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Good morning, Chairman Petrie and honorable members of the House Appropriations and revenue committee.

My name is Audrey Ernstberger, a staff attorney and lobbyist for Kentucky Resources Council. For those of you who aren't familiar, Kentucky Resources Council is a non-profit and nonpartisan group of lawyers, policy experts, and advocates working for environmental quality, justice, and health across the Commonwealth. We provide representation without charge to those who cannot find or afford representation on environmental health and quality issues, and as such are keenly aware of the unique challenges facing many small water and wastewater systems.

First, I'd like to thank the sponsor and co-sponsors of this bill for their attention to struggling water and wastewater systems. There is also one point of concern I'd like to bring to committee members' attention then offer a solution.

HB 563 aims to offer loan assistance, facilitated through the Kentucky Infrastructure Authority (KIA), to water and wastewater systems facing economic constraints. The KIA, which is overseen by the Office of the Governor and is administratively attached to the Department for Local Government, is already tasked with providing grant and loan assistance for such essential infrastructure needs. To this end, the objective of HB 563 is commendable.

That said, we have reservations about the degree of delegation to Kentucky Rural Water Association (KRWA) of certain aspects of the program's implementation. KRWA is a private, nonprofit organization affiliated with the National Rural Water Association, that in addition to providing technical expertise to members, also has a financing arm and provides financing to its members which include rural water districts.

Our concern lies in the fact that the current version of HB 563 designates KRWA to handle the processing, evaluation, and scoring of applications for financial assistance. This arrangement raises potential structural conflicts of interest, as KRWA could influence the distribution of funds toward projects of entities either that are members, or who have received financial assistance that this new loan could be used to repay.

Considering these concerns with the allocation of public funds,, KRC strongly believes that the responsibility of providing financial aid involving public funds, should rest solely within a state agency, such as the Kentucky Infrastructure Authority. This approach ensures a greater amount of public control- fostering accountability and transparency. It also promotes consistency and objectivity in project selection and advancing long-term agency goals at community capacity.



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At the very least, we would like to continue working with the sponsors on a provision that would prevent money loaned through this program from being used to retire any debt owed to the KRWA's finance corporation, corporation, or using membership in KRWA as a scoring criterion to address this issue.

Thank you for your consideration.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Audrey Ernstberger".

Audrey Ernstberger, Esq.
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