



KEEPING AMERICA'S PROMISE TO CLEAN WATER

FULLY FUND THE CLEAN WATER AND DRINKING WATER STATE REVOLVING FUNDS

Increase Protection for Public Health and the Environment

The Clean Water and Drinking Water State Revolving Funds are the nation's premier programs for funding water infrastructure that protects public health and the environment. Every year, these proven state-run programs effectively and efficiently deliver billions of dollars in federal and state funding for water infrastructure projects in thousands of communities across the nation. Since the programs were established, the SRFs have provided more than \$193 billion in federal and state funding for more than 60,000 water infrastructure projects.

Fully Fund the SRFs for Fiscal Year 2023

CIFA urges full funding of the SRFs to levels authorized by federal law for 2023:

- Clean Water SRFs: \$2.75 billion
- Drinking Water SRFs: \$2.75 billion
- SWIFIA: \$5 million (dedicated authorization for state financing authorities for the Water Infrastructure Finance and Innovation Act (WIFIA) Program)

Meeting the Need for Affordable Water in Unprecedented Times

Access to funding and affordable financing for clean water and drinking water infrastructure is needed now more than ever. Increased federal funding is needed to:

- Help utilities invest in infrastructure to comply with more stringent water quality standards, including for PFAS, lead and copper.
- Cover significant cost increases for water infrastructure projects due to historic levels of inflation, supply chain disruptions, and a tight labor market.
- Help utilities maintain affordable user rates for essential water and wastewater services, especially as prices for other necessities, such as food and energy, continue to rise.
- Meet an anticipated increase in demand for SRF subsidized loans as the Federal Reserve raises interest rates which will impact interest rates on municipal bonds, the primary financing tool used to build water infrastructure.
- Keep pace with the increased workload of the Public Water System Supervision Grants and Water Pollution Control (Section 106) Grants, which play an integral role in permitting water infrastructure projects.

Closing the Gap for Water Infrastructure Investment

Utilities need access to affordable financing to reduce the legacy gap and growing deficit in water infrastructure investment. According to the American Society of Civil Engineers (ASCE), the need for capital investment in water infrastructure was \$129 billion in 2019, while actual investment was just \$48 billion, leaving a gap of \$81 billion. If this trend continues, the gap will grow to \$434 billion by 2029.

FUNDING FOR DISADVANTAGED COMMUNITIES – NOW AND FOREVER

Restore Integrity to the SRF Capitalization Grants

Annual federal and state funding was intended to *capitalize* the SRFs, which provide below-market loans for water infrastructure. Federally subsidized SRF loans provide a permanent, recurring source of perpetual funding to meet the ongoing need for water infrastructure. However, funding policies are eroding the effectiveness and long-term sustainability of the SRFs.

Fund Earmarks Without Cutting Funds for Disadvantaged Communities

CIFA urges Congress to end the practice of paying for earmarks using the SRF annual capitalization grants, which disproportionately impacts small, rural and disadvantaged communities.

In 2022, Congress used the SRF capitalization grants to pay for earmarks, which cut funding for state priority projects by \$812 million¹ – \$389 million or 36% for state drinking water projects and \$423 million or 27% for state wastewater, stormwater, and clean water projects. Using the SRF capitalization grant to pay for congressionally-selected projects side-steps the states' proven process for prioritizing water infrastructure projects for disadvantaged communities and bypasses the goal of the Biden-Harris Administration's Justice40 Initiative to ensure 40% of federal benefits are delivered to historically underserved communities.

End Federal Mandates for Principal Forgiveness and Grants to Foster Sustainability

CIFA urges Congress to end federal mandates for principal forgiveness and grants (additional subsidy) in annual appropriations, which erodes the long-term sustainability of the SRFs.

Thanks to Congress' forward thinking, more than \$85 billion in loan repayments will remain revolving in the SRFs in perpetuity to fund future water infrastructure projects that may never have been built under a traditional federal grant program. That's more than total combined federal funding of \$74 billion since the programs were established.

However, current funding policies make it unlikely that the SRFs can become self-sustaining. In 2022, only 20% of annual federal funding for the Drinking Water SRF had to be used to *capitalize* the fund and only 54% of annual federal funding for the Clean Water SRF had to be used to *capitalize* the fund. Less capitalization *now* means less funding for water infrastructure in the *future*.

Congress already provides significant federal funding for water infrastructure projects in disadvantaged and underserved communities, including:

- federal mandates for additional subsidy in the Safe Drinking Water Act and Clean Water Act,
- federal mandates for additional subsidy in the Infrastructure Investment and Jobs Act, and
- the WIIN Small, Underserved and Disadvantaged Community Grant Program.

Additionally, federal law allows states to use up to one-third of the annual SRF capitalization grants for principal forgiveness and grants to help communities that are disadvantaged or can't afford to pay for water infrastructure without economic hardship.

¹ Includes all 50 states and Puerto Rico. Doesn't include the District of Columbia or the other territories.