



August 11, 2020

The Honorable John Barrasso
Chairman
Committee on Environment & Public Works
U.S. Senate
Washington, D.C. 20515

The Honorable Thomas R. Carper
Ranking Member
Committee on Environment & Public Works
U.S. Senate
Washington, D.C.

The Honorable Peter A. DeFazio
Chairman
Committee on Transportation & Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sam Graves
Ranking Member
Committee on Transportation & Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Frank Pallone, Jr.
Chairman
Committee on Energy & Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Greg Walden
Ranking Member
Committee on Energy & Commerce
U.S. House of Representatives
Washington, D.C. 20515

Re: Considerations for Conference on Legislation Impacting the Clean Water and Drinking Water State Revolving Funds (SRFs)

Dear Chairman Barrasso, Chairman DeFazio, Chairman Pallone and Ranking Member Carper, Ranking Member Graves, and Ranking Member Walden,

On behalf of the 55,000 communities that have received subsidized loans and financial assistance from the Clean Water and Drinking Water State Revolving Funds (SRFs), thank you for your leadership and commitment to the SRFs – the nation’s premier programs for funding water infrastructure that protects public health and the environment.

Over the last three decades, federal funding of \$68 billion has generated a total investment of \$179 billion for infrastructure projects that protect water quality and provide safe drinking water to millions of Americans. Today, more than \$75 billion remains permanently revolving in these subsidized loan programs, with loan repayments exceeding total federal investment by \$8 billion. As a result, these popular state-run programs are funding critically needed water infrastructure that would never have been built if the program was established as a traditional grant program.

As you prepare to conference on legislation passed by U.S. Senate Environment and Public Works Committee – the Drinking Water Infrastructure Act (S. 3590) and America’s Water Infrastructure Act (S. 3591) - and U.S. House of Representatives’ Moving Forward Act (H.R. 2), please consider the following comments from the Council of Infrastructure Financing Authorities (CIFA), which represents the Clean Water and Drinking Water SRFs in 48 states.

Reauthorization

CIFA supports reauthorization of the Clean Water and Drinking Water State Revolving Funds at levels provided in the Moving Forward Act - (Section 22113) \$8 billion annually for the Clean Water SRF from 2021 to 2025 and (Section 33103) \$4.15 billion in 2022, \$4.8 billion in 2023, and \$5.5 billion in 2024 and 2025 for the Drinking Water SRF. Increased funding will accelerate projects through the current SRF Project Pipeline which has an estimated \$73 billion in projects. (SRF Project Pipeline attached.)

Increased funding for the Clean Water and Drinking Water SRFs will provide multiple economic benefits, particularly as the nation recovers from the unprecedented coronavirus pandemic. Every year, SRFs effectively deliver \$2 billion in federal funding for water infrastructure projects, providing economic stimulus to an average of 2500 communities around the nation. On average, SRF subsidized loans reduce interest payments by 50%, a significant savings that can be passed onto ratepayers with more affordable rates.

In the near-term, funding water infrastructure creates high-wage jobs across the economy, including jobs in planning, design, engineering, construction, and manufacturing. In the long-term, investing in water infrastructure ensures a healthy environment and a safe, reliable and sustainable supply of drinking water, which are the foundation of a robust and resilient economy.

Additional Subsidy

CIFA supports adding grants as a form of additional subsidy under the Clean Water SRF. (H.R. 2, Section 22110)

CIFA recommends adding principle forgiveness as a form of additional subsidy under the authorization to address emerging contaminants under the Drinking Water SRF. (S. 3590 Section 4) Currently, 49 Drinking Water SRFs use principle forgiveness, exclusively, for additional subsidy; two of those states – Oklahoma and Washington – prohibit the use of grants in their SRF program and may not be able to access funds without the inclusion of principle forgiveness.

CIFA supports simplifying the calculation to determine the cap on state-directed additional subsidy to 30% of the capitalization grant. (H.R. 2 Section 22110)

CIFA opposes the use of bond proceeds for additional subsidy. (H.R. 2 Section 22110) For SRFs that leverage their programs, loan repayments are pledged to repay bonds. Because using bond proceeds for grants or grant equivalents would eliminate the revenue source to repay the bonds, this provision could have a negative impact on bond ratings for SRFs, almost all of which currently maintain a triple-A rating.

CIFA is supportive of language to focus federally mandated additional subsidy (grant or grant-equivalents) on communities that are disadvantaged and meet affordability criteria defined by the SRFs. (H.R. 2 Section 22110)

Federal Mandates

CIFA opposes the federal mandate that all SRF loans for treatment works, including projects funded with 100% state funds, conduct a cost and effectiveness analysis. (H.R. 2 Section 22109) This requirement increases the administrative cost of the project, often without providing additional benefits to the environment or taxpayer, particularly for projects to replace leaky pipes or repair existing facilities. Making the current mandate more prescriptive on energy conservation will further drive up the cost of water infrastructure.

CIFA opposes federal mandates to fund specific types of projects, such as those required by the Green Project Reserve. (H.R. 2 Section 22109) SRFs have a proven process for prioritizing water infrastructure projects based on the needs of their states and communities. Federal mandates to fund certain projects displace funding for state and local priorities, often hurting small, rural and underserved communities the most.

Workforce

CIFA is concerned about the impact of diverting 1% of the annual capitalization grant for SRFs from water infrastructure to workforce development. (H.R. 2 Section 22111)

Under increased reauthorization levels in H.R. 2, this provision could reduce funding for water infrastructure by up \$400 million over the next five years. Reducing funding for SRF subsidized loans could result in less investment in water infrastructure or higher utility rates for communities that must access more costly financing tools.

Additionally, diverting funding from the SRFs also permanently removes federal funds from the program, which is needed to meet current and future demand for wastewater service, estimated at \$271 billion according to the most recent Infrastructure Report Card by the American Society of Civil Engineers (ASCE). Annual diversions needed to sustain operations of a workforce development program will have more significant long-term ramifications.

Recommendation: To mitigate the impact of this provision on water infrastructure investment, CIFA recommends reducing the percent allowed to be diverted for workforce development programs and sunseting this provision in five years, which will provide States with “start-up” funding to develop workforce programs that can be sustained by funding from state and local governments.

Thank you again for your leadership and commitment, and for the the hard work of your staff, to maintaining the SRFs as the nation's premier programs for funding 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,



Kim Colson, CIFA President
Director, Division of Water Infrastructure

About CIFA

CIFA is a national not-for-profit organization that represents the Clean Water and Drinking Water State Revolving Funds in 48 states.

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