



September 14, 2023

The Honorable Patty Murray, Chair
Senate Committee on Appropriations
Capitol Building S-146A
Washington, DC 20510

The Honorable Susan Collins, Vice Chair
Senate Committee on Appropriations
Capitol Building S-128
Washington, DC 20510

The Honorable Kay Granger, Chair
House Committee on Appropriations
1036 Longworth House Office Building
Washington, DC 20515

The Honorable Rosa DeLauro, Ranking Member
House Committee on Appropriations
1036 Longworth House Office Building
Washington, DC 20515

Dear Senators Murray and Collins and Representatives Granger and DeLauro:

We are writing today to express our concern regarding the impact of Community Project Funding/Congressionally Directed Spending on the Clean Water and Drinking Water State Revolving Funds (SRFs).

As you know, Congress established the SRFs through the Clean Water Act and the Safe Drinking Water Act in 1987 and 1996 to provide funding to states/territories to capitalize revolving loan funds, which states/territories could use to make subsidized loans for drinking water and wastewater infrastructure. Since establishment, SRF low interest loans have saved communities billions of dollars for water infrastructure. The success and reliability of this program is built off the revolving nature of the funds which envisions support that grows in perpetuity. These loans provide a recurring source of funding to meet the perpetual need for sustained investment in our nation's water infrastructure.

Prior to 2022, Congress directed funding for community clean water and drinking water projects through a separate appropriation. However, since 2022, Congress has directed billions of dollars in funding for these projects using the SRFs. The result is a significant loss of revolving loan funds that will have a permanent, irreversible impact on the ability of SRFs to finance projects in our states/territories and communities in the future.

Diverting SRF funding for Community Project Funding/Congressionally Directed Spending has a dire impact on SRF programs across the country. For example:

- Side-stepping the states/territories' processes for prioritizing limited funding for water infrastructure. Consequently, construction of state priority projects will be delayed, which can potentially increase the risk to public health, increase the risk to the environment, and increase project costs adversely impacting rate payers, especially in disadvantaged communities.
- Jeopardizing funding for additional subsidy (grants and principal forgiveness), which helps build water infrastructure for communities that could not otherwise afford it. In some cases, congressionally directed project funding has been provided to water systems that are not disadvantaged. Additional subsidy is a function of capitalization grants; grants and principal forgiveness can generally only be provided from capitalization grants.
- Repercussions to critical water quality programs which include technical assistance for small and rural communities, source water protection and capacity development, and other state and local water protection activities. Funding is also provided to technical service providers to assist utilities and public water systems. Funding for staff and technical providers comes from the ability to take "set-aside" funding directly from capitalization grants.
- States are required to match a percentage of the capitalization grants they receive. Funds from capitalization grants help to increase bonding capacity. Using the capitalization grant funding for congressionally directed projects reduces state match and especially for some states/territories diminishes the leveraging power of the SRFs to issue bonds to increase funding for water infrastructure.

We appreciate the leadership and interest of Congress in ensuring access to clean and safe water in our communities, but if the current policy is maintained after 2027, when the emergency supplemental appropriations included in the Infrastructure Investment and Jobs Act expires, the SRFs will be decimated. We ask you to reconsider the approach of funding Community Project Funding/Congressionally Directed Spending out of the SRFs and encourage you to preserve the revolving nature of the fund so that states can continue to assist localities in maintaining their water infrastructure in this cost-effective manner.

Thank you for your consideration of this request.

Very respectfully yours,



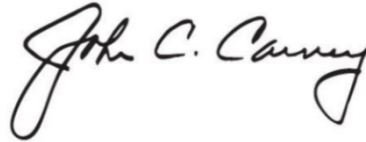
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State of Ohio



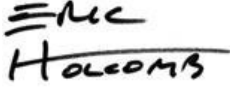
Governor Lemanu Peleti Mauga
American Samoa



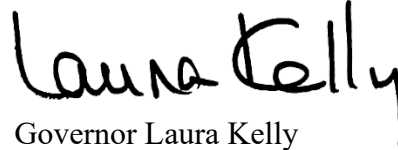
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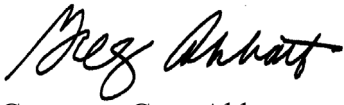
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State of Utah



Governor Albert Bryan
Territory of the U.S. Virgin Islands



Governor Mark Gordon
State of Wyoming

cc: Congressional Leadership