



June 30, 2020

The Honorable Nancy Pelosi
Speaker, U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader, U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi and Leader McCarthy,

Thank you for your long-standing support of the Clean Water and Drinking Water State Revolving Funds (SRFs), the nation's premier programs for financing water infrastructure that protects public health and the environment. During the last three decades, \$68 billion in federal funding to the SRFs has generated a total investment of \$179 billion in water infrastructure. An estimated \$75 billion in loan repayments remain revolving in these subsidized loan programs, funding water infrastructure projects that may never have been built if the SRFs were established as a traditional federal grant program.

Reauthorization

CIFA supports reauthorization of the Clean Water and Drinking Water SRFs at increased funding levels.

Forms of Additional Subsidy

CIFA supports the addition of grants as a form of additional subsidization for the Clean Water State Revolving Fund.

Workforce Development

CIFA does not support the use of the Clean Water SRF capitalization grant for development of workforce programs. While workforce development for the water sector is important, the need for water infrastructure is too great to divert federal funding to ongoing annual administration of a workforce development program.

Federally Mandated Additional Subsidy

Additional subsidization (grant and grant-equivalents) is an important tool to fund critical water infrastructure projects that wouldn't otherwise be built. However, additional subsidization also permanently reduces funding for future water infrastructure projects. For this reason, additional subsidy should only be used when absolutely necessary.

Recommendation: To ensure additional subsidy is used only when absolutely necessary, CIFA recommends removing the minimum federal mandate for additional subsidy.

Additional Subsidy for Green Infrastructure

Many SRFs use additional subsidy to fund green infrastructure because these important water quality projects, such as mitigation for stormwater runoff, may not have a revenue stream to qualify for a loan. Historically, the law has allowed SRFs to use additional subsidy for green infrastructure to meet the federal mandate for minimum additional subsidy. However, this bill eliminates that option.

Recommendation: If a minimum amount of additional subsidy is mandated, CIFA recommends maintaining the eligibility of green infrastructure projects, defined by criteria under paragraph (1)(B), to meet the mandated additional subsidy.

Federally Mandated Projects

One of the hallmarks of the SRFs is their effective process for selecting and funding water infrastructure projects that provide the greatest protection for the public health and environment of their communities. The result of this clearly defined, public process is a project list that reflects the priorities of the state's communities, especially disadvantaged communities. Mandating that SRFs use a portion of their capitalization grant for specific types of projects undermines this proven process, supplants state priorities for public health and the environment, and potentially diverts much needed funding for water infrastructure in small and rural communities.

Recommendation: To ensure SRFs are responsive to the needs of their communities, CIFA recommends eliminating the federal mandate to use 15% of the annual capitalization grant for green infrastructure, water or energy efficiency improvements, or environmentally innovative projects.

Federal Requirements on Borrowers

Current law requires every water treatment project funded by the SRF, including loans funded with 100% state funds, to conduct a cost-and-effectiveness analysis to maximize water use, reuse, recapture and conservation and efficient energy use. While potentially beneficial to the design of new treatment plants, this requirement provides little benefit to many projects that repair, replace or modestly improve existing water infrastructure, such as replacement of leaky sewer pipes. Expanding the analysis to consider "the implementation of technologies to recapture and reuse energy produced in the treatment of wastewater" will drive up the cost of water infrastructure without providing a measurable benefit to taxpayers or ratepayers for many projects.

Recommendation: Allow SRFs to determine which projects require a cost-and-effective analysis or eliminate the requirement for a cost-and-effectiveness analysis on state-funded water infrastructure projects.

Thank you for your leadership and commitment to maintaining the SRFs as robust subsidized loan programs that fund water infrastructure that protects public health and the environment. Please contact Deirdre Finn, CIFA's Executive Director, at dfinn@cifanet.org or (850) 445-9619, for more information.

Sincerely,

A handwritten signature in blue ink, appearing to read 'K Colson', with a long horizontal flourish extending to the right.

Kim Colson, CIFA President
Director, Division of Water Infrastructure

About CIFA

CIFA is a national not-for-profit organization that represents state government agencies, including financing authorities and departments of health and environmental protection, that manage the Clean Water and Drinking Water State Revolving Funds.

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