



July 10, 2018

The Honorable John Barrasso
Chairman
Committee on Environment and Public Works
United States Senate
Washington, DC 20510

The Honorable Tom Carper
Ranking Member
Committee on Environment and Public Works
United States Senate
Washington, DC 20510

Dear Chairman Barrasso and Ranking Member Carper:

Our organizations are pleased to offer this statement for the record of the Senate Environment and Public Works Committee's July 11 hearing on "The Long-term Value to U.S. Taxpayers of Low-cost Federal Infrastructure Loans." As the three organizations that were the leading water sector advocates in favor of authorizing and funding EPA's Water Infrastructure Finance and Innovation Act program, better known as WIFIA, we applaud the committee for taking the time to review how this and other federal low-cost infrastructure loan programs deliver immense value to American taxpayers.

The members of AWWA and AMWA serve more than 80 percent of the American public with drinking water and water for public health and safety. Our membership includes small, medium and large water utilities, both public and private or investor owned. WEF members provide an equivalent level of service in the wastewater sector.

As you are aware, Congress created the WIFIA program as part of the Water Resources Reform and Development Act in 2014. A product of close collaboration between water sector stakeholders and bipartisan infrastructure advocates in the House and Senate, WIFIA was carefully designed to complement EPA's existing State Revolving Fund (SRF) programs, which predominantly help communities undertake relatively modest infrastructure improvements necessary to achieve or maintain compliance with public health and environmental standards. WIFIA, in contrast, is intended to predominantly support large-scale water and wastewater projects expected to cost at least \$20 million (or \$5 million in the case of a project serving a rural community).

WIFIA is filling a gap in addressing America's water infrastructure needs. After Congress first provided funding for WIFIA to begin making loans in fiscal year 2017, EPA received 43 letters of interest from entities interesting in pursuing WIFIA loans, seeking three times the amount of loan money available. From those 43 letters, the agency selected 12 projects to proceed to the formal application phase. The \$25 million Congress appropriated for WIFIA in 2017 will result in \$2.3 billion in loans for a total investment in the nation's water infrastructure of \$5.1 billion. This represents a tremendous value to the American taxpayer.

In recent months our organizations have expressed strong opposition to the Securing Required Funding for Water Infrastructure Now (SRF WIN) Act. This proposal has been promoted as allowing state SRF agencies to bundle numerous smaller projects into a single application so that they may qualify for a WIFIA loan, but ignores the fact that the existing WIFIA program already offers this capability. In fact, the state of Indiana is currently applying for WIFIA funding for multiple smaller-scale projects through this mechanism. This would seem to indicate that the SRF WIN Act is simply unnecessary. At minimum, Congress should see how the WIFIA loan process works for Indiana before undertaking a new WIFIA program exclusively for state SRF agencies.

We are also concerned that, as approved by the Environment and Public Works Committee as part of America's Water Infrastructure Act, SRF WIN would do grave harm to the WIFIA program, while establishing an illogical system of winners and losers among states. This is because the SRF WIN Act would offer highly subsidized interest rates – between 50 and 80 percent of the Treasury Rate – to states that received less than two percent of total available SRF funding in the most recent fiscal year. Meanwhile, states that received above that threshold of SRF assistance – including those with substantial water infrastructure needs like New York, New Jersey, California, Illinois, Massachusetts, and Maryland, among others – would only be able to access SRF WIN loans at the full Treasury Rate, or virtually the same rate as they can currently receive financing through WIFIA. In other words, states with the most significant water infrastructure needs stand to gain very little from the SRF WIN Act.¹

States with fewer reported water infrastructure needs – those that received less than two percent of the most recent SRF allocations – would enjoy lower interest rates under the SRF WIN Act, but this would come at a significant cost, as these lower rates would need to be subsidized by the federal government. This would come in the form of a higher interest rate subsidy provided by EPA, which would translate into a lower leveraging ratio for the WIFIA program. According to an analysis conducted by EPA, the typical SRF WIN loan subsidized at interest rates of between 50 and 80 percent of the Treasury rate would leverage federal dollars at rates of only between 3.66-to-1 and 8.50-to-1. This is significantly below the 92-to-1 rate in place for WIFIA loans to be awarded through the 2017 round of funding, as well as the 102-to-1 leveraging ratio estimated for WIFIA in FY19. In effect, these reduced leveraging ratios under the SRF WIN Act would mean fewer total dollars would be available through WIFIA for communities to access for water infrastructure projects, and states with the largest needs (and unable to access the lowest SRF WIN rates) would effectively be subsidizing the others.

As the Environment and Public Works Committee uses its July 11 hearing to examine how American taxpayers and infrastructure agencies benefit from low-cost financing offered through federal programs like WIFIA, committee members should seriously question whether the proposed framework of the SRF WIN Act would contribute to this objective. Because the SRF WIN Act would actually leverage federal dollars less efficiently than is currently being achieved through the WIFIA program, our organizations would encourage senators bring this flawed proposal back to committee for additional study.

Thank you for the opportunity to submit this statement for the record of today's hearing. We remain willing to work with the committee and offer feedback on proposals that could strengthen the WIFIA program without undermining its current exceptional leveraging ratio.

Sincerely,

American Water Works Association
Association of Metropolitan Water Agencies
Water Environment Federation

¹ The following states received more than two percent of total Drinking Water and Clean Water SRF funding in 2017 (\$42,985,780), which would have made them ineligible for reduced interest rates had the SRF WIN Act been in effect during that year: California, Florida, Illinois, Indiana, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, and Wisconsin.

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Cc: Environment and Public Works Committee members