

Testimony of:

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**Testifying on Behalf of the National Association of Clean Water Agencies
(NACWA)**

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Recovery Act: Progress Report on Water Resources Infrastructure Investment

Chairman Oberstar, Ranking Member Mica and Members of the Committee, thank you for the opportunity to appear before you today and for your leadership and commitment to providing increased water infrastructure funding through the *American Recovery and Reinvestment Act (ARRA)* and other legislative vehicles. My name is Mike Gritzuk, Director, Pima County Regional Wastewater Reclamation Department in Tucson, Arizona. It is a great privilege to be here to testify on the benefits to my utility and our community of the funding that Congress and the Administration provided by passing the *ARRA*. This funding has been critical to many wastewater infrastructure utilities, especially in the face of the trend toward declining federal funding support for public clean water utilities as well as the ongoing economic downturn that has impacted the revenue base of our agency and so many others across the country.

It is also my pleasure to be testifying on behalf of the National Association of Clean Water Agencies (NACWA). NACWA is the only organization whose primary mission is to advocate on behalf of the nation's publicly owned wastewater treatment works (POTWs) and the communities they serve. NACWA public agency members are the true environmentalists who are tasked with ensuring the Nation's waters are clean and safe and who work around the clock to fulfill the strict requirements of the Clean Water Act. NACWA's members collectively treat approximately 80% of the nation's residential, business and industrial wastewater flow. In this capacity, NACWA has provided a trusted voice, helping inform and guide Congressional action on numerous water quality issues, including the need for a stronger federal role in funding our nation's aging water infrastructure.

I would like to begin my remarks by thanking Chairman Oberstar and the Committee for their efforts and leadership in ensuring that the stimulus bill contained approximately \$6 billion for the state revolving loan funds (SRFs) — \$4 billion for the Clean Water State Revolving Loan Fund (CWSRF) and \$2 billion for the Drinking Water State Revolving Loan Fund (DWSRF).

As this Committee knows very well, according to the U.S. Environmental Protection Agency (EPA), the Congressional Budget Office (CBO), and the Government Accountability Office (GAO) the nation's wastewater and water infrastructure faces a daunting funding gap of approximately \$500 billion over the next 20 years. When discussions regarding a stimulus package started, NACWA was asked by this Committee to provide information regarding the shovel-readiness of clean water projects. In line with this request, NACWA performed a survey of its members, demonstrating that the nation's POTWs had approximately \$17 billion in shovel-ready projects that would stimulate the economy and improve the nation's environment and water quality. The needs clearly were enormous and NACWA, along with other key stakeholders in the water sector, worked vigorously to support this Committee's efforts to include clean water funding as a major component of the *ARRA*.

The need for funding was further underscored by the impacts to utilities from the most severe economic downturn since the Great Depression — impacts that are still resounding at my utility and utilities across the country. From a national perspective, the financial crisis continues to significantly affect the municipal bond market as investment in these mechanisms continues to be less attractive to the public and private sector. In addition, the ongoing drop in residential and commercial construction spending continues to translate into decreased revenues from water and sewer hookups while cutbacks in production and an increase in unemployment continue to result in

decreased water use and effluent discharged from factories, office parks and homes — a primary source of income for wastewater utilities. The combination of these factors, and others, created — and continue to create — a difficult budget scenario for wastewater utilities, delaying investment in capital projects and sometimes making these investments impossible.

Given these challenges, the funding from the *ARRA* that the Pima County Regional Wastewater Reclamation Department received has been very helpful.

ARRA funding strongly supported our Plant Interconnect Project — a key component of our Regional Optimization Master Plan which is primarily regulatory driven. This project, being pursued with *ARRA* funds, connects the Department's two major water reclamation facilities for optimal utilization of treatment plant capacity, and, as a result, meets the wastewater growth needs in Pima County through 2030. This is no small accomplishment taking into account the fact that Pima County has grown by more than 50 percent since 1990.

Funding provided by *ARRA* made it possible to move forward more expeditiously with this project that includes constructing five miles of large diameter interceptor sewer line between the two treatment facilities.

This project will greatly increase operation flexibility and capacity management and is estimated to have significant impacts on the local economy while significantly improving Pima County's wastewater infrastructure. In fact, the combination of the \$8 million in low interest loans and \$2 million in principal forgiveness provided by the *ARRA* will result in savings of over \$3.2 million in financing costs over the 15 year term of the loan and will supplement an additional \$33.1 million in funding that is expected to create approximately 170-200 jobs over the life of the project. Indeed, the additional subsidization/grant component of the stimulus bill — and grant funding more generally — constitutes sound national policy because it does not require local governments to assume new debt as part of a federal program to stimulate the national economy. The stimulus funding is a welcome benefit in Pima County where we are experiencing a general unemployment rate of approximately 8.2 percent and an unemployment rate of nearly 17 percent in the construction sector. In fact, a recent analysis by the Bureau of Labor Statistics found more construction jobs were lost in Phoenix, Arizona (35,100) than in any other city in the United States over the past year, making Arizona one of the hardest hit states in this sector.

ARRA monies enabled us to move forward with a critical project that not only met the needs of a growing region, but also provided much-needed employment at a critical time. While critics might point out that our project likely would have been completed over time without stimulus funding — which is true — immediate funding contributed to the benefit of increased employment for one of the hardest hit unemployment areas of the nation. In addition, the *ARRA* funding is helping provide the opportunity to Pima County to put municipal dollars that it saved toward other capital and water quality projects that would have been otherwise delayed, adding additional economic and environmental benefits to our communities.

While debate will continue nationally over the benefits of the stimulus bill, in Arizona we welcomed stimulus funding for the needs it addressed, the employment it continues to bring and the relief it provided to many workers who faced the stark reality of sudden and extended unemployment.

While Pima County's experience with the *ARRA* has been positive, from a national perspective there are concerns and lessons learned that could be improved should another similar effort be needed in the future. NACWA believes that all communities should have access to *ARRA* funds and that, to the extent there may be future stimulus or infrastructure funding efforts, funds be distributed based significantly on the need to create jobs and put shovels in the ground. While states are doing everything they can to get the money out, it is critical that their efforts to distribute funds be guided and focus heavily on "job creation" and "shovel readiness," rather than on their pre-existing priority criteria or single indicators such as affordability and median household income. While there is no targeting requirement in the statutory provisions of the *ARRA*, some states did rely on language favoring affordability criteria contained in the conference report to prioritize their funding of wastewater projects.

NACWA believes that the primary reliance on such a formula is too narrow and resulted in communities with larger populations being left behind in comparison to their rural and suburban counterparts. Often, it is these larger urban areas that are the most affected by such a downturn in the economy, have the ability to start shovel-ready projects, and create jobs most efficiently.

Overall, however, there is little doubt that the clean water investments provided by the *ARRA* were a good first step in reversing the years of declining federal investment in our nation's municipal clean water needs. As Congress, and this Committee, continue to discuss efforts to revive our national economy we urge you to consider additional investment in our clean water infrastructure. To the extent additional stimulus efforts become necessary, NACWA further recommends that a greater portion of such legislation's funding be directed toward our wastewater infrastructure given the clear benefit it provides to our communities, environment, and economy.

As NACWA has testified before this Committee previously, a sustainable mechanism to provide federal funding for our ailing water infrastructure is critically needed. To accomplish this, the time is now to move forward with a clean water trust fund that will provide stable, dedicated revenue sources that would be deficit-neutral and would further help leverage local and state dollars for wastewater and water infrastructure projects. *The Water Protection and Reinvestment Act* (H.R. 3202) is a good starting point for this Committee's consideration of such a trust fund mechanism— and we look forward to working with this Committee on such an approach over the coming months to address our critical water infrastructure needs in a responsible and sustainable way.

I thank this Committee for its leadership in seeking to ensure that our critical water infrastructure is a key component to federal economic recovery efforts and for the opportunity to testify today. I look forward to any questions Members of the Committee may have regarding my comments.