



September 9, 2013

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

RE: Response to concerns regarding the “Water Infrastructure Finance and Innovation Act”

Dear Chairman Boxer:

On behalf of a coalition of water utility organizations working to promote the passage of the “Water Infrastructure Finance and Innovation Act” (WIFIA), we would like to again commend you for approving a WIFIA pilot program as part of the recently passed “Water Resources Development Act.” As we have stated previously, WIFIA represents an exciting new opportunity to supplement the existing Clean Water and Drinking Water State Revolving Fund (SRF) programs with additional water infrastructure loans targeted to large-scale projects that are currently not strong candidates for funding through the SRFs. WIFIA will be a modern, effective, and efficient new tool in the toolbox for communities constructing a wide variety of much needed water infrastructure projects. Just as important, its long-run impacts to the US Treasury will be very small or even positive.

Despite the strong support and enthusiasm for WIFIA, we understand some state groups remain concerned about the proposal. We would like to respond to a recent communication from the State EPA Workgroup that we believe reflects a serious misunderstanding of how WIFIA will work.

#### **WIFIA Will Build on the TIFIA Model**

The notion that administering WIFIA through the states would be more efficient than doing so through a single national program defies logic and would be contrary to the success that has been demonstrated in the Department of Transportation’s streamlined TIFIA program. The SRF programs permit a percentage of the annual SRF appropriations for program administration costs by the states, which reduces funds available for low-interest loans to communities. In contrast, the TIFIA program (on which WIFIA is modeled) is widely acknowledged to be a streamlined, effective operation that has distributed billions of dollars in loans with low overhead costs and without adversely impacting other transportation funding programs. EPA can operate WIFIA in the same efficient manner.

#### **WIFIA Will Complement, Not Compete With, the SRFs**

The states are correct that much important work is done by the State Revolving Funds.

That is why AWWA, AMWA, WEF, and other WIFIA supporters consistently back robust appropriations for the CWSRF and the DWSRF each fiscal year, and will continue to do so to preserve diverse infrastructure funding options and to ensure states have continued access to necessary state program management dollars. Additionally, every year a bipartisan group of Senators, including many members of the Environment & Public Works Committee, send a letter to the Senate Interior & Environment Appropriations Committee calling for significant funding of the SRF accounts. In fact, S. 601, as passed by the Senate, clearly states congressional support for the SRF's in Sec. 10002(1) by stating that the purpose of the WIFIA program is to establish "additional opportunities for financing water resources projects that complement but do not replace or reduce existing Federal infrastructure financing tools..."

However, it is also important to recognize the inherent limits of these existing programs; the state workgroup itself notes the SRFs "were built to support the specific goals of the Clean Water Act via water quality enhancement and the Safe Drinking Water Act via public health protection." US water utilities face hundreds of billions of dollars in vitally needed infrastructure investment over the coming years for projects that are not directly tied to compliance or health protection. For example, many of those investments are needed to replace or upgrade aging infrastructure to ensure continued high levels of water service and to enhance the reliability and security of water supplies. Unfortunately, when these critical water infrastructure projects are proposed by utilities that show high compliance with state and federal standards, they are often pushed to the bottom of state priority lists that guide the distribution of SRF monies. The creation of a WIFIA will not interfere in any way with states' ability to direct SRF funds as they see fit to qualifying water and wastewater projects, but it will establish a new funding opportunity for large infrastructure projects that are unlikely to receive SRF funding.

The states express a concern that WIFIA "would most likely be funded at the detriment of the SRF programs," but there is no evidence to support this assertion. As stated earlier, the supporters of WIFIA are also supporters of robust SRF funding, and that will not change. But WIFIA does offer the opportunity to address a wider range of water infrastructure needs than the SRFs can currently accommodate. WIFIA also attracts additional capital through the promotion of innovative financing mechanisms. No part of the Senate-approved WIFIA proposal (Title X of S. 601) would impact current or future SRF appropriations.

### **WIFIA Will Target Underserved Large-Scale Projects**

The state workgroup also expressed the view that WIFIA is unnecessary because the DWSRF has provided as many as 53 loans to projects costing more than \$20 million. However, analysis of the EPA data shows those loans represent only 0.6 percent of all DWSRF loans made through the 2010 fiscal year. Similarly, CWSRF loans in excess of \$20 million represent just 2.3 percent of all CWSRF loans made through fiscal year 2009.

What's more, EPA data shows the average DWSRF loan to be valued at just \$2.4 million, and DWSRF loans to the largest water systems average only \$8.4 million. With WIFIA aimed squarely at projects costing more than \$20 million, there will be very little if any

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overlap between WIFIA projects and those that presently receive and will continue to receive the vast majority of SRF assistance. Similar to the way states use their formula dollars to support priority transportation projects, some of the larger of which also receive TIFIA financing, states will be able to continue to use SRF funding for priority projects, including larger ones, while the WIFIA financing can only back projects \$20 million or more.

We would also like to point out that the Senate WIFIA proposal allows states themselves to aggregate a number of smaller projects and assemble a loan package that meets the \$20 million minimum loan size for larger cities or the \$5 million loan size for small communities. This gives individual states great latitude to direct some projects into their SRF pool and others into a WIFIA package – again demonstrating how WIFIA will serve as a worthwhile and effective companion to the SRFs.

In closing, we would like to once again express our strong appreciation to you and all members of the Senate, for including a WIFIA pilot program as Title X of S. 601. The bipartisan support for this proposal demonstrates the wide understanding that WIFIA is an innovative, cost effective additional financing tool that will complement, not replace, the important work of the existing SRF programs and their state managers. We welcome any opportunities to meet with congressional leaders and stakeholders to continue the dialog about how to make WIFIA an effective tool for communities and states to address their infrastructure challenges. We look forward to continuing to work with you to spread this message in the weeks and months ahead.

Sincerely,

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