



October 31, 2014

The Honorable Gina McCarthy
Administrator
Environmental Protection Agency
William Jefferson Clinton Federal Building
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator McCarthy,

On behalf of the undersigned organizations, we would like to commend EPA for its efforts over the past several months to begin the process of standing up the newly authorized “Water Infrastructure Finance and Innovation Act” (WIFIA). Going forward, we encourage EPA to build on this momentum and include within its FY16 budget request a \$25 million appropriation for WIFIA – representing the pilot program’s fully authorized amount.

As you are aware, Congress overwhelmingly approved a five-year WIFIA pilot program earlier this year as part of larger water resources legislation. As has been well documented by WIFIA advocates on and off Capitol Hill, the new pilot is not intended in any way to replace the existing Drinking Water and Clean Water State Revolving Funds, but instead to supplement these programs by delivering a new stream of low-cost financing for large-scale water and wastewater projects that are unlikely to meaningfully benefit from traditional SRF financing.

A review of the profile of SRF-funded projects makes apparent the need for a WIFIA program offering assistance for a wider range of water infrastructure needs. For example, while most projects eligible for funding under WIFIA will be required to cost at least \$20 million, the average DWSRF loan over the life of the program has only been \$2.4 million – far from enough to make a dent in the financing needs of large-scale projects. In fact, only 0.69 percent of drinking water SRF loans have gone to projects costing more than \$20 million, only 2.3 percent of Clean Water SRF loans have gone to projects costing more than \$20 million.

What’s more, as a public health program the DWSRF typically focuses on projects that will bring communities into compliance with water quality standards or resolve immediate human health threats from inadequately treated water supplies. These needs are often most acute in smaller communities, which leads them to dominate SRF funding awards (more than 93% of all DWSRF loans issued through 2010 have gone to systems serving communities of 100,000 people or fewer, though these systems serve only little more than half of the population served by community water systems). While this outcome is consistent with the design of the SRF program, one consequence is that needed infrastructure projects at water systems in compliance with federal water quality standards tend to rank lower on state SRF priority lists – and often do not receive significant-sized loans even when they do apply. Another way to look at this is WIFIA support will help communities renew their water infrastructure and prevent non-compliance, or risks to human health.

The Honorable Gina McCarthy

October 31, 2014

Page 2 of 2

In contrast to the SRFs, WIFIA was designed to strengthen our nation's infrastructure by offering low-cost financing to a class of water and wastewater projects – such as desalination, enhanced energy efficiency, or general infrastructure upgrades and repairs – that go beyond the traditional bounds of the SRFs. Focused on projects forecasted to cost above \$20 million, WIFIA will extend low-cost financing opportunities to more communities, and therefore – in combination with the SRFs – facilitate federal support for a variety of water infrastructure projects that begin to represent the full range of investment needs across the country.

In order to make this vision a reality, EPA must seek funding for WIFIA in its FY16 budget request, alongside its request for maintaining level funding for the SRF programs. The 2016 fiscal year is pivotal, as it will represent the first federal budget request issued after WIFIA's enactment, and therefore represents the first opportunity for Congress and the Administration to think about the pilot program in the context of EPA's overall budget.

Congress has authorized WIFIA to receive up to \$25 million in FY16, so we urge EPA to request this full amount. Full funding will enable the agency to access the \$2.2 million Congress approved to administer the program, while still maximizing appropriated funding that can be leveraged to back WIFIA loans. This is particularly important in the early phase of the pilot, as EPA is working to establish the ground rules of the program and ensure applicants develop a keen understanding of its requirements.

As strong supporters of WIFIA, we have appreciated the opportunity to participate in EPA's listening sessions that have gathered initial feedback on the pilot, and have been impressed by the thoughtfulness and care by which EPA staff have approached this task. We hope that the FY16 budget request will reflect this same commitment to WIFIA, and we look forward to continuing to offer our assistance and support whenever possible.

Sincerely,

Tom Curtis, Deputy Executive Director for Government Affairs
American Water Works Association
202 628-8303

Diane VanDe Hei, Executive Director
Association of Metropolitan Water Agencies
202 331-2820

Ken Kirk, Executive Director
National Association of Clean Water Agencies
202 833-2672

Eileen O'Neill, Executive Director
Water Environment Federation
703 684-2400