Include a Water Infrastructure Finance & Innovation Authority in the Water Resources Conference Bill

Actions Requested:

- Include a provision in the final water resources development legislation now before a House-Senate conference committee to create a Water Infrastructure Finance and Innovation Authority.
- In WIFIA, remove the 49-percent cap on WIFIA support for a given water infrastructure project and allow any non-federal share to be financed with tax exempt local debt.

Background: As a member of Congress, you are more aware than most of how water infrastructure protects public health, protects the environment, makes fire protection possible, and remains vital to a community’s long-term economic growth and stability. Last May, the Senate approved S. 601, the Water Resources Development Act. Title X of that bill creates a Water Infrastructure Finance and Innovation Authority (WIFIA). The House passed H.R. 3080, the Water Resources Reform and Development Act, this fall, but without a WIFIA title. Now a House-Senate conference is meeting to iron out a single water resources bill. We urge you to support inclusion of a WIFIA in that final bill.

WIFIA would provide loans for water infrastructure projects at long-term, U.S. Treasury rates, thus providing tremendous financial benefits for water utilities and their customers. If a community can save just two percentage points on the interest rate for a 30-year loan, that results in cost savings of 25 percent for the total project. By holding down the cost of water project finance, WIFIA will directly benefit your constituents by improving the affordability of service and allowing greater investment in water infrastructure than would otherwise be possible.

There are two provisions in Senate bill that must be corrected. First, it would cap WIFIA support of a project at 49 percent of the project’s cost. This is a copy of the finance model used in the transportation program called TIFIA, on which WIFIA is modeled. However, transportation projects typically rely on a variety of sources of financing at local, private sector, state and federal levels. Water systems, on the other hand, are entirely supported by local rates and charges, so the 49-percent cap does not make sense.

This 49-percent cap led to another problem. In scoring WIFIA, the Congressional Budget Office assumed that the remaining 51 percent of a project would be financed by tax-exempt municipal
bonds, thus having a negative impact on the Treasury. This led to the Senate version of WIFIA prohibiting the use of tax-exempt municipal bonds for the non-WIFIA share, on the assumption that these water infrastructure projects would not be undertaken unless there is a WIFIA. That is a misunderstanding. Whether or not there is a WIFIA, most water projects are still vital and must be undertaken to assure compliance with water quality standards and assure reliability of service. Without WIFIA these projects will be undertaken, but they will cost more without WIFIA and your constituents will face higher water bills. Moreover, in the absence of WIFIA, far more of the cost of these critical projects – likely 100% in most cases – will be financed with tax-exempt debt. Allowing WIFIA to finance 100% of project costs will actually mean less tax-exempt financing, not more. And because WIFIA is strictly a loan program at Treasury rates, it will cause no net loss to the Treasury.

We urge you to ask water resources conferees to include WIFIA in the conference agreement, allowing up to 100% of project costs to be financed by WIFIA loans and allowing any non-WIFIA share to be financed with tax exempt debt.

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