ASSOCIATION OF METROPOLITAN WATER AGENCIES

LEADERS IN WATER

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April 30, 2025

The Honorable Shelley Moore Capito
Chairman
Committee on Environment
and Public Works
United States Senate
Washington, DC 20510

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

Chair Capito and Ranking Member Whitehouse,

Thank you for the opportunity to submit a statement for the record on the Senate Environment and Public Works Committee hearing "Building on the IIJA's Successes: Identifying Opportunities to Strengthen Water Infrastructure Programs." This committee's work to reauthorize the Infrastructure Investment and Jobs Act (IIJA) and examine the funding distributed through IIJA is of critical importance. The dollars appropriated through IIJA to support water infrastructure investments have been transformational for AMWA member utilities across the country.

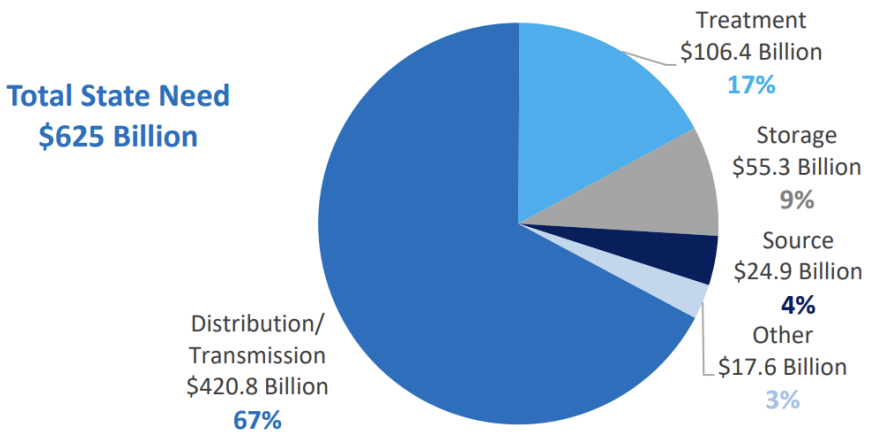
AMWA is comprised of the nation's largest publicly owned drinking water systems. AMWA's members collectively serve more than 160 million Americans from coast to coast with clean, affordable drinking water. AMWA worked with members of this committee to develop the legislation that became the Drinking Water and Wastewater Infrastructure Act (DWWIA) and strongly supported the bill in 2021 when it passed the Senate with overwhelming support. It was subsequently incorporated into IIJA, establishing a number of programs directed at addressing the current challenges facing our drinking water and wastewater sectors. Passage of IIJA was one of Congress' landmark infrastructure achievements and provided overdue relief for drinking water utilities that have had years of deferred infrastructure funding needs. However, many of the key water infrastructure programs authorized through that legislation are scheduled to expire at the end of the 2026 fiscal year, so AMWA is eager to work with the committee in the coming

months to reauthorize these programs so they can continue to support critical investments in the nation's water infrastructure.

Drinking Water Sector Needs: The Case for IIJA

In addition to the key EPA program authorizations included within IIJA, the legislation also delivered the single largest investment ever in U.S. water infrastructure, allocating nearly $50 billion in supplemental water infrastructure funding. This funding came at a pivotal moment, as the most recent data from the EPA's 7th Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) shows that the drinking water sector has a $625 billion capital improvement need over the next 20 years to maintain current levels of service.[1] Accounting for inflation, this is a 14 percent increase in need over the previous DWINSA survey results from 2015. This signals that investments in drinking water are not keeping pace with the need, and that over time the gap between the needs and investments has been growing. The below chart shows a breakdown of the percentage of need by infrastructure project category.

Exhibit 1.2: Total 20-year State Need by Infrastructure Project Category (in billions; January 2021 dollars)



Source: EPA 7th Drinking Water Infrastructure Needs Survey and Assessment

Distribution and transmission make up the majority of funding needs, at about 67 percent of all infrastructure needs, or $420 billion over the next 20 years. This includes raw water transmission, finished water transmission, and distribution mains–the primary pipes that carry water from a treatment plant to a distribution network, and then distribute water throughout a

[1] https://www.epa.gov/system/files/documents/2023-09/Seventh%20DWINSA_September2023_Final.pdf

community. Water treatment makes up the second largest cost at 17 percent of all infrastructure needs, or $106 billion.

Many of AMWA's drinking water utilities are conducting ongoing work to expand their facilities in order to accommodate increased demand for drinking water. This is in part due to population growth and shifts in population dispersal across the country. Simultaneously, freshwater supplies have become increasingly burdened over time. A combination of a growing population, changing precipitation patterns, and increasing water usage from agriculture and manufacturing sectors have put additional stress on freshwater supplies.[2] Many water utilities rely on a combination of surface water and groundwater to supply households, so as other industries like agriculture have been using increasing amounts of groundwater, this stresses the overall availability for the drinking water sector. Meanwhile, decreased overall precipitation and other factors has led to drying out aquifers, especially in western parts of the country.[3]

In addition to this, many water systems are operating infrastructure that is facing the end of its useful life, including pipes, storage tanks, and treatment plants. The need for routine replacement and rehabilitation projects is not novel, as a report from more than 20 years ago stated that water systems were then entering "the replacement era."[4] Estimates show that the useful life of transmission lines and distribution mains ranges from 35 to 40 years.[5] Given that the majority of the nation's transmission and distribution systems were constructed after the 1960s, now is the time to accelerate efforts to replace this essential infrastructure.

Breakdown of IIJA Funding for Drinking Water

Drinking water is one of the most important resources for a thriving society and economy. AMWA's member utilities are tasked with providing safe, clean, and affordable drinking water to all households in order to uphold public health. Considering the strains on drinking water systems such as funding, failing infrastructure, and water supply concerns, utilities' ability to provide safe, clean, and affordable drinking water has become increasingly difficult. IIJA provided relief by injecting the first substantial investment into drinking water infrastructure in our country's history.

[2] https://www.neefusa.org/story/water/increasing-demand-and-decreasing-supply-water
[3] https://www.nytimes.com/interactive/2023/08/28/climate/groundwater-drying-climate-change.html
[4] American Water Works Association, *Dawn of the Replacement Era: Reinvesting in Drinking Water Infrastructure*, Denver, CO, May 2001.
[5] EPA, *Asset Management: A Handbook for Small Water Systems*, EPA 816-R-21-006, Washington, DC, April 2022.

IIJA appropriated roughly $50 billion in new spending for drinking water and wastewater infrastructure programs over five years, primarily through the Drinking Water and Clean Water State Revolving Funds. For drinking water, this sum includes:

- $11.713 billion for essential drinking water infrastructure projects funded through the DWSRF, like money for treatment plants, filtration systems, and distribution infrastructure.

- $15 billion over five years for lead service line replacement projects and associated activities, like carrying out required lead service line inventories that tell communities the exact location of these outdated lead pipes.

- $9 billion to address per-and polyfluoroalkyl substances, or PFAS, and other emerging drinking water contaminants, including $5 billion dedicated to supporting these efforts in small and disadvantaged communities. The funds will support the installation of advanced contaminant detection and water treatment technologies to help drinking water systems comply with new federal drinking water regulations for PFAS that are expected to be proposed later this year.

In addition to these drinking water programs, the law appropriated another $11.713 billion for wastewater infrastructure projects through the Clean Water SRF and $1 billion to help wastewater systems address their emerging contaminant challenges.

DWWIA Programs Included in IIJA

In addition to the historic infrastructure investments from IIJA, the law also included more than a dozen new authorizations and reauthorizations for targeted programs that will help water systems address a range of pressing challenges. From addressing resilience to flooding, water supply concerns, or lead service line replacements, these program authorizations were all part of the original DWWIA legislation that passed the Senate in 2021 by a vote of 89 - 2.[6] The entire DWWIA text was later incorporated into IIJA before becoming law. As the committee examines the benefits of these programs, AMWA strongly supports their reauthorization as well as funding them at their fully authorized levels.

[6] https://www.senate.gov/legislative/LIS/roll_call_votes/vote1171/vote_117_1_00178.htm

Drinking Water System Resilience

During development of DWWIA AMWA worked with the committee to develop the Midsize and Large Drinking Water System Infrastructure Resilience and Sustainability Program (authorized in Section 1459F of the Safe Drinking Water Act), which was authorized in the statute at $250 million over five years. This program will help drinking water systems prepare to withstand the effects of natural disasters, severe floods, drought, and security concerns like cyber threats. Establishing this source of dedicated funding to help all drinking water systems address these challenges has been one of AMWA's top long-term priorities. However, while Congress has begun to appropriate funding to the program, EPA has fallen behind schedule in making the funds available to communities. We understand that the agency is expected to release its first notice of funding opportunity in the coming weeks, finally enabling water systems to begin to consider how the program could help them secure needed dollars for cybersecurity and resilience projects. AMWA strongly recommends prioritizing the continuation of this program and funding it at a level that will enable drinking water utilities to make significant improvements to overall resilience.

This program holds the potential to supplement ongoing efforts by AMWA members to mitigate the impacts of natural disasters, more frequent flooding, water supply concerns, and cyber attacks. In Oregon, Hillsboro Water is installing resilient water supply capacity to accommodate future population growth, and seismic resilient upgrades to mitigate impacts from earthquakes. In 2024, an AMWA utility reached out for assistance with improving their cyber response after they were a victim of a ransomware attack. The EPA's infrastructure resilience program is a critical tool for utilities to address these wide-ranging challenges, from security concerns to natural disaster impacts, that are only growing for the water sector.

Addressing Lead Service Lines

In addition to the five-year, $15 billion supplemental appropriation for lead service line replacement activities provided to states via the DWSRF, the IIJA also reauthorized a key competitive grant program at EPA to further protect public health and drinking water from lead contamination. Originally established with AMWA's support, the Reducing Lead in Drinking Water grant program (Section 1459B of the Safe Drinking Water Act) was authorized at $500 million over five years and is making strides to help disadvantaged communities ensure their water is safe to drink. To date, over $37 million in grant funding has been awarded to six different communities, including water systems in Rhode Island, Michigan, and New Jersey.[7]

[7] https://www.epa.gov/dwcapacity/wiin-grant-reducing-lead-drinking-water

While these funds are critical to supplement the $15 billion allocated through the DWSRF, the program has not been funded close to its authorized amount. There is a great need for a competitive grant program focused on disadvantaged communities outside of the DWSRF formula funding allocation of lead service line money. To start, $15 billion is only a small portion of the needed $90 billion estimated total to remove all lead service lines across the country. Because certain states have much higher numbers of lead service lines than others, these dollars do not go as far, and many communities have still been left without federal assistance. As community water systems face a 2037 deadline to replace all lead service lines under EPA's Lead and Copper Rule Improvements, many utilities will need additional federal assistance in order to complete lead service line replacements, which are both costly and time consuming.

IIJA Success Stories

Many of AMWA's members have benefited greatly from the investments in water infrastructure made by the IIJA. Pittsburgh Water and Sewer Authority (PWSA), an AMWA member, is an example of how targeted investments in water utilities' most pressing challenges can both modernize failing systems and simultaneously address potential contaminants, like lead service lines. PWSA is currently on track to replace all lead service lines by 2027, with 12,000 of an estimated 17,000 identified lead service lines replaced so far.

PWSA has received $176 million from IIJA to date, much of which has been in the form of lead service line replacement grants and low-interest loans. PWSA's overarching goal was to replace lead lines first in neighborhoods where they posed an exacerbated risk, so they developed a prioritization model based on census tract data. This criteria included communities with children under age six, people with elevated blood lead levels, households below certain income levels, and the number of service lines with lead and unknown material.[8] Important to their success with lead service line replacements, PWSA has a strong partner in Pennsylvania Infrastructure Investment Authority (PENNVEST), a state-run financing authority that provides low-cost financing for water, wastewater, and stormwater projects.

Another example of how IIJA funding is revitalizing aging water systems is the Albany Water Board's $3.1 million grant for their comprehensive water improvement plan, which is comprised of water treatment, transmission, and distribution assets, as well as wastewater collection, conveyance, and satellite treatment facilities. The IIJA funding is specifically for the rehabilitation of a water filtration plant, including an aeration building and mixing basins, and a

[8] https://www.pgh2o.com/news-events/news/press-release/2024-06-06-pwsa-invest-601-million-water-main-and-lead-service-line

new maintenance building. It will allow Albany to make the necessary upgrades to maintain its current level of service in the coming years.

The Suffolk County Water Authority (SCWA) on Long Island received $1.85 million in funding from IIJA for emerging contaminants, specifically to expand access to high quality public water for homes currently supplied by private wells that have been impacted by PFAS contamination. Approximately 25,000 people in Suffolk County rely on private wells to supply drinking water to their homes. Many of those wells have been impacted by PFAS, which is present in Long Island's soul source aquifer. The cost to extend the water main to serve homes in remote areas can be prohibitive to residents, so federal funding from IIJA has allowed these families access to high quality drinking water that is meeting or surpassing state and federal standards for PFAS. A community in Calverton, where 92 homes are slated to be connected thanks to IIJA funding, had PFAS detections in some private wells as high as 18 times the state standard.

Lastly, IIJA's reauthorization of the WIFIA program is crucial for AMWA members, and water and wastewater systems nationwide. WIFIA is necessary for large utilities that otherwise would face higher borrowing costs to finance large-scale projects requiring massive amounts of upfront capital. There are countless examples of AMWA members that have received WIFA grants for necessary overhauls, all of which have expanded the utilities' capacity, upgraded to modern technologies, and created economic development opportunities.

For example, in July 2024 Toho Water Authority received a $292.7 million WIFIA loan under which two tranches would fund alternative potable and non-potable water supply sources to offset groundwater demands. Additionally, the authority will complete treatment upgrades, expansion of multiple water treatment facilities, and a series of water main and pump station installations to improve potable and non-potable water distribution within the service area. The first tranche was funded in July 2024 in the amount of $188.3 million and the second and final tranche in the amount of $104.4 million is expected to be funded in the summer of 2025. This project will save Toho Water Authority $47 million by financing through WIFIA, increase water supply resilience, and reduce reliance on groundwater in order to meet future customer demand.

Recommendations

In addition to reauthorizing these essential water infrastructure programs, AMWA urges the committee to use this opportunity to make several targeted policy reforms that will make them even more effective to the nation's water and wastewater systems.

WIFIA Non-Subordination

Reauthorization of IIJA presents an opportunity to amend the non-subordination clause in WIFIA's authorizing language, which can have the effect of increasing the cost of other debt taken out by community water systems.

Under current law, a WIFIA loan from the federal government may not be subordinated to any other debt obligations—meaning WIFIA debts must be paid back before any other existing debt. Although intended to protect investments from the federal government, this provision makes it more difficult for large water and wastewater utilities, with complex debt portfolios, to maximize savings. When water and wastewater systems must put off paying debt with higher interest in order to pay off WIFIA loans first, it increases costs, thus canceling out some of the benefits of WIFIA's lower borrowing costs.

Other similar programs, like the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, have more flexibility built into the terms of debt repayment. Amendments to align WIFIA requirements with TIFIA requirements would create exceptions for this non-subordination requirement in cases where the borrower is a public sector entity, has "A" rated credit, or if the loan isn't dependent on revenue from the project. This would open the program up to more participation from utilities, offer increased flexibility from reliable borrowers that can be trusted to pay back the loans, and allow communities to finance their entire debt portfolio as cost-effectively as possible.

Expediting Grant Funding

While IIJA took important steps in authorizing the Reducing Lead in Drinking Water grant program and the Midsize and Large Drinking Water System Infrastructure Resilience and Sustainability Program, both have been underfunded relative to their authorized levels and slow to get the money out the door. The lead program is authorized at $100 million per year, but EPA has only awarded $38 million to six communities since 2020. The resilience program is currently waiting for its first notice of funding opportunity to be announced. These resources are much needed for the sector, but EPA needs to get the programs up and running more efficiently to get money out to grant awardees. More oversight of the agency is necessary to ensure these programs get appropriated funding to community water systems as quickly and efficiently as possible.

Conclusion

AMWA appreciates the committee's ongoing commitment to water infrastructure and supports the extension of water infrastructure programs authorized through IIJA. As drinking water utilities prepare to comply with costly regulatory requirements while maintaining affordable service, and water bills continue to outpace inflation, there is a clear need for sustained investments that will deliver long-term economic impact to communities.

Again, AMWA appreciates the opportunity to submit this statement for the record of today's hearing. Thank you, and AMWA and its members are eager to continue to work with you.

Sincerely,

Tom Dobbins
Chief Executive Officer