Invest in the Nation’s Water Infrastructure

Actions Requested:

- Support fully authorized funding -- $35 million -- for the Water Infrastructure Finance and Innovation Act (WIFIA).
- Support freeing WIFIA to more fully realize its potential by removing the cap on WIFIA support of a project.
- Support at least $1.3 billion in funding for the drinking water and $1.3 billion for the wastewater state revolving loan fund programs.
- Remove the annual volume caps for private activity bonds for water infrastructure projects.

Background

The lead situation in Flint, Mich., has drawn national attention to the need to focus on public health by investing in the nation’s water infrastructure. While operational mistakes were made in Flint, infrastructure was a contributing factor as well. A study recently published in Journal AWWA revealed that the nation has at least 6.1 million lead service lines. The cost to replace an individual lead service line is about $3,000 to $5,000 per line. In most communities, a portion of each service line is legally private property, thus adding to the challenge.

Lead service lines are not the only water infrastructure challenge the nation faces. Indeed, well before the Flint situation arose, AWWA’s 2012 report, Buried No Longer: Confronting America’s Water Infrastructure Challenge,” revealed that the nation needed to spend at least $1 trillion over the next 25 years to maintain our current level of service. Delaying these investments only makes them more expensive, just as delaying maintenance on your car makes for bigger repairs down the road.

As you know, sound water infrastructure is vital to our nation’s well-being. Water infrastructure protects public health and the environment. It supports local and national economies, protects us from fires, creates jobs and brings us a higher quality of life.

The US Department of Commerce’s Bureau of Economic Analysis (BEA) estimates that for every dollar spent on water infrastructure, about $2.62 is generated in the private economy. For every job added in the water workforce, the BEA estimates 3.68 jobs are added to the national economy.
While communities are best served by water utilities that are self-sustaining through local rates and charges, there are times when an investment in infrastructure is required that is too large to be accommodated affordably in a short time frame using only local rates and charges.

This situation calls for a variety of tools in the infrastructure finance toolbox. Three extremely valuable tools for water infrastructure finance are the Water Infrastructure Finance and Innovation Act (WIFIA), state revolving loan funds (SRFs) and private activity bonds.

**WIFIA**

We deeply appreciate Congress’ leadership in enacting the Water Infrastructure Finance and Innovation Act in 2014. WIFIA is an innovative, cost-effective mechanism to help the nation renew, improve and rehabilitate its aging water and wastewater infrastructures. WIFIA complements the SRF programs by providing low-interest, long-term loans to projects that are generally too large or that lie beyond the scope of the SRFs. In the FY 2015 and FY 2016 omnibus spending bills, Congress provided $2.2 million for EPA to stand up the WIFIA program. However, now is the time for WIFIA to begin making those loans it was designed to make. And remember, because WIFIA is strictly a loan program, it results in no long-term net cost to the taxpayers, like the transportation program it is modeled after, TIFIA. It saves local communities valuable dollars by making those loans at long-term Treasury rates.

We urge Congress to appropriate the $35 million authorized in fiscal 2017 so that WIFIA can begin making loans to assist communities in addressing their water infrastructure needs.

When WIFIA was created, one artifact was carried over from the transportation program, TIFIA, that WIFIA is largely modeled after. TIFIA may only support 49 percent of a project’s costs. That makes more sense for transportation projects, which receive funding from a variety of local, state and federal sources. Water projects are ultimately supported solely by local revenues, and historically have a default rate of 0.04 percent. Therefore, the 49 percent is an artificial barrier to WIFIA realizing its full potential to assist communities addressing their water infrastructure challenges. Congress is beginning discussions over reauthorization of the Water Resources and Reform Development Act, the legislation in which WIFIA was created.

We urge Congress, and the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works in particular, to remove the 49 percent cap on WIFIA support as it works on WRRDA reauthorization.

**State Revolving Loan Funds**

The SRF programs have provided much-needed support for both drinking water and wastewater utilities, primarily for small to medium-sized projects or communities. It is vital that these successful programs be maintained and strengthened.

We therefore urge Congress to fund each SRF program at a minimum of $1.3 billion each.

**Private Activity Bonds**

Congress provides states an annual allocation of federal tax-exempt private activity bonds. The annual volume cap hinders the use of PAB’s for water and wastewater infrastructure, which are generally multi-year projects.
In order to boost the use of PAB’s for water and wastewater projects, Congress can amend the Internal Revenue Code to remove public-purpose water and wastewater projects from the restrictive PAB volume cap. This modification would allow local communities to leverage private capital markets in combination with other finance mechanisms and provide an influx of lower cost private capital to finance water infrastructure projects. The local users in turn repay the bond issuances over time.

H.R. 499 and S. 2606 are legislative vehicles designed to amend the Internal Revenue Code to lift the volume caps for water infrastructure projects. Both bills have bipartisan support.

We urge Congress to pass H.R. 499 and S. 2606.

Summary
The United States is a diverse country with large and small communities with their own unique infrastructure challenges and financial structures. Therefore, an infrastructure toolbox with a variety of tools is necessary to fully address our challenges. Spending on water infrastructure is not money down the drain. It is an investment in healthy citizens, a healthy environment and a robust economy.

AWWA is eager to continue working with Congress to further protect public health and improve the state of our water infrastructure.

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