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June 29, 2011

**The Honorable Michael Simpson
Chairman**

Subcommittee on Interior, Environment, and Related Agencies

U.S. House of Representatives

B-308 Rayburn House Office Building

Washington, D.C. 20515

The Honorable James Moran

Ranking Member

Subcommittee on Interior, Environment, and Related Agencies

U.S. House of Representatives

2239 Rayburn House Office Building

Washington, D.C. 20515

Dear Chairman Simpson and Congressman Moran:

As the Interior, Environment and Related Agencies Subcommittee begins its deliberations on its Fiscal Year (FY) 2012 spending bill, the National Association of Clean Water Agencies (NACWA) urges your support for providing at least \$1.5 billion for the Clean Water State Revolving Fund (CWSRF), in line with the President's FY 2012 budget request. In addition, it is critically important that language requiring States to provide at least 30% of funds allocated above \$1 billion in the form of additional subsidization to borrowers remain in place so the nation's most financially vulnerable communities, large and small, have access to low-cost financing as they continue to emerge from the economic downturn.

The need for continued federal commitment to providing funding for wastewater infrastructure is critical. States are currently facing an immediate backlog of \$28 billion in municipal wastewater projects as reported in their FY 2011 Intended Use Plans. The American Society of Civil Engineers' (ASCE) latest infrastructure report card gave the nation's water infrastructure a D-, the lowest of any category. In fact, a recent EPA report warned that without significant investments in water and wastewater infrastructure, the nation risks losing water quality gains made since the passage of the 1972 Clean Water Act. We must not let this occur.

Without a robust federal funding commitment, communities will continue to struggle to make these investments. Though municipalities already shoulder over ninety-five percent of the burden for paying for wastewater infrastructure through rates, the capacity for municipalities to raise rates much higher is limited. To meet their current clean water challenges and existing debt obligations, clean water utilities have raised rates by more than double the rate of inflation over the last decade. In 2010, NACWA members raised rates on average by 9% with similarly high increases expected for the foreseeable future. Given the current economic environment and high unemployment rate, utilities are reticent to ask ratepayers to pay much higher rates and strain their pocketbooks further.

At the same time, according to *NACWA's 2008 Financial Needs Survey*, debt service has continued to increase as a proportion of total clean water utility expenditures. In fact, debt service expenditures have risen by 23 percent from 2005-2008 according to the most recent data available. This trend has forced utilities to dedicate a larger amount of resources towards debt servicing than for capital improvements, the first time this has occurred since NACWA began its triennial financial survey.

The requirement that States use a portion of the CWSRF capitalization grant for additional subsidization to lower the cost of borrowing for utilities is critically important and NACWA strongly urges you to maintain this language in the final appropriations bill, as is the provision for the green reserve. If this requirement is removed, utilities will be faced with higher borrowing costs which they have no choice but to pass along to their ratepayers. In this current economic environment, this would be unfair and untenable.

For these reasons, it is critical that funding to the CWSRF remain robust *and* include an additional subsidization requirement. Doing so will ensure municipalities that the federal government remains a reliable, long-term partner in meeting the nation's clean water needs. Your support for these requests is a vital step toward ensuring such a partnership remains intact. Please do not hesitate to contact me or NACWA Legislative Director, Patricia Sinicropi, at psinicropi@nacwa.org, if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "K Kirk".

Ken Kirk
Executive Director

Cc: Members of the House Appropriations Sub-Committee for Interior, Environment and Related Agencies