ASCE
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April 13, 2017

The Honorable John Shimkus
Chairman
House Energy and Commerce Committee
Subcommittee on the Environment
2125 Rayburn House Office Building
Washington DC, 20515

Dear Chair Shimkus:

Thank you for the opportunity to appear before your Subcommittee on the Environment on March 16, 2017 to testify on reinvesting and rehabilitating our nation's safe drinking water delivery systems.

As requested in your April 3, 2017 letter to me, enclosed are my responses to the questions asked. Should you have additional questions or would like more information on this important topic, please do not hesitate to contact me.

Sincerely,

[redacted]

Greg DiLoreto, P.E., P.LS., D.WRE., Pres. 13, ASCE
Chair, ASCE Committee on America's Infrastructure

Response to Questions For the Record

The Honorable John Shimkus

1. **In ASCE's 2013 Infrastructure Report Card on drinking water, it stated that the financial impact of meeting regulatory requirements were a continuing issue for many communities and one that encouraged deferred maintenance-- $7 billion over 20 years. What was the financial impact of meeting regulatory requirements that ASCE found as part of its 2017 Report Card?**

   In our 2017 Report Card, we did not break out the financial impact of meeting regulatory requirements. The amounts we obtain from EPA are combined for both regulatory and infrastructure needs.

2. **In the 2013 Infrastructure Report Card, ASCE recommends higher water rates to reflect the "true cost of water." The ASCE recommendations in its 2017 Report Card are much softer with regard to the need for rate increases, instead placing a heavier reliance on Federal funding. What changed over the last four years?**

   Both the 2013 and 2017 Report Cards call for investment through rates at the local level. In 2013 we stated, "Current water rates do not reflect the true cost of supplying clean, reliable drinking water. Replacing the nation's antiquated pipes will require significant local investment, including higher water rates." In 2017 we state, "Encourage utilities to conduct revenue forecasting models to determine necessary rate revenues over a period of time and then institute rates that reflect the true cost of supplying clean reliable drinking water. Further, one of the 2017 Report Card's overall solutions, not just those in water categories, reads, "Infrastructure owners and operators must charge, and Americans must be willing to pay, rates and fees that reflect the true cost of using, maintaining, and improving all infrastructure, including our water, waste, transportation, and energy services."

   And the five financial solutions listed in the 2017 Report Card are also contained in the 2013 Report Card. The five financial solutions in the 2017 Report Card are:

   - Reauthorize both the Clean Water and Drinking Water state revolving funds (SRF) and triple the amount of annual appropriations.
   - Fully fund the Water Infrastructure Finance and Innovation Act (WIFIA) at its authorized level.
   - Preserve tax exempt municipal bond financing. Low-cost access to capital helps keep lending for drinking water upgrades strong and accessible for communities large and small.
   - Establish a federal Water Infrastructure Trust Fund to finance the national shortfall in funding of infrastructure systems under the Clean Water Act.
   - Encourage utilities to conduct revenue forecasting models to determine the necessary rate revenues over a period of time and then institute rates that reflect the true cost of supplying clean, reliable drinking water.

The only difference in these financial solutions between 2013 and 2017 is that in 2013 WIFIA had not yet passed, and so the recommendation in 2013 called for its passage. Since 2013, it has passed and authorization approved; appropriations are needed to move the program forward.

Our recommendations make clear that it will take a partnership of investment at the Federal, State, Local and private sector levels to improve the condition of our drinking water systems in this country; no one level of government will be able to do it all. Yet at the end of the day, the cost of this investment will be borne by the users of drinking water systems.

3. **ASCE's 2017 "Failure to Act" document states that not making the investments called for in your report will lower income; a result of an economic restructuring away from the technology/export sectors towards lower paying, less productive services. Have you quantified how much this drop in income and employment would translate to lost revenues in the Federal treasury for drinking water?**

We have not quantified the impact of the loss of income and employment would have in lost revenues in the Federal treasury. In the *Failure to Act* report it is important to note that it states a loss to American families in disposable income. Absent of other economic impacts this loss is not in total income but rather this income will not be spent on discretionary activities and will be spent on things that compensate for the poor infrastructure, such as car repairs, purchasing bottled water, time wasted in traffic, and an increase cost in goods because of the impacts on businesses due to poor infrastructure. After time, the loss of 2.5 million jobs in 2025 may have an impact on taxes paid, but what most likely will happen is those 2.5 million jobs will be replaced with lower paying jobs or an increase in jobs in the repair sector. What happens though is that our quality of life suffers.