



SIOUX FALLS AREA  
CHAMBER OF COMMERCE  
*Progress is everyone's business*

## **ISSUE BRIEF:**

### *Lewis and Clark Regional Water System*

December 2014

#### **Background**

Lewis & Clark Regional Water System, a non-profit 501(c)4 organization, uses a series of wells to tap into an aquifer adjacent to the Missouri River near Vermillion, S.D. Raw water is collected from alluvial aquifers adjacent to the Missouri River near Vermillion, S.D. The water is then treated and distributed through a network of pipelines, pump stations and storage reservoirs.

Though there is not an established timeline for completion since the project is reliant upon future funding, when finished, 337 miles of pipeline will distribute water to more than 300,000 people in South Dakota, Minnesota and Iowa as either a replacement or supplemental source. The maximum daily capacity will be 45 million gallons per day (MGD), with an ability to expand to 60 MGD in future years.

Beginning in July 2012, Lewis & Clark began delivering water to 11 of 20 existing rural water systems and municipalities throughout the region. Those currently receiving water include Beresford, S.D.; Centerville, S.D.; Harrisburg, S.D.; Lennox, S.D.; Lincoln County RWS; Minnehaha Community Water Corp (one of three connections); Parker, S.D.; Sioux Falls, S.D. (two of three connections); Rock Rapids, Iowa; South Lincoln RWS; and Tea, S.D.

Members who have yet to receive water include Hull, Iowa; Lincoln-Pipestone RWS; Luverne, Minn.; Rock County RWD; Madison, S.D.; Sheldon, Iowa; Sibley, Iowa; Sioux Center, Iowa; and Worthington, Minn.

#### **Funding**

In 2000, the Lewis & Clark Rural Water System Act became law, with a federal allocation of nearly \$214 million for the project, indexed for inflation. The approved funding ceiling at the time of authorization was \$270.1 million. In 2013, no construction took place due to lack of funding. To date, \$203 million in originally-committed federal dollars has not been issued. FY 2015 federal funding is proposed at \$2.4 million, falling far short of expectations; at present, the total project cost is estimated at \$570 million and will continue to increase with each year of federal funding delay. States and communities have completely fulfilled their financial obligation for the project in the amount of \$153.5 million.

The funding ratio includes 80 percent commitment from the federal government, 10 percent from the involved states and 10 percent from member communities, though the General Accounting Office determined that Sioux Falls has a greater ability to pay and

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subsequently required a local cost share of 15 percent, with federal funding comprising 75 percent.

Since the connected Lewis & Clark members are paying the full cost to operate the system, communities receiving service are paying more than what they will ultimately pay once the nine remaining communities are connected. As a result, Sioux Falls is currently paying approximately \$400,000 more annually.

Prior to 2014, South Dakota prepaid \$31 million, but has received approximately \$18 million in contractor excise taxes and sales tax from the installed portion of the pipeline.

### **Next Steps**

Federal funding shortfalls continue to delay the completion of Lewis & Clark which have led states to find creative ways to advance the pipeline's construction.

The **Minnesota** State Legislature was proactive in keeping the project moving when in May 2014 it approved \$22 million for Lewis & Clark in its bonding bill. This "unsecured reimbursable grant" is to be paid back using future federal funding once all 20 members are connected. With these funds, construction will take place from the Iowa border to Luverne and subsequently Magnolia, where there is a second connection for Rock County Rural Water District.

Lewis & Clark will attempt to secure another advance within Minnesota's 2016 bonding bill to construct more of the line to Worthington.

The **South Dakota** Legislature could soon follow Minnesota's model. The state has allocated \$1 million in the 2014 budget for easement acquisition and engineering work as a way to begin the dialogue for this upcoming session.

The cost to complete the pipeline to Madison is estimated at \$26 million and includes five segments. Currently, a working proposal with State officials involves completing two of these segments at an estimated \$7.7 million. These segments would provide a connection for the Minnehaha Community Water Corporation (MCWC) near Crooks, as well as the northernmost portion near Madison. This would include a federal funding advance from the State of South Dakota via the Omnibus Water Bill, which typically averages \$12-\$13 million annually; however this year, the West River/Lyman-Jones Rural Water System unexpectedly pre-paid their remaining loan balance totaling \$12.5 million. The effect of this would allow State leaders to approve a federal funding advance for Lewis & Clark without adversely impacting any other previously planned statewide projects.

The funding advance would be a no interest, unsecured "reimbursable grant" to be paid back using future federal funding as it becomes available once all 20 members are connected, but before the project is completed. Nearly \$33 million in construction would remain after all 20 members are connected to complete the entire system.

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**Iowa** is also considering unsecured, interest-free loans as a way to continue connectivity by using rainy day funding, economic development accounts and revolving loan funds. However, in order for Iowa communities to gain Lewis & Clark access, a 15-mile stretch of pipeline must be installed from Beresford to the Iowa state line at an estimated cost of \$18 million. Federal funding would likely be necessary for this as South Dakota does not have any remaining communities to be connected on this line and therefore is not incentivized.

In December 2014, Congress approved the FY15 Budget, which included an additional \$31 million for the Bureau of Reclamation's Rural Water Program. Lewis & Clark is one of six water projects vying for funding. It's likely to take several months before it's determined how much of the \$31 million Lewis & Clark will receive among the six qualifying projects.

**Sources**

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