



August 21, 2023

The Honorable Charles Schumer
U.S. Senate
Washington, D.C. 20515

The Honorable Kevin McCarthy
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
U.S. Senate
Washington, D.C. 20515

The Honorable Hakeem S. Jeffries
U.S. House of Representatives
Washington, D.C. 20515

Re: Funding for the Clean Water and Drinking Water State Revolving Funds

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker McCarthy and Minority Leader Jeffries,

The undersigned organizations, which represent a broad cross-section of the water sector, urge Congress to fund the Clean Water and Drinking Water State Revolving Funds (SRFs) to the maximum authorization in federal law, \$3 billion each, for fiscal year 2024.

The SRFs provide affordable financing for clean water and drinking water infrastructure that protects public health. Annual federal funding allows the SRFs to provide subsidized loans to build infrastructure that provides safe drinking water, wastewater treatment, water reuse and stormwater management for hundreds of millions of Americans. Every year, these state-run programs efficiently and effectively deliver federal and state funding for high-priority water infrastructure projects in thousands of communities around the nation.

Increased federal funding is needed to ensure clean and safe water for every American.

The nation's 7th Drinking Water Needs Survey estimates the cost of meeting the nation's infrastructure needs for safe drinking water is \$625 billion over the next 20 years. The nation's Clean Watershed Needs Survey, which completed data collection earlier this year, is expected to demonstrate a significant increase in needs for wastewater, water recycling and stormwater infrastructure since the last survey. Without increased investment, the legacy gap in capital investment in water infrastructure is expected to grow to \$434 billion by 2029, according to the American Society of Civil Engineers (ASCE).

Annual federal funding for the SRFs will allow water utilities to keep water infrastructure projects on track, on time and on budget. The SRFs offer a reliable, accessible and affordable financing option for water utilities who are facing a myriad of financial challenges. The economic and regulatory factors that are driving up the cost of infrastructure include historic inflation, supply chain disruptions, a shortage of skilled workers, increased competition for professional services such as engineering, rising interest rates on municipal bonds, and the increased cost of compliance to meet increasingly stringent federal water quality standards for nutrients, lead, copper and emerging contaminants such as per- and polyfluoroalkyl substances (PFAS).

Annual federal funding for the SRFs is a catalyst for greater investment. Annual federal funding is directly linked to an SRFs' ability to:

- Issue municipal bonds to generate additional funding to meet the demand for subsidized loans for water infrastructure projects.
- Maintain very low interest rates on loans, which save millions of dollars in financing costs that would otherwise be passed onto households and small businesses through higher water bills.
- Fund water infrastructure projects in communities that can't qualify or afford financing in the private sector or municipal bond market.
- Provide principal forgiveness or grants to communities that couldn't otherwise afford to pay for water infrastructure projects without additional financial support.
- Fulfill funding commitments in multi-year financing agreements for large, complex water infrastructure projects in urban centers that serve millions of people.
- Deliver an array of technical assistance to small, rural and disadvantaged communities, such as professional services to ensure compliance, maintain a safe level of service, and develop capital improvement projects.
- Augment state and local programs that protect drinking water, train and certify staff at water utilities, and develop asset management plans to protect federal investments in water infrastructure.

Annual federal funding for the SRFs is fiscally responsible. Today's decisions about federal funding will have lasting impacts. Every dollar in federal funding for SRF subsidized loans grows a permanent source of recurring revenue to meet the never-ending need to maintain and improve water infrastructure. As a result, the SRFs are funding water infrastructure projects today that may never have been built without loan repayments from subsidized loans.

Annual federal funding for the SRFs is more flexible than short-term federal funding in the Infrastructure Investment and Jobs Act (IIJA).

- Nearly half of IIJA funding – \$20 billion of \$43 billion – is restricted and can't be used to replace, repair and rehabilitate aging water infrastructure. Because of these restrictions, some states are not able to access full federal funding in the IIJA.
- More than half of the IIJA funding can't be used for SRF subsidized loans, permanently eliminating a significant source of recurring funding for future water infrastructure.
- Nearly half of the IIJA funding can only be used in communities that meet state affordability criteria, which helps small and rural communities that can't afford to repay a loan but has the unintended consequence of limiting federally subsidized loans for well-run and financially-sound water utilities.

Additionally, nearly one-third of IIJA funding, to-date, has been used to offset cuts to annual federal funding due to congressional earmarks which, historically, were funded *in addition to* the SRFs, rather than *in lieu of* the SRFs. Using supplemental appropriations in the IIJA to offset cuts to annual federal funding undermines the historic opportunity provided by the landmark law, which was to extend affordable financing for water infrastructure to more communities than ever before.

Investing in water infrastructure is vital for America's financial future. Clean water is the foundation of a strong economy. Increasing federal funding for SRF subsidized loans for infrastructure for clean water and drinking water systems that serve communities is a fiscally responsible policy that fosters robust economic growth which can ultimately contribute to deficit reduction.

Thank you for your consideration.

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