



September 21, 2010

The Honorable Christopher Dodd, Chairman
The Honorable Richard Shelby, Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Dodd and Ranking Member Shelby,

Thank you for the opportunity to submit comments for the record of the Committee's hearing on "Investing in Infrastructure: Creating Jobs and Growing the Economy." The Association of Metropolitan Water Agencies (AMWA), which represents the nation's largest publicly-owned drinking water systems, is pleased to discuss how a proposed National Infrastructure Bank can help meet the infrastructure challenges facing America's water utilities.

First, it is important to note that while our country's roads and railways have received the most attention in the context of infrastructure renewal discussions, our drinking water systems have serious infrastructure needs as well. EPA's 2007 Drinking Water Needs Survey reported that the nation's drinking water systems require at least \$334.8 billion in investment over the next twenty years to continue providing service at current levels. Thirty-five percent of this need – \$116.3 billion – is represented by metropolitan drinking water systems that serve at least 100,000 people. In addition to these figures, EPA has reported that the country's wastewater systems face \$298.1 billion in infrastructure needs over the next two decades.

Unfortunately, the federal government's existing funding programs do not provide adequate assistance to meet these needs – especially for urban water systems. For example, EPA's Drinking Water State Revolving Fund (DWSRF) is the primary mechanism through which local water systems access federal dollars for infrastructure repairs and upgrades, and legislation pending in the Senate (S. 1005) would authorize spending up to \$14.7 billion on the program over the next five years. But even if the DWSRF were fully funded at this level – an unlikely proposition in the current budget environment – it would only cover a small portion of the infrastructure costs faced by drinking water utilities across the country.

But even more importantly, the design of the DWSRF prevents many metropolitan water systems from successfully utilizing the program. This is because the DWSRF was established primarily to offer loans to help small community water systems come into compliance with federal drinking water quality standards. But this focus on rectifying existing compliance issues leads the program to overlook projects that would benefit millions of people by rehabilitating aging systems or fixing problems before they threaten public health. As EPA Assistant Administrator for Water Peter Silva testified before the Senate Environment and Public Works Committee last

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Diane VanDe Hei
Executive Director

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year, ninety-six percent of all health based SDWA violations occur at systems serving less than 10,000 people. As a result, states have traditionally targeted DWSRF assistance toward these small systems.

EPA's own data confirms this. From the beginning of the DWSRF in 1997 through 2009, community water systems serving more than 100,000 people received only twenty-three percent of funds distributed by the program, despite serving forty-six percent of the American population, and representing thirty-five percent of the sector's total infrastructure need.

Of course, we recognize that large metropolitan utilities often have access to funding sources that are unavailable or unaffordable for smaller water systems. Many large cities, for example, can borrow money at competitive rates or issue bonds to fund needed infrastructure improvements. But a National Infrastructure Bank could supplement these sources, and offer stable financing regardless of the economic climate.

While we were disappointed that President Obama's recent call for an Infrastructure Bank did not mention water projects, we are pleased that Sen. Dodd's 2007 legislation (S. 1926, the "National Infrastructure Bank Act") would permit funding for water infrastructure of "regional or national significance." To further strengthen this proposal, AMWA would like to share a few suggestions with the Committee.

First, the legislation's requirement that the National Infrastructure Bank only consider projects requiring a federal commitment of at least \$75 million could lead to the exclusion of many essential drinking water projects. Because individual DWSRF loans rarely exceed \$20 million, a significant funding gap could emerge where there is no federal mechanism to loan dollars to water projects requiring more than \$20 million but less than the Infrastructure Bank's proposed \$75 million minimum. I urge you to revise the legislation to permit loans to regionally significant drinking water projects within this cost range.

The Committee should also ensure that National Infrastructure Bank funds are available not only for water projects that have a direct connection to a utility's compliance with the Safe Drinking Water Act, but also for those that will shore up aging infrastructure before it fails, or will lead to the implementation of cutting-edge technologies. Such projects might include:

- Replacement or rehabilitation of aging treatment, conveyance, storage, and distribution facilities;
- Capital projects to upgrade or enhance the security of drinking water systems;
- Capital projects to facilitate the consolidation or interconnection of multiple water systems;
- Projects to reduce a utility's energy consumption, increase its energy efficiency, or to implement on-site renewable energy generation technologies; and
- Measures to increase water efficiency.

Again, AMWA would like to thank the Committee for holding this important hearing on investing in our nation's infrastructure. We look forward to working with you to ensure that drinking water utilities may compete for funding through a National Infrastructure Bank.

Sincerely,



Diane VanDe Hei
Executive Director