

Testimony of Marian A. Orfeo, Director of Planning and Coordination, Massachusetts Water Resources Authority & President, National Association of Clean Water Agencies (NACWA)

**House Committee on Transportation and Infrastructure
January 22, 2009**

Infrastructure Investment: Ensuring an Effective Economic Recovery Package

The National Association of Clean Water Agencies (NACWA) represents the country's wastewater treatment agencies - environmental practitioners that serve the majority of the sewered population in the United States and collectively treat and reclaim more than 18 billion gallons of wastewater each day - and we are pleased that the proposed *American Recovery and Reinvestment Act of 2009* targets a significant portion of spending for traditional infrastructure projects for investments in municipal water and wastewater infrastructure. The package contains \$11.8 billion for water and wastewater projects funded by the EPA State Revolving Fund Programs and the USDA's Rural Utility Service. In addition, the package targets funding for water resource projects through the Bureau of Reclamation, the Army Corps of Engineers and the Natural Resources and Conservation Services. Together, these investments could potentially generate over 500,000 jobs and help communities address their water resources challenges.

NACWA also believes that the economic recovery package could go much further in providing funding for infrastructure in general with a concomitant increase in funding for water and wastewater infrastructure projects. A stronger infrastructure-based recovery package would create much needed jobs in the construction industry which currently has an unemployment rate of over 15%, lay a solid foundation for future economic vitality, and protect public health and the environment. While the package's \$6 billion targeted to wastewater projects within the Clean Water State Revolving Fund program is significant, NACWA members have over \$17 billion worth of wastewater projects ready-to-go that can have shovels in the ground within 120 days of receiving the go ahead from their State agencies. On January 9th NACWA joined with other water sector associations to urge President Obama, Speaker Pelosi and Majority Leader Reid to include a minimum of \$20 billion and as much as \$40 billion in the economic recovery package for drinking water and wastewater projects and we still believe that this level of investment is both necessary and will have the greatest impact on jobs creation as quickly as possible.

NACWA is also pleased that the proposed spending for wastewater infrastructure through the Clean Water State Revolving Fund Program requires States to distribute fifty percent of the funds in the form of principal subsidy or grants, though our preference is for 100% of the funds to be available as grants. Grant financing will generate the greatest stimulative effect by making these funds more useful to communities hit hard by the economic downturn. In this economic climate, communities will hesitate to incur debt obligations because they could not pass on the cost of repayment to their

ratepayers. If communities do not accept a loan, it would reduce the overall effectiveness and impact of the recovery package.

We also believe that all communities should have access to grant financing and that there be no targeting of these dollars to any particular set of communities. During this economic crisis, all communities face severe budgetary challenges and need assistance in rebuilding their economies through infrastructure investment. Alternatively, NACWA urges Congress to include language providing guidance to States on how questions of affordability should be determined for distributing grant financing received through this stimulus package. Too often, states use a single indicator tied to median household income to determine whether a community can afford loan financing for wastewater infrastructure projects. NACWA believes this formula is too simple and focuses on the individual ratepayer rather than on the overall financial capability of a community at-large to finance water quality improvements in the face of competing claims for environmental investments (e.g., air quality improvements). NACWA has worked with Senators Brown and Voinovich of Ohio to develop legislation which would provide more guidance to States on the question of affordability. The draft legislation suggests that a set of criteria - such as local unemployment rates, overall level of business activity, demographic information - be used in assessing a community's financial capability to afford traditional loan financing, not a single indicator.

According to the EPA, there is a \$388 billion shortfall in the amount of funding communities have to fund their wastewater needs over the next twenty years and what they currently have available. The U.S. Conference of Mayors estimates that every dollar spent on wastewater infrastructure generates a return of 3-7 dollars that flow directly into the economy at-large. The U.S. Department of Commerce Bureau of Economic Analysis estimates that for each additional job created in the water and sewer industry 3.68 jobs are created in all industries.

The *American Recovery and Reinvestment Act of 2009* is a good first step in reversing years of declining federal investment in our nation's municipal clean water needs. However, it is only a first step. NACWA is pleased to be working with Chairman Oberstar, Congressman Blumenauer and Congresswoman Eddie Bernice Johnson on identifying a long-term, sustainable solution to financing our nation's clean water infrastructure and we look forward to making progress on this effort during the 111th Congress.

The National Association of Clean Water Agencies (NACWA)
1816 Jefferson Place NW, Washington D.C. 20036
Tel 202.833.2672 | Fax 202.833.4657