



**American Water Works  
Association**

*Dedicated to the World's Most Important Resource®*

March 28, 2022

The Honorable Frank Pallone, Jr.  
Chair  
The Honorable Cathy McMorris Rodgers  
Ranking Member  
House Committee on Energy and Commerce  
Washington, D.C. 20515

Comments Offered on Hearing,  
“Trusting the Tap: Upgrading America’s Drinking Water Infrastructure”  
on March 30, 2022

Dear Chairman Pallone and Ranking Member Rodgers,

The American Water Works Association (AWWA) asks to submit for the hearing record the following comments on the nation’s drinking water infrastructure and implementation of the Infrastructure Investment and Jobs Act so far.

AWWA thanks the House Committee on Energy and Commerce for addressing the state of the nation’s water infrastructure and efforts to rehabilitate and upgrade that infrastructure. A safe and reliable drinking water supply is necessary to protect public health and safety, and to ensure a community’s economic viability. At this time, we want to particularly express deep gratitude to Congress and the Biden Administration for tackling water infrastructure needs in such bold ways in the Infrastructure Investment and Jobs Act of 2021.

### **The State of the Nation’s Drinking Water Infrastructure**

AWWA has been raising concerns about the nation’s aging water infrastructure to Congress, local decision-makers and ratepayers for a number of years. Our 2012 study, “Buried No Longer: Confronting America’s Water Infrastructure Challenge,” revealed that the United States would need to spend \$1 trillion over the next 25 years just to maintain the current level of drinking water service. Since then, we have provided to the water community conference sessions, educational materials, webinars and similar offerings on topics such as asset management, capital investment strategies, setting sustainable water rates and related topics. An update of this report is in progress as well.

The U.S. Environmental Protection Agency (EPA) conducts a needs analysis for drinking water infrastructure every four years. The agency then uses the findings from this to determine how appropriations for the state revolving loan fund (SRF) program will be allocated among states. The latest needs survey, released in March 2018, said that over the next 20 years, there would be \$472.6 billion in drinking water infrastructure needs. However, that covers only projects eligible for funding under the SRF program. We believe this number is conservative because it

is based primarily on responses to a survey. We do encourage our members to respond when EPA issues its request for responses.

We do see progress in addressing the country's water infrastructure needs. We see acceptance of the principal that we need to invest more in water infrastructure among members of the public, elected leaders at all levels of government and of course, utility leaders themselves. Even before passage of the IIJA, Congress began ramping up annual appropriations for the drinking water and wastewater SRF programs. AWWA led stakeholders in advocating enactment of the Water Infrastructure Investment and Innovation Act (WIFIA), and we are grateful to Congress for passing that legislation in 2014. In 2017, after EPA set up the administrative framework for the program, Congress provided money for WIFIA to start making loans. Since then, the WIFIA program has closed on 72 loans totaling \$13.3 billion in assistance to utilities. Because WIFIA finances up to 49 percent of a project's costs, that means the program has made possible \$28 billion in water infrastructure investment. It has also created 81,000 jobs, according to EPA's calculations. Many more loan applications are currently under consideration at EPA.

Tax-exempt municipal bonds remain an important tool for publicly held utilities to finance water infrastructure. Whenever the tax code comes up for revision in Congress, we hear proposals to eliminate that tax exemption. We thank Congress for preserving that critical tool. While in the last tax bill, municipal entities did lose the tax benefits of advanced refunding of such bonds, we want to work with Congress to restore that flexibility in the future.

### **The Infrastructure Investment and Jobs Act**

As stated earlier, enactment of the IIJA was a tremendous leap forward in addressing the nation's water infrastructure, as well as a host of other critical infrastructures. We understand channeling the money through the SRF programs was the best way to get money moving quickly, much quicker than creating new federal programs. The traditional SRF requires that states put up a match of 20 percent of the funding allocated to a state. This match requires action by state legislatures. Therefore, we appreciate Congress not requiring a state match for many of the funds in the IIJA, meaning these funds can move out to states much more quickly.

The \$15 billion provided for removal of lead service lines and related activities, such as inventorying such lines, can provide a great boost to the nation's effort to remove those lines. AWWA commissioned an independent researcher to develop an estimate of the number of lead service lines in the U.S. His study showed that there are at least 6.1 million lead service lines in America. We calculated that at a minimum, it will cost the country \$60 billion to remove all service lines that will need removing under the Revised Lead and Copper Rule that EPA issued. It will likely be more than that. That said, the \$15 billion represents a substantial step forward. Removing all of the country's lead service lines will be a decades-long effort. In addition to the funds provided in the IIJA, utilities will look for financing in the traditional SRF program, WIFIA, municipal bonds and customer rates.

We feel it is probably not fair to grade EPA on implementation of the IIJA at this point, as we are relatively early in the implementation phase. However, we can make some observations on what has taken place.

On March 8, EPA issued a memorandum on implementation of IIJA funds flowing through the drinking water and wastewater SRF programs. We saw useful information and encouraging themes in that memo:

- Descriptions of activities eligible under lead service line removal;
- a definition and listing of emerging contaminants;
- encouragement to state SRF agencies to be flexible in administering funds;
- encouragement to state SRF agencies to streamline SRF application processes; and

- advice to state SRF agencies to revise and update their definitions of disadvantaged communities.

## Concerns

As we said earlier, we are grateful to Congress for providing much-needed funds for the nation's water infrastructure in the IIJA. We do have questions and concerns, however, about implementation going forward:

1. The IIJA is sending a huge volume of money and tasks through EPA and state agencies. We are concerned about the potential impact of this workload on their ability to delivery funds in timely manner.
2. Distribution of funds for lead service line replacement to states will follow the allocation formula for traditional SRF allocations, which is based on the latest needs survey.
  - i. Therefore, the allocation of these funds will be based on overall infrastructure needs and not just lead service line removal needs.
  - ii. What are the processes and timelines at EPA for reallocation of SRF funding if certain states do not or cannot use their allotments in a given fiscal year?
3. The new Build America Buy America domestic content requirements.
  - i. We are awaiting OMB guidance on this.
  - ii. We have experience in American Iron and Steel requirements in federal assistance, but BABA requires a new learning curve for the new standards.
  - iii. We have concerns about the ability of domestic manufacturers to produce products not currently available in this country in a timely manner, given the five-year window for IIJA funds.
  - iv. There is a waiver provision in BABA, but we need for it to be transparent and expeditious to be useful.
4. Water systems – particularly small or rural systems – that have never applied for an SRF loan before will need assistance in navigating assessments of their own capital needs, rates and financial planning and in navigating the SRF process. Assistance for small systems is mentioned in the IIJA, but this will still be a challenge.
5. Some water systems are too large for programs or efforts geared toward small systems, but not large enough to have full-time staff dedicated solely to seeking financial assistance. These mid-sized systems are asking for a clear, transparent path for applying for funds and transparency in the factors weighed in selecting applicants for loans. They may not qualify as disadvantaged systems, but the costs of rehabilitating infrastructure and of complying with new regulations will still weigh heavily on them.

Again, we thank the committee for passage of the IIJA and for addressing this vital and timely topic in this hearing. We offer the expertise and experiences of our membership and staff as you continue to deal with these issues.

Sincerely,



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