



# WHY NOT WATER

INVESTING IN THE NATION'S CLEAN WATER FUTURE



# INVESTING IN THE NATION'S

**W**ater infrastructure needs in our country are comparable in scope and importance to those facing our nation's highway and aviation infrastructure. While these transportation programs have received dramatic increases in federal support over the years, there is no permanent federal contribution to build or sustain water and wastewater infrastructure. Clean water is essential to our public health and economy and is the largest infrastructure program on our local government balance sheet. In fact, local government expenditures for water and wastewater infrastructure exceed local expenditures for highways and aviation combined.

In order to ensure the continued water quality improvements the nation's clean and safe water infrastructure has afforded this nation, all levels of government—federal, state and local—must develop a lasting partnership to meet this challenge. As the graphs in this publication demonstrate, local governments have done the heavy lifting on behalf of clean and safe water as federal investment has ebbed to under 7 percent of total clean and safe water infrastructure funding. The solution is clear—if dedicated funding sources have made the nation's roads and airports the best in the world, certainly we should do the same for water. As the dialogue regarding solutions to meet the nation's clean water infrastructure needs progresses, we should ask ourselves one question: if it's important enough for roads and airports—**WHY NOT WATER?**

***“EPA estimates a funding gap in the hundreds of billions of dollars, which coupled with ‘population and economic growth,’ could have the effect of reversing hard-won water quality gains. By 2016 pollution levels could be similar to levels observed in the mid-1970s.”***

EPA's Clean Water and Drinking Water Infrastructure Gap Analysis, September 30, 2002.

## **Clean Water Threatened—As Federal Funds Decline, the Cost of Clean Rises**

Under the Clean Water Act, the federal government funded over 90 percent of clean water infrastructure at its peak in the 1970s and 1980s; now the federal government has almost completely withdrawn such funding. Local governments now shoulder over 93 percent of the nearly \$29 billion in annual costs for capital investment and operation.

We have made tremendous environmental progress over the past few decades, but our investment in clean water is threatened. Despite the huge sums invested by all levels of government to attain our clean water goals, our nation's water infrastructure faces serious long-term funding challenges. There is broad consensus that our water infrastructure is facing unprecedented funding shortfalls in capital investment and operating funds. A combination of aging infrastructure, expectations of higher quality service, a growing population and increasingly expensive federal regulations have forced local governments to borrow heavily to meet current needs, while mortgaging their ability to meet future demands. Municipalities need help now to meet the daunting costs of clean water. Only a renewed partnership of federal, state and local government can confront the rising cost of clean and avoid even higher social, economic and environmental costs for our future generations.

## **AMSA Survey Highlights Local Funding Challenges**

The Association of Metropolitan Sewerage Agencies' (AMSA) 2002 *Financial Survey* of wastewater treatment utilities, illustrates utilities' struggle to keep up with today's infrastructure needs. The *Survey* indicates that utility debt has risen dramatically to fill local funding shortfalls associated with climbing capital needs and expenditures.

# CLEAN WATER FUTURE...

The data also shows that increasing user rates will not solve this problem alone. Despite average annual rate increases over the past 15 years of nearly 2 percent above inflation, increasingly stringent clean water requirements and changing demographics have not slowed the utilities' need to borrow—a trend that could hamper a local government's ability to provide other critical services.

## Clean Water Infrastructure—2nd Largest Local Expense

According to the latest figures from the U.S. Census Bureau, local government expenditures for water and sewer service rank second—only behind education. More significantly, water and sewer expenditures exceed all other categories of local government spending, including: police, hospitals, fire protection, housing and community development, highways and air transportation, and this municipal investment has escalated sharply in the last few years. In contrast, federal and state contributions to water infrastructure continue to dramatically decline as a percentage of overall water and sewer funding.

Local governments, faced with rising expenses, and competing critical services, have increasingly stressed the importance of operational efficiency. Programs that highlight competitive management practices, implementation of environmental management systems, management of infrastructure assets and optimization of business services have already helped local utilities reduce their operating costs. As an example, while overall wastewater treatment utility expenses have increased by 33 percent over the past six years, operation and maintenance costs have remained stable, even while service populations have grown and treatment performance has vastly improved. Despite this operation and maintenance efficiency, capital needs and long term borrowing continue to escalate.

The current financial situation is untenable. With local governments shouldering over 93 percent of the funding burden, and limited in the ability to obtain future financing, we risk losing ground in the battle for clean and safe water. We must find a long-term, sustainable funding source for our nation's water infrastructure. By failing to act, we will risk losing our precious clean water resources and threaten our public health.

## Clean Water Spending Provides Benefits for the Nation

Like highways and airports, our nation's water infrastructure provides local, state and national benefits. When the federal government makes an investment in clean water, benefits are realized beyond local boundaries and all Americans reap the rewards. As many communities struggle with the looming infrastructure crisis and tightening budgets, we need to refocus discussions from annual short-term funding instruments to a commitment to a long-term, sustainable funding source for water infrastructure.

Simply stated, the federal government decided our highways were important enough for a dedicated funding source. The same decision was made for the nation's airports. Yet no single resource is as critical to every American as clean and safe water. It is time to make sure this most fundamental resource is secured for generations to come and to ask ourselves one question—**WHY NOT WATER?**

***“As a nation, we are not investing enough in our wastewater treatment infrastructure to ensure that we will continue to keep our waters clean.”***

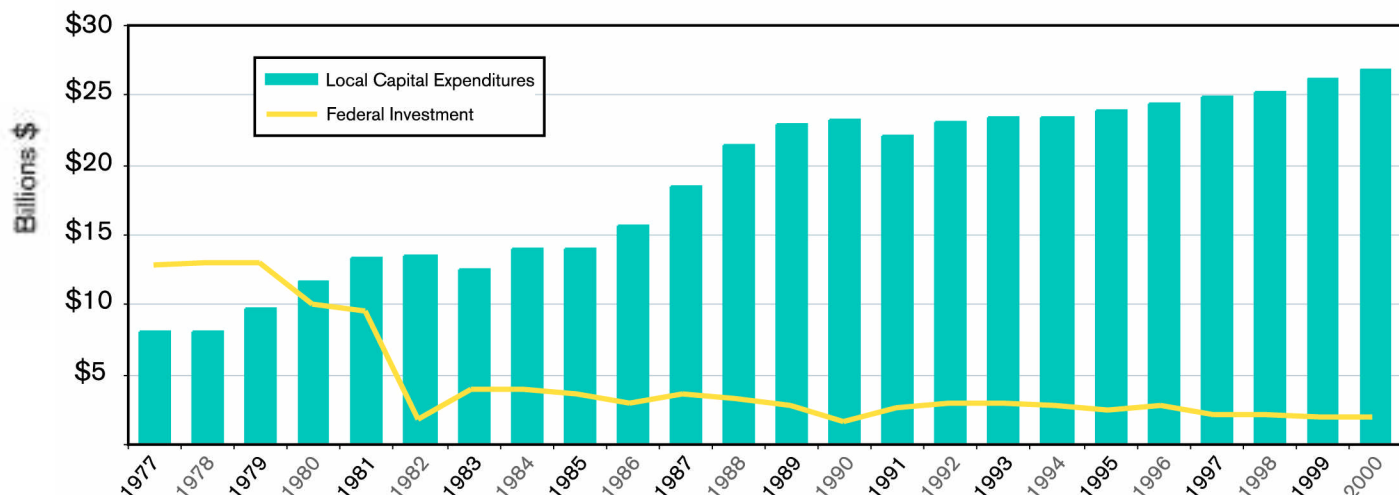
Rep. Don Young, Chairman of the House Transportation and Infrastructure Committee in a statement April 2, 2003.

***“There’s no doubt that America’s water infrastructure faces some critical needs in the years ahead... One thing is clear, the challenge we face is clearly beyond the ability of any one entity to address. It will require the participation and contribution of government at all levels.”***

Christine Todd Whitman, EPA Administrator, in her remarks at the National Water Infrastructure Forum, Jan. 31, 2003.

## Municipalities Shoulder a Growing Share...

### Local vs. Federal Wastewater Expenditures



Federal government spending on wastewater peaked in the late 1970s, and rapidly diminished during the early 1980s. While federal spending has remained flat during the past 10 years, local costs have escalated well beyond the rate of inflation. **NOTE:** Chart shows figures in 2000 dollars.

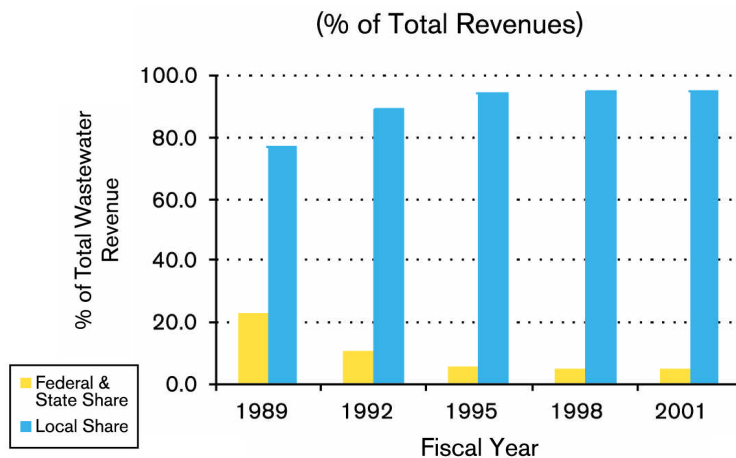
SOURCE: 1999 *Cost of Clean*, U.S. Census, Government Accounting Office

## Over The Last Decade...

### Federal, State, and Local Contributions to Wastewater Revenue

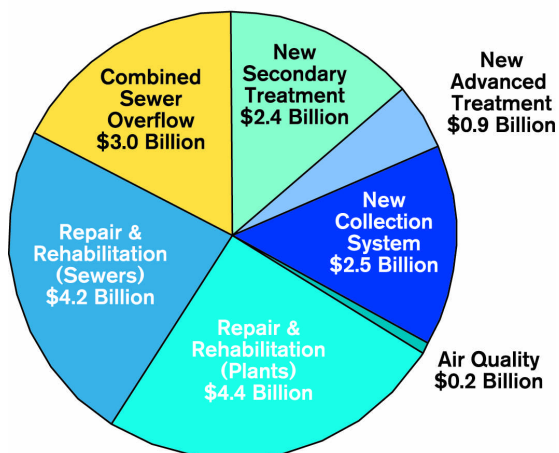
AMSA's data showed that its member utilities have collected more than 95 percent of their capital investment and operating funds from local sources for the past seven years. The General Accounting Office estimated a flat level of federal and state funding from 1991 to 2001 for wastewater investment at \$2 to \$2.5 billion per year. However, as local expenses continued to escalate, the percentage of costs covered by federal assistance has dropped to well under 5 percent for surveyed AMSA utilities.

SOURCE: 1990-2002 AMSA Financial Survey



## Needs Continue to Escalate...

### Estimated Annual Capital Investment Needs—\$17.6 Billion

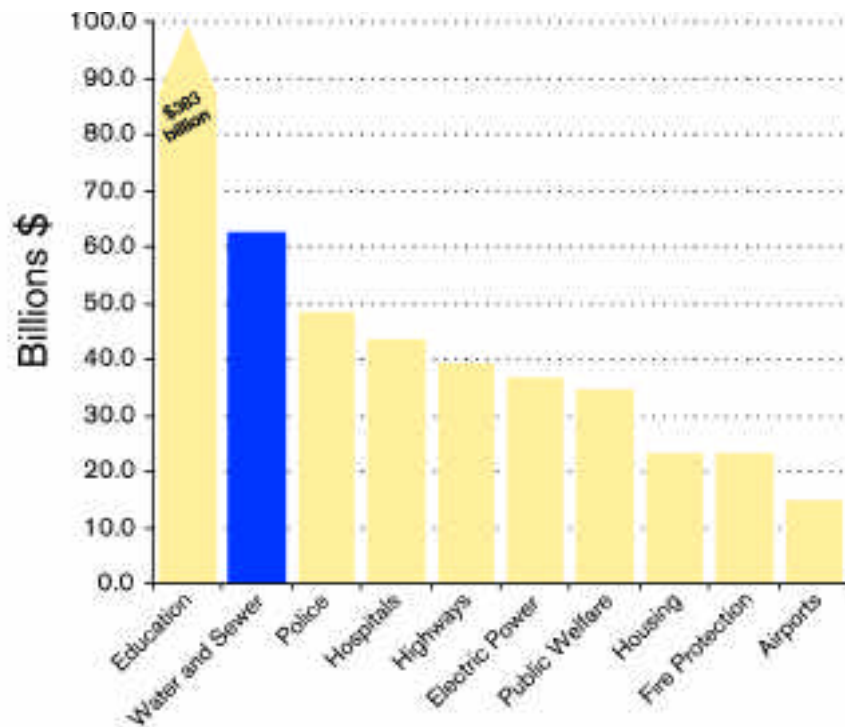


There is little disagreement that the national needs for sewer infrastructure are high. Data from the 140 respondents to AMSA's *Financial Survey* estimated a national average annual capital investment need \$17.6 billion. The needs reported in AMSA's *Survey* represent committed projects, projects underway and projects scheduled to begin during the next five years. Data also indicated that needs for combined sewer overflow mitigation, as well as repair and rehabilitation of treatment plants and sewers, have risen sharply.

SOURCE: 2002 *Financial Survey*

## Federal Investment Declines...

## Local Government Spending Rises on Water and Wastewater

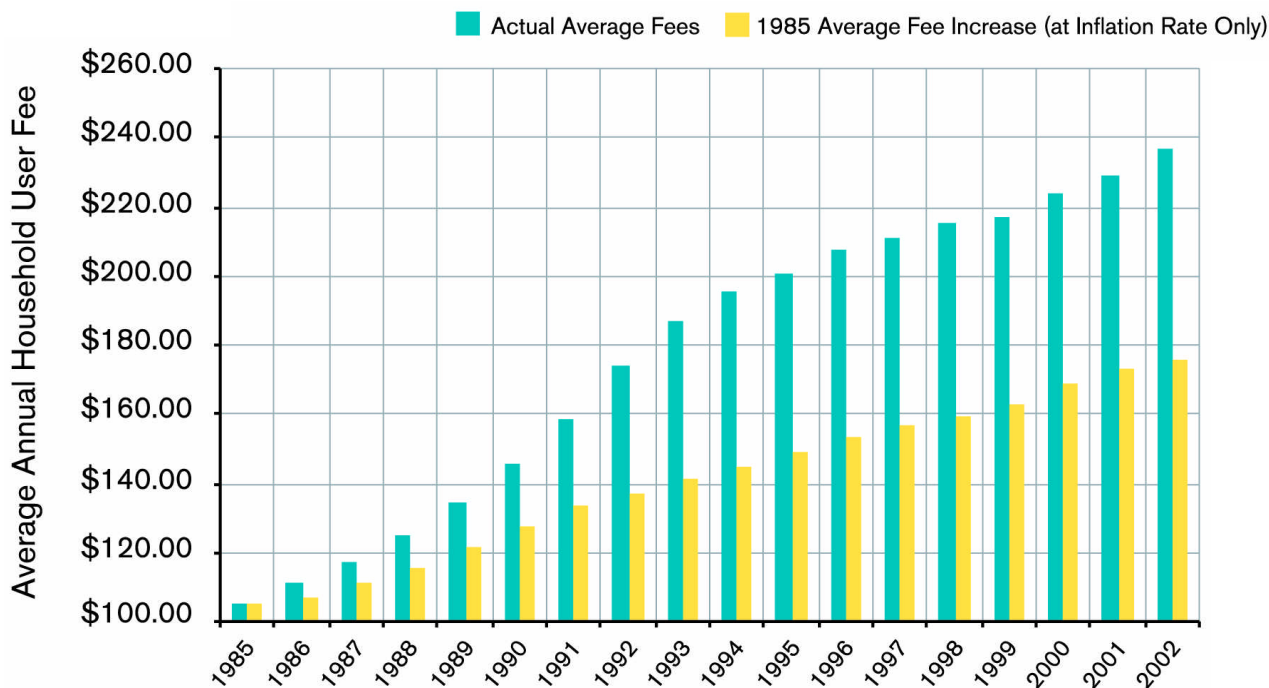


According to the U.S. Census Bureau's latest statistics on local governmental spending, water and sewer expenses ranked second behind education in total in 2000. Annual local government spending for water and sewer exceeded all other categories of spending. Large increases in capital needs and expenditures for water and sewer infrastructure could hamper local government's ability to provide other critical services and could threaten the 30 years of progress that have been made in ensuring safe and clean water for the public and the environment.

SOURCE: U.S. Census Bureau

## Utilities Continue to Raise Rates...

## Household User Fees Rise Above the Rate of Inflation



Over the past 17 years, the *AMSA Index* has shown that while the consumer price index (CPI) has risen at an average rate of 3 percent per year, the *AMSA Index* (the average residential user service charge) has risen at an average rate of 4.9 percent per year, or 1.9 percent above the rate of inflation.

SOURCE: *AMSA Index*



## Association of Metropolitan Sewerage Agencies

1816 Jefferson Place, NW

Washington, DC 20036

202.833.AMSA

202.833.4657 fax

**[www.amsa-cleanwater.org](http://www.amsa-cleanwater.org)**

[info@amsa-cleanwater.org](mailto:info@amsa-cleanwater.org)

The Association of Metropolitan Sewerage Agencies (AMSA) is a national trade association representing nearly 300 of the nation's publicly owned wastewater utilities. AMSA members serve the majority of the sewered population in the United States and collectively treat and reclaim over 18 billion gallons of wastewater every day. AMSA members are environmental practitioners dedicated to protecting and improving the nation's waters and public health.

For additional information on AMSA and its initiatives, please call AMSA's National Office at 202/833-AMSA (2672) or visit the Clean Water on the Web site at <http://www.amsa-cleanwater.org>.

### **COPYRIGHT NOTICE**

*The Cost of Clean... Investing in the Nation's Clean Water Future* © (2003)

This work is protected by copyright owned by the Association of Metropolitan Sewerage Agencies (AMSA). As the owner of the copyright, AMSA hereby grants the users of this work a nonexclusive royalty-free license to reproduce this work for educational and information sharing purposes subject to the following limitations:

- 1) This work must be reproduced in its entirety, without alterations;
- 2) All copies of this work must include this Copyright Notice.

Persons desiring to reproduce this work for purposes other than those above should contact AMSA to discuss the intended use and to obtain appropriate permission.

AMSA does not assume any liability resulting from the use of or reliance upon any information, conclusions, or opinions contained in this work.



May 2003