NACWA
A Clear Commitment to America's Waters

Water Environment Federation
the water quality people®

WERF
Water Environment Research Foundation
Collaboration. Innovation. Results.

FUNDING CLEAN WATER INFRASTRUCTURE NEEDS

Modernizing and replacing the Nation's aging water infrastructure may be the single largest public works need in the United States. The U.S. Environmental Protection Agency (EPA) estimates that a $500 billion funding gap exists between current and needed investment to ensure the continued viability of our Nation's water infrastructure. At the same time, local communities are facing increasingly stringent and expensive EPA regulations with decreasing levels of federal support.

The 113th Congress should ensure that federal investment in clean water infrastructure is a top priority. Congress should support the following clean water funding and financing programs:

Clean Water State Revolving Funds

The Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) provide low-cost financing for water and wastewater infrastructure projects. The SRF programs provide local communities with critical capital to repair crumbling water and wastewater infrastructure and protect public health and environment.

Congress should maintain robust funding levels that at least meet the funding levels in the FY2014 omnibus spending bill of $1.449 billion for the CWSRF and $907 million for the DWSRF to carry out core clean and safe water projects. Additionally, Congress should reauthorize both programs for another 10 years and authorize appropriations for the CWSRF at the highest annual level possible that will enable the program to help communities address the widening gap between water infrastructure funding needs and available funding.

Clean Water Trust Fund

Establishment of a Clean Water Trust Fund would ensure that a dedicated, non-discretionary, source of funding exists for the Clean Water State Revolving Fund program. A Clean Water Trust Fund, similar to those that finance highways and airports, would establish a reliable revenue stream to supplement existing local and state investments to address the backlog of clean water projects.

- *The Water Quality Protection and Job Creation Act (*H.R. 1877) to reauthorize the CWSRF program and authorize establishment of a trust fund to ensure that the federal government remains a partner with communities in meeting CWA obligations. The bill was sponsored by Representative Tim Bishop (D-NY) and currently has 38 bipartisan cosponsors.

- *The Water Protection and Reinvestment Trust Fund Act* (H.R. 3582) to establish a voluntary federal trust fund for investments in clean water infrastructure. Sponsors include Representatives Earl Blumenauer (D-OR), Richard Hanna (R-PA), Tim Bishop (D-NY), John Duncan (R-TN), Donna Edwards (D-MD), Ed Whitfield (R-KY), Jim Moran (D-VA), and Thomas Petri (R-WI).

Water Infrastructure Financing Innovation Act

Establishing a "Water Infrastructure Finance and Innovation Act" (WIFIA), modeled after the successful Transportation Infrastructure Finance and Innovation Act (commonly called TIFIA), would be another useful financing tool for clean water infrastructure investments. Just as with TIFIA, WIFIA loans and loan guarantees should be for larger projects of $20 million or more. This program should complement, not replace, the highly successful SRF programs, which will remain as the primary federally-funded programs for water and wastewater infrastructure. The WIFIA mechanism could lower the cost of capital for water utilities while having no long-term effect on the federal budget. WIFIA would access funds from the U.S. Treasury at long-term Treasury rates and use those funds to provide loans or other credit support for water projects. Funds would flow from the Treasury, through WIFIA, to larger water projects or to state SRF programs wishing to borrow to enlarge their pool of capital.

Tax-Exempt Municipal Bonds

Local utilities rely on tax-exempt municipal bonds as a main source of financing for water and wastewater projects:

- In the first six months of 2012, tax-exempt municipal bonds financed more than $23 billion worth of water and wastewater infrastructure projects.

- If the tax-exempt status of municipal bonds were limited or eliminated, it would increase the costs of borrowing by potentially 33 to 50%, or by approximately $924 million to $1.4 billion annually based on the 2012 volume of borrowing.

- These costs would either be passed on to ratepayers, or the amount of infrastructure investment would diminish overall by this amount, resulting in diminished economic activity and fewer jobs created.

Congress should retain the current federal tax exemption for municipal bonds.

For more information, contact: Hannah Mellman at hmellman@nacwa.org, Steve Dye at sdye@wef.org , or Carrie Capuco at ccapuco@werf.org.