources.
- **Addressing Population Shifts:** Rapid increases or decreases in population have implications for the capacity of water and wastewater systems and their ability to operate efficiently. Systems that are underbuilt or overbuilt may not be able to right-size their infrastructure through regional solutions, but they can access or utilize capacity amongst partners in a fiscally sound manner.
- **Access to Innovation and Knowledge Transfer:** Regional approaches can leverage and develop networks of shared knowledge and expertise that result in faster uptake of innovative technologies and treatment techniques. These technologies can often deliver better watershed management outcomes through greater water conservation practices and improved wastewater treatment discharges. Faster uptake of water and wastewater treatment techniques also improves water quality, and thus public health.

Identifying Barriers and Opportunities

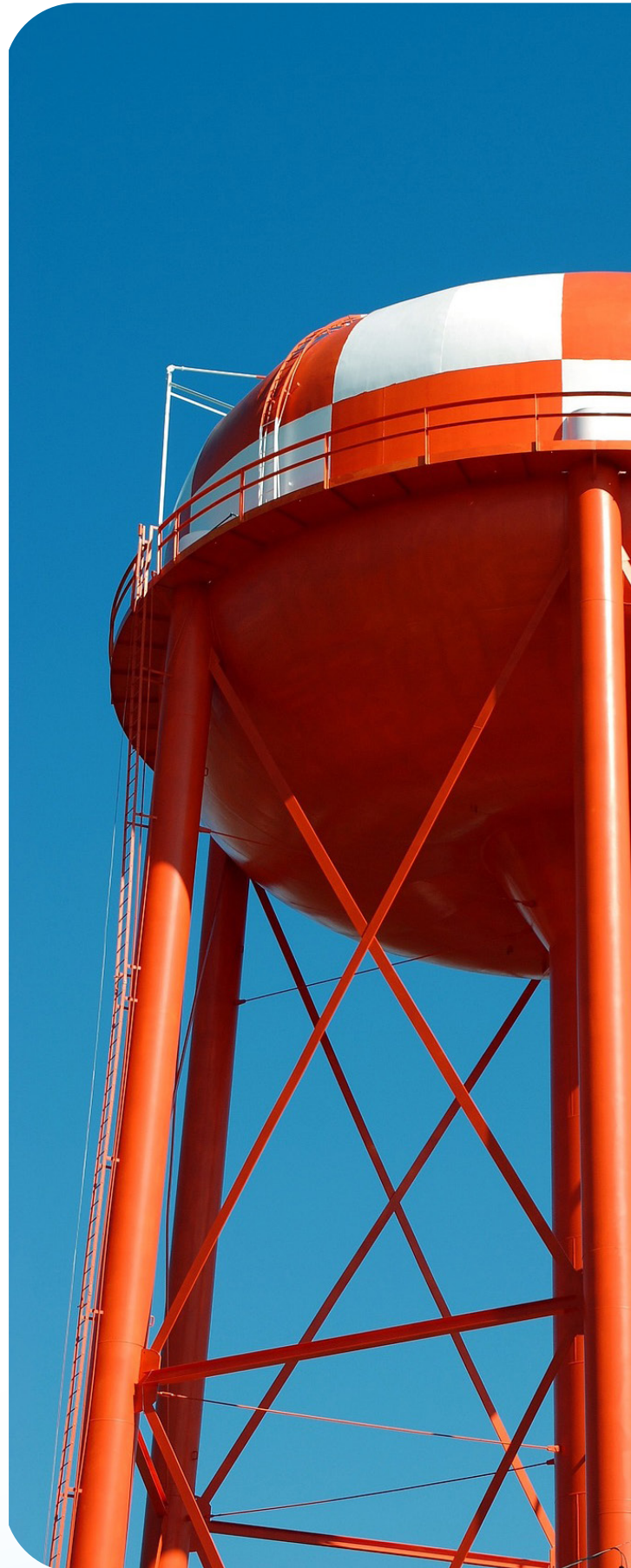
Regional approaches can encounter social, legal and governance barriers at the local, state, and federal levels. In places where regional solutions are encouraged by states, the incentives are often not strong enough to offset costs, liabilities, cultural stigmas and other burdens. However, the demonstrated benefits and funding for regional approaches suggest carefully evaluating regional solutions is worthwhile in many cases.

The following factors must be considered for successful implementation of regional solutions.

- **Loss of Local Control.** The most common, and often first, barrier to regional approaches is the reluctance of local officials and residents to consider regional solutions. They often cite a loss of local control as their primary reason. Opposition is typically grounded in two factors:
 1. Water and wastewater revenue is often an important revenue stream for the local government. In some cases, water and wastewater rate revenue is transferred to fund other governmental operations. Losing that revenue through consolidation or another regional approach would impact the financial standing of other local government operations.
 2. Local officials and residents are concerned that adopting a regional approach would reduce their ability to guide important management decisions such as rate-setting and infrastructure development.

Loss of local control is a legitimate concern that must be evaluated and addressed throughout the process. Regional approaches can also be structured in a way that maintain equitable participation and decision-making power for residents and local officials. For example, cooperatives and other shared governance structures allow for ownership or shared powers among entities as opposed to a full consolidation or acquisition.

- **Up-front Costs.** Initial costs for regional approaches are often cited as prohibitive to implementation. Those costs include commissioning feasibility studies, developing agreements (legal and administrative expenses), and construction of interconnections and other assets. While these costs can be substantial, the economies of scale and cost savings achieved through more efficient management and operations deliver a more sustainable financial position in the long run.



Further, the costs of addressing existing aging infrastructure and maintaining unsustainable management and operational structures are themselves prohibitive, demanding alternative approaches.

Finally, state funding programs favor regional approaches in recognition of the compliance and financial benefits to systems and residents. For example, the Drinking Water State Revolving Loan Fund program requires consideration of regional solutions as a condition of application submittal. Technical assistance providers can assist with upfront tasks thereby reducing upfront costs, including the planning required to help communities considering regional approaches understand which approach may be most appropriate.

- **Staffing Efficiencies.** Regional approaches represent a more efficient use of management and operational staff for systems. Sharing billing services and staffing efficiencies, including white- and blue-collar positions, is a cost-effective way of providing basic municipal services. While this may initially result in the loss of some existing positions, organizational restructuring achieved through regional approaches will ultimately provide more competitive salaries, professional development, and advancement opportunities for the system's workforce.

“I’m concerned about the financial impact of merging with our neighboring town that has a failing water system.”

To level the playing field and mitigate the financial impact of merging with a failing and distressed utility, successful mergers will often impose a temporary surcharge on the acquired or distressed system to pay for the capital improvements needed to bring that system into compliance. Once achieved, the systems can apply a uniform rate across all rate payers.

This efficiency will also reduce the cost of operations, allowing for more reinvestment in infrastructure or a reduction and stabilization of rates for customers. Finally, staffing efficiency can help address immediate and persistent workforce challenges, including difficulty finding certified operators and filling positions required by an increasing number of retirees.

Elements of Successful Regional Approaches

Regional projects provide opportunities to take on larger solutions due to economies of scale that smaller isolated systems may be unable to pursue alone. There are many elements to successful regional solutions.

- **Thoughtful Governance Structures.**

Adopting the appropriate governance structure for a new regional entity is essential in addressing legal and administrative barriers. The selected structure must allow for all activities that are required in a sustainable solution. For example, when a cooperative or PSA is formed, the governance must meet all relevant criteria to comply with applicable state law, administer debt, contract for professional services, and more. The governance structure is also central to developing trust necessary for such an agreement. Equitable representation is among the chief issues. Procedures to assure transparency with customers and engagement with ratepayers are also needed.

- **Regional Context.** There are different legal, technical, and social barriers across regions. Income and other population characteristics impact the receptiveness and success of regional projects. Characteristics of available watersheds and groundwater sources have implications for how regional projects may be executed. Service areas that cross state, county, and local jurisdiction lines must navigate legal and programmatic differences. These complexities must be accounted for while exploring and implementing regional solutions.

- **Technical Assistance.** Options for regional solutions often exist in cases where systems are lacking in financial, managerial, and technical capacity. This capacity gap limits the ability of individual systems to navigate the complexity of regional approaches and develop the trust and relationships required for implementation. Technical assistance providers are available. There are consultants that specialize in specific aspects of regional solutions, state offices that support local government planning efforts, regional planning commissions, and non-profits that provide managerial support to the water sector. Engaging outside expert assistance can be essential to developing and implementing a regional solution.
- **Third-Party Facilitation.** Having a neutral third-party facilitate discussions and ensure equitable power-sharing among participating entities can be valuable in a regional dialogue. This third-party facilitation can help build trust among entities and liaise with regulators and funding programs as necessary.
- **Appropriate State Process.** While selecting a regional solution should ultimately be a voluntary decision made by the involved entities, states are well-positioned to encourage and ultimately require systems that are in financial distress or under chronic non-compliance to explore regional solutions.

Accelerating Regional Solutions

Legislative Mandates for Good Governance

A way to encourage regional solutions at the state level is to facilitate sound financial and managerial practices, including:

- Full-cost pricing in rate structures,
- Utility management and governance training for board members, and
- Asset management plans

Such mandates would need to be accompanied by resources to facilitate full adoption of such practices by systems of all sizes and fiscal condition.

These practices are common in sustainable water systems, and once systems recognize the value of these practices they are better positioned to engage in regional dialogues or find it necessary to pursue regional approaches to implement these practices.

*Adopted in 2021, **Arkansas Act 605** creates additional responsibilities for most Arkansas retail water providers, both public and privately owned, in managing and operating their water systems. Like many other states, Arkansas has hundreds of communities where long-deferred maintenance has resulted in infrastructure crises.*

Act 605 is a bold and forward-looking law that aims to fix this problem and increase the sustainability of water systems across the state. It requires training for all members of a governing body with oversight of the utility, mandates rate studies, and requires implementation of full-cost pricing to cover the capital and operation and maintenance costs for water services. The development, passage, and ongoing execution of Act 605 in Arkansas can provide a roadmap to other states looking to address local water system challenges through state policy. [Read more>>](#)

Overcoming Barriers to Low-Interest Loans

There are also implicit barriers to regional solutions in state infrastructure funding programs. For example, states have been hesitant to allow a single water system to apply for funding on behalf of another water system within its jurisdiction.

Safe Harbor Provisions

Successful regional approaches require willing participation from all entities. In the case of consolidation, acquisition, and shared governance, fiscally stable systems with the capacity to provide support and aid to a distressed system are often concerned about taking on the financial and regulatory liabilities of a struggling system. When a system has significant deferred maintenance, outstanding infrastructure costs, and chronic non-compliance with associated penalties, a fiscally stable water system may decline to become involved because of the potential risks and costs to their own ratepayers and risks to their system's reputation.

Safe harbor provisions include liability protections and enforcement relief for consolidation and shared governance approaches. When there is potential to implement a regional approach to resolve the issues of a struggling system, safe harbor provisions that provide a path to compliance for the distressed system are of enormous value. States should develop mechanisms to provide liability protection, enforcement relief, and compliance assurance for regional approaches that represent a good faith effort to correct non-compliance and deliver safe water and wastewater services to communities.

Equity Through Oversight

Many under-resourced and disadvantaged communities are faced with the decision to consolidate or divest of their water and wastewater systems. Although regional approaches should be voluntary, the size and financial capacity of one system may create power imbalances during negotiations, resulting in inequitable outcomes. Because some communities often lack transactional expertise, it is important that local leaders and stakeholders fully understand risks and potential pitfalls and are equipped with the knowledge and skill sets to negotiate the terms of any consolidation. Therefore, state and federal agencies should develop resources and oversight mechanisms for communities faced with such actions to ensure fairness and equity in negotiations. States should support and provide oversight to ensure that all parties, particularly historically disadvantaged communities, receive fair and efficient outcomes.

Low-Income Household Water Assistance Program

Many communities struggling to maintain their water and wastewater systems will need to increase their water rates to fully cover the capital and O&M costs. Elected leaders are often reluctant to raise rates because of the disproportionate financial impact on low income households with low incomes or those with fixed incomes. To help these households, a permanent federal Low-Income Household Water Assistance Program (LIHWAP) should be established to assist with paying their water and sewer bills with the goal of preventing disconnection due to non-payment.

Expanded Funding

Continued eligibility of investments that support regional solutions through the Clean Water Act and Safe Drinking Water Act revolving loan funds, USDA-Rural Development, Community Development Block Grants, and other programs is important in facilitating regional solutions. Eligible uses of these funds should include regional solution feasibility studies, legal and administrative costs of shared services and cooperative agreements, construction of interconnections, and other costs particular to regional solutions. It is essential that this funding supports locally driven, voluntary regional solutions.

In 2023, Texas created a **“safe harbor” protection** for healthy water and wastewater utilities that absorb distressed systems as part of a regional solution. The bill authorizes the Texas Commission on Environmental Quality to enter into a compliance agreement with an absorbing water system where it will not initiate an enforcement action against that water system for existing or anticipated violations accrued by the water system being absorbed, provided that there is a compliance agreement in place to address the problems contributing to non-compliance.

The bill removes a regulatory disincentive for the regionalization of water and wastewater service and will contribute to the delivery of more efficient water and wastewater service delivery through the development of regional solutions.

Dedicated funding for regional solutions would further advance such activities where they are needed most. At present, some existing programs allow for regional solutions but few funds are specifically directed towards achieving them. A dedicated funding stream with favorable grant proportions and financing terms would better incentivize exploration and implementation of regional solutions for communities.

Conclusion

Regional solutions are an important tool to assist systems in financial distress that suffer from chronic non-compliance and workforce challenges. State regulators and funding programs are supportive of regional solutions to ensure residents are receiving safe and affordable water and wastewater services. Regional solutions that take into account equity from all perspectives, the needs of disadvantaged communities, and local governance considerations have the potential to deliver social, environmental, and economic benefits to communities and regions across the United States.

There is significant momentum for regional solutions, including existing funding programs and policies that incentivize regional approaches.

Please contact us for more information on how your community may benefit.

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About the Authors

The No Community Left Behind (NCLB) initiative is comprised of numerous leaders in the drinking water and clean water sectors and is committed to identifying ways to locally and voluntarily facilitate regional solutions to ensure that every community provides safe and affordable water services. This paper is a resource for local communities to better understand approaches to regional solutions, including benefits and challenges. The NCLB initiative is also committed to the importance of ensuring that equity for all communities is incorporated into the implementation of regional solutions.

Resources

Guidance

[Regionalization Approach – Step-by-Step \(California State Water Resources Control Board\)](#)

[Funding Strategies to Promote System Regionalization \(EPA\)](#)

[Enhancing the Performance of Small Systems Through Share Management \(Environmental Finance Center Network\)](#)

[H2Equity: Rebuilding a Fair System of Water Services for America \(Environmental Policy Innovation Center\)](#)

[Resiliency Through Water and Wastewater System Partnerships: 10 Lessons from Community Leaders \(Rural Community Assistance Partnership\)](#)

[Water and Wastewater Utilities: Guide to Regionalization \(Rural Community Assistance Partnership\)](#)

[State Action on Water System Regionalization and Consolidation \(River Network\)](#)

[Catalyzing Community-Driven Utility Consolidations and Partnerships \(US Water Alliance\)](#)

[Outliers in Water Utility Consolidation: A Visualization Tool for Understanding State-Level Drinking Water System Consolidation Opportunities \(Environmental Policy Innovation Center\)](#)

[Regional Water and Wastewater Management Solutions \(Water Finance Exchange\)](#)

[Consolidation is a Real Option for Many Small Systems – if it's their decision \(National Rural Water Association\)](#)

Case Studies

[Central Iowa water providers establish new regional drinking water authority \(American Water Works Association\)](#)

[Regionalization in Presidio County, Texas \(Water Finance Exchange\)](#)

State Examples

[Evaluating Regionalization for Potential New Public Water Systems - Texas](#)

[Regional Water System Resiliency Act - New Mexico](#)