

Testimony of

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Introduction

Good morning, Chairwoman Johnson and Members of the subcommittee. My name is Tom Walsh, and I am the engineer-director and treasurer for the Upper Blackstone Water Pollution Abatement District in Worcester, Mass. I am honored to be here today to testify on behalf of the National Association of Clean Water Agencies (NACWA) regarding the establishment of a clean water trust fund to help finance wastewater infrastructure projects. These projects help ensure the protection of our vital water resources, improve public health, provide recreational enjoyment for all Americans, and promote economic prosperity through the creation of good jobs. NACWA is the only organization dedicated solely to the interests of the nation's public wastewater treatment agencies. Our members are dedicated environmental stewards who work to carry out the goals of the Clean Water Act (CWA) and who treat and reclaim more than 18 billion gallons of wastewater each day.

This hearing and the report released last week by the Government Accountability Office (GAO)¹ outlining potential financing mechanisms and a structure for a national clean water trust fund are important steps toward establishing a long-term, sustainable revenue source to address the serious water and wastewater infrastructure funding gap. We believe a clean water trust fund is critical to ensuring communities can continue to meet their CWA obligations, which are so vital to the protection of public health and the environment as well as for economic prosperity.

NACWA appreciates GAO's hard work in researching this important report and was honored to be one of the many stakeholder organizations providing data and information used in the report.

NACWA is also grateful to Reps. James Oberstar (D-Minn.), chairman of the full House Transportation and Infrastructure Committee; Eddie Bernice Johnson, chair of this subcommittee; and Earl Blumenauer, member of the House Ways and Means Committee, for requesting the report and seeking sound funding solutions to address the gap and the numerous 21st century clean water challenges facing our public wastewater, stormwater, and drinking water utilities moving into the 21st century.

¹ U.S. Government Accountability Office. *CLEAN WATER INFRASTRUCTURE: A Variety of Issues Need to Be Considered When Designing a Clean Water Trust Fund* (GAO-09-657), May 2009

As the GAO report notes, municipalities face serious challenges in our continued efforts to meet the goals of the CWA. Among them, are a growing population, aging infrastructure, increased regulatory requirements with stepped-up enforcement activity from EPA; and global competition driving up the cost of labor and materials. In order to meet these challenges and ensure continued water quality improvements, all levels of government – federal, state, and local – must reignite a sustainable, long-term partnership that is dedicated to thoughtful application of science to identify needs; that utilizes pragmatic capital planning to prioritize projects; and that recognizes the need for more investment in our nation’s clean water infrastructure.

Massachusetts Coalition for Water Resources Stewardship

There have been an abundance of recent media stories about problems caused by the aging of our infrastructure. As our communities struggle to pay for the needed maintenance, repair, and replacement of critical elements of our wastewater and water systems, state and federal regulators continue to impose more and stricter requirements, yet do not provide additional financial assistance. Take the example of my own state of Massachusetts. My agency is one of a number of municipalities and publicly owned wastewater treatment plants that make up the Massachusetts Coalition for Water Resources Stewardship (the coalition). We released a report in December 2008, *Report to the Massachusetts Congressional Delegation on Regulatory Reform* (attached), outlining a number of significant concerns and recommended ways to address them. The coalition members are concerned about: 1) the impacts of stringent Clean Water Act (CWA) permit requirements and related costs on communities that can ill-afford the expense due to the competing needs of their citizens; 2) increasingly stringent controls and the high cost to meet them that do not necessarily generate corresponding improvements to the environment; and 3) regulations that result in permits based on inadequate science. The report includes recommendations to rectify these problems.

As the cost of compliance continues to go up, the U.S. Environmental Protection Agency (EPA), the Congressional Budget Office (CBO), the Water Infrastructure Network (WIN), and GAO have estimated an infrastructure funding gap of \$300-\$500 billion over the next 20 years. Meanwhile, EPA estimates that more than 40 percent of the nation’s waterbodies remain impaired, a figure that has remained unchanged for about 20 years. In other words, the water quality gains achieved since

the CWA was enacted in 1972 have essentially plateaued. This is at least in part due to much needed changes to the act to permit a more scientific approach to river basin water quality planning that includes all pollution sources. Without a significant recommitment by the federal government and a change in the regulatory paradigm, we face the serious risk of mismanaging the water quality issues this important law was enacted to address.

Most significantly, federal investment in clean water has declined sharply. According to a recent report² by the US Conference of Mayors, municipalities currently pay about 95 percent of the cost of wastewater infrastructure and 99 percent of the cost for drinking water infrastructure. NACWA's own triennial 2008 *Service Charge Index* shows that the average cost of wastewater services for a single-family residence increased by about 5.3 percent in 2008, compared to the rate of inflation, which was 3.9 percent. This trend of rate increases above the rate of inflation has been true for nearly a decade now, and more than 60 percent of the public agency members responding to the NACWA survey indicated they have approved or planned rate increases in each of the next five years. The NACWA *Index* further projects a steady rise in average residential service charges over the next five years and anticipates the average annual cost to single-family residences will be \$430 by 2013, a nearly 34 increase from 2008 levels

Since 2000, rates for Upper Blackstone Water Pollution Abatement District have increased 450 percent in order to pay debt service for on-going plant upgrades required to meet more stringent discharge standards. This has been largely responsible for a 110 percent increase in sewer rates in our largest member community, Worcester – a community with a median household income of \$36,000 per year.

With the economic slowdown at hand, it is becoming more difficult for some of our customers to pay these higher costs with more than a third of U.S. households being required to pay more than 2 percent of their income—EPA's benchmark for determining a community's ability to afford

² U.S. Conference of Mayors. *Who Pays for the Water Pipes, Pumps and Treatment Works? – Local Government Expenditures on Sewer and Water - 1991 to 2005* (<http://www.usmayors.org/urbanwater/07expenditures.pdf>)

wastewater services—for sewer services. It goes without saying that small, rural, and low-income communities would be hit hardest.

This cash shortfall is not only true for public utilities. Reduced state and federal water quality budgets have impaired the ability of regulatory agencies to fully evaluate water quality issues, and they must instead rely on the national standards that do not apply in each region, or on insufficiently funded assessments whose results are of questionable scientific value. For the District, this has meant that we have had to fund costly river basin analysis in order to evaluate the need for stringent nutrient limits have been set based on national standards and on previous evaluations that were judged inadequate by the EPA Science Advisory Board.

This brings us back to the subject of today's hearing – how to finance this enormous and growing clean water funding need. The release of the GAO report follows a series of important legislative activities that move us closer to addressing the nation's clean water needs.

- This year Congress passed the [*American Recovery and Reinvestment Act*](#) (H.R. 1) to provide \$4 billion in supplemental funds to the Clean Water State Revolving Fund (CWSRF).
- The House passed the [*Water Quality Financing Act*](#) (H.R. 1262) to reauthorize the CWSRF with \$13.8 billion over five years; the Senate Environment and Public Works (EPW) Committee approved the *Water Infrastructure Financing Act* (S. 1005) to authorize \$20 billion for the CWSRF and approximately \$18 billion for the DWSRF.
- The House and Senate Appropriations Committees authorized fiscal year 2010 budgets for the U.S. Environmental Protection Agency (EPA) that include \$2.3 and \$2.1 billion, respectively, for the CWSRF.

Clearly, momentum is building to address the infrastructure funding gap in a meaningful way. We appreciate the speed with which this committee worked to move these bills. While they represent solid steps toward a long-term funding solution, it is critical to take the issue of water infrastructure investment out of the realm of uncertain annual appropriations and into the more certain arena of a dedicated funding stream.

Municipalities are willing to pay their share and will continue to do so. However, NACWA believes that the federal government must do more to ensure long-term, sustainable funding to address the shortfall facing our nation's publicly owned wastewater treatment agencies. If highways merit a trust fund with \$30 billion per year, and airports \$10 billion per year, why should we not have one for water, a resource each of us uses every single day?

Advantages of a trust fund

A clean water trust fund is deficit-neutral and would require no general revenue funds. Currently, states and local governments face the uncertainty of the annual appropriations process, which can make planning future projects more difficult. In addition, the clean water trust fund could be set up so that the revenues would be fire-walled—not accessible to other programs.

The external benefits are equally appealing. These include more progress toward achieving the broad environmental and public health benefits that all Americans value and have indicated they are willing to pay for. A survey conducted by Frank Luntz, commissioned by NACWA several years ago, showed that the American people are overwhelmingly supportive of a dedicated revenue stream for their water infrastructure — in fact, the survey demonstrated that the American people are more supportive of this than of the trust funds for highways or airports.

In the report released last week, GAO reviewed a wide variety of potential revenue sources to capitalize a new federal clean water trust fund at a target level of \$10 billion annually. Potential revenue sources include fees on beverages, fertilizers and pesticides, flushable products, pharmaceuticals, and water appliances and plumbing fixtures; a tax on corporate income; and an industrial discharge tax.

While raising \$10 billion from a tax on any individual beneficiary or polluter group amongst these could prove unreasonable, GAO reported that fees could be kept low by spreading them broadly across industry sectors to capitalize a much-needed trust fund. NACWA, WIN, and others have long advocated for such an approach that would provide a long-term, sustainable revenue stream to help communities address their water quality challenges well into the future, create green, sustainable jobs, and minimize potential public health and/or economic impacts. This hybrid approach would

broaden the revenue base for the trust fund substantially, reducing individual sector fees, and in turn, spreading the payments across the widest possible group of activities that either rely on clean water or benefit from it in some way.

Conclusions

During deliberations of the original CWA, Congress decided that water infrastructure was a national good that demanded federal investment. Rep. John Blatnik, the chair of this committee at that time, said the task of cleaning up the nation's waters was even more monumental than establishing the interstate highway program, which linked our nation's cities and coastlines. He went on to state that "whatever the difficulties, we must commit ourselves to the task: our waters can be cleaned, they must be cleaned, and they will be cleaned." Congress then went on to create a trust fund to ensure the long-term viability of the nation's highway system. We ask that Congress do the same for our nation's waterways.

The federal government needs to recommit to the partnership with states and localities that led to the significant improvements in our nation's water quality over the past 37 years. That partnership is critical to ensuring those successes continue. Otherwise, we risk a return to the days when our rivers and lakes were deemed too polluted for swimming, fishing, and other recreational activities. Ensuring continued progress in cleaning up our precious waterways is critical to public health, environmental protection, and economic prosperity. We must not allow the nation's great waterways to again become the poster-children for a Nation's water quality in crisis.

Your leadership, Madam Chair, and the foresight of this committee's members can make such a partnership a reality again. The GAO report, the work of Rep. Blumenauer and his staff, and this hearing are all moving us closer to developing a fair and sustainable system for raising the revenue for a clean water trust fund. NACWA is very appreciative of your continuing commitment to clean water and looks forward to working with the committee on legislation establishing a Clean Water Trust Fund.

Thank you for your time and for allowing NACWA to share its views on clean water funding for the 21st century. I would be happy to answer any questions.