



COUNCIL OF INFRASTRUCTURE FINANCING AUTHORITIES

MythBuster: Impact of Earmarks on the SRFs

Problem: Using the annual capitalization grant for the Clean Water and Drinking Water State Revolving Funds (SRFs) to pay for Congressionally Directed Spending/Community Funded Projects (earmarks) is reducing overall investment in water, wastewater and stormwater infrastructure in the majority of states, which puts the public health and environment at a greater risk of poor water quality and pollution.

Solution: Instead, Congress should fund its priority projects *in addition to* funding the SRFs to the fully authorized levels - \$3 billion each in fiscal year 2024.

Myths	Reality
1. Funding for earmarks offsets cuts to the SRFs so states are getting the same amount of federal funding.	Since earmarks returned in 2022, Congress has cut <u>net federal funding</u> for water, wastewater and stormwater projects (SRF funding plus earmarks) in 36 states, Puerto Rico and Washington, D.C.
2. Congress, not EPA, should pick the projects that get federal funding.	EPA doesn't pick SRF projects. Each state determines what projects to fund based on their unique priorities.
3. The Infrastructure Investment and Jobs Act (IIJA) provides plenty of federal funding for SRF projects.	Nearly half of the SRF funding in the IIJA – \$20 billion – is restricted and can't be used to fund the vast majority of SRF projects. This money can't even be used to fix a broken lead water main!
4. Federal funding in the IIJA provides historic levels of <i>supplemental</i> funding for the SRF base programs.	In 2023, nearly one-third of SRF <i>supplemental</i> funding in the IIJA was used to offset cuts in annual federal funding because 53% of the annual SRF capitalization grant was used to pay for earmarks.
5. Using the SRF capitalization grant to pay for earmarks doesn't have a big impact how many projects are funded by the SRFs.	Less federal funding for the SRFs reduces bond proceeds for leveraged programs, which means fewer projects can be funded. Moreover, less federal funding for the SRFs permanently reduces loan repayments which provide a recurring source of revenue to fund water infrastructure projects in the future.
6. Using the SRF capitalization grant to pay for earmarks only impacts funding for construction projects.	Less federal funding reduces funding for "set-asides" which are used to implement state and local water quality programs, train utility operators, and provide technical assistance to small and rural communities.
7. It's not a problem right now.	The SRFs must begin to shrink their project pipeline <i>now</i> to prepare for the funding cliff when IIJA <i>supplemental</i> funding ends in 2026.

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