



**Testimony from the Council of Infrastructure Financing Authorities (CIFA)
about Fiscal Year 2026 Appropriations for the U.S. Environmental Protection
Agency Prepared for the U.S. House of Representatives Appropriations
Subcommittee on Interior, Environment and Related Agencies
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The Council of Infrastructure Financing Authorities (CIFA) represents the Clean Water and Drinking Water State Revolving Funds (SRFs), the nation's premier programs for financing infrastructure that provides safe drinking water, recycled water, wastewater treatment, stormwater management, and environmental restoration and protection. CIFA requests \$6.5 billion in annual federal funding for the SRFs, which are fiscally-responsible, state-managed loan programs that provide affordable financing to rehabilitate, replace and modernize water infrastructure in thousands of communities across the nation every year.

Requests from the Clean Water and Drinking Water SRFs:

- Fund both SRFs at congressionally authorized levels of \$3.25 billion each.
- Fund congressional earmarks *in addition to* the SRFs.
- Eliminate duplicative congressional mandates for grants and principal forgiveness.
- Eliminate the outdated congressional mandate for green infrastructure.

Invest in water infrastructure to protect public health.

Fully funding the SRFs at \$3.25 billion each is a conservative and cost-saving investment in water infrastructure that protects public health. Stable, sustainable investment in drinking water, recycled water, wastewater and stormwater infrastructure is the first line of defense against deadly and debilitating waterborne diseases, which add to skyrocketing healthcare costs and cause the loss of economic productivity from preventable illnesses.

Maintain affordable water bills for essential water and wastewater services.

The SRFs provide low interest loans at below market rates, which can cut interest payments by more than 50% compared to municipal bonds or private financing. These savings alleviate the pressure on utilities to raise rates on water bills, which has a direct impact on household kitchen table budgets.

Increase affordable financing for needed investment.

Increasing federal funding for the SRFs to \$6.5 billion, combined, will provide communities with access to affordable financing to invest in the water infrastructure needed to protect public health and the environment.

- According to the [Clean Watershed Needs Survey Report to Congress](#), America needs to invest \$630 billion over the next 20 years to clean wastewater and stormwater, a 73% increase from the previous assessment a decade ago.
- According to the [Drinking Water Needs Survey and Assessment 7th Report to Congress](#), America needs to invest \$625 billion over the next 20 years to provide safe drinking water to households across the nation, a 32% increase from previous assessment in 2018.

Meet the growing demand for affordable financing.

Increased federal funding is needed to meet the growing demand for affordable SRF financing.

- While historic inflation has ebbed, the cost of planning, design and construction remains well above pre-pandemic levels.
- Complying with more stringent water quality standards requires new investments in sophisticated and expensive treatment technologies.
- Higher construction costs are compounded by higher financing costs from rising interest rates on the municipal market.

Strengthen fiscal responsibility and sustainable investment in water infrastructure.

Increasing federal funding for the SRFs is a fiscally responsible, sustainable strategy for investing in water infrastructure that protects public health. Federal funding for SRF subsidized loans creates a perpetual, renewable source of revenue to meet the never-ending need to replace aging infrastructure and maintain compliance with ever-evolving water quality standards.

Since Congress established the programs, the SRFs, combined, have used \$82.6 billion in cumulative federal funding to generate \$238 billion in financial assistance for water infrastructure projects, producing a combined return-on-investment of \$3 for every \$1 in federal funding. Today, decades-old federal appropriations are being reused and reinvested, contributing to more than \$100 billion in loan repayments that will permanently revolve to continually finance new projects.

Moreover, these state-run programs are more economical and cost-effective than the federal bureaucracy that would be needed to process the same number of loans.

Support the small, rural communities.

Increasing annual federal funding for the SRFs will provide an affordable, accessible source of financing for small and rural communities, many of which grow the crops that feed the nation. Over the last three decades, the SRFs, combined, have financed more than 70,000 water infrastructure projects, with two-thirds of these projects built in small and rural communities, many of which couldn't qualify for financing in the public or private markets.

Fund the SRF loan programs first.

From 2022 to 2024, Congress diverted \$3.73 billion in federal funding from SRF low-interest loans to provide grants to pay for congressional earmarks. Congress can restore financial integrity to the programs by funding the SRFs first, then funding congressional earmarks *in addition to* the SRFs.

- First, congressional earmarks are grants, not loans. Giving away a majority of annual federal funding as grants diminishes the long-term lending power of the SRFs.
- Second, SRF projects must be prioritized based on risk to human health, environmental protection and affordability. It's unclear how congressional earmarks are selected by Congress.
- Third, congressional earmarks don't offset cuts to the SRFs. In fact, a majority of states have experienced a net loss of federal funding for water infrastructure (SRF funding plus congressional earmarks) since Congress began using the SRF capitalization grant to pay for congressional earmarks.

Restore the value of loans by sunseting mandates for "free money."

Converting funding for low-interest loans into one-time grants or principal forgiveness destabilizes the market for responsible investment in public health. Between 2022 and 2024, Congress mandated that the SRFs provide more than \$1 billion of annual federal funding for principal forgiveness or grants instead of subsidized loans. Using more than half of annual federal funding for principal forgiveness or grants diminishes the capacity of the SRFs to meet the need for affordable financing for water infrastructure in the future.

Additionally, congressional mandates in appropriations are duplicative of congressional mandates in the Safe Drinking Water Act and Clean Water Act. Since enactment of the Infrastructure Investment and Jobs Act, the combined congressional mandates for principal forgiveness or grants doubled from 10% to 20% for the Clean Water SRFs and increased from 20% to 26% for the Drinking Water SRFs.

Sunsetting the duplicative federal mandates won't end financial assistance for communities that need help. The Clean Water Act and Safe Drinking Water Act provide flexibility for the SRFs to use up to one-third of their annual federal funding to help communities that couldn't otherwise afford to build water infrastructure needed to provide safe drinking water and protect waterbodies used for fishing, swimming and other recreation. Moreover, many states have more generous and flexible assistance programs to support construction of water infrastructure in small, rural and disadvantaged communities.

Restore autonomy for prioritization of SRF-funded water infrastructure projects.

For more than a decade, Congress has required the SRFs to allocate 10% of annual federal funding to build "green" water infrastructure projects as determined eligible by the U.S. Environmental Protection Agency. While well-intentioned, this congressional mandate has the unintended consequence of diverting annual federal funding from water infrastructure projects that may have a greater benefit to public health and environmental protection.

Sunsetting this federal mandate will not impact investment in "green" projects, which has become a cultural norm since the congressional mandate was established more than a decade ago. Consumer demand, a growing focus on resiliency, and bottom-line cost-savings have significantly increased investment in green projects. Perhaps most importantly, many utilities incorporate green components into all their projects, which provides a more integrated and holistic approach to infrastructure investment.

Fund state programs that support infrastructure investment.

The Public Water System Supervision Grants and Water Pollution Control (Section 106) Grants play an integral role in the permitting of water infrastructure projects that protect water quality and public health. Without increased federal funding for these programs, states may not have adequate resources to process permit applications for drinking water and wastewater infrastructure projects.