



**Committee on Transportation and Infrastructure**  
**U.S. House of Representatives**

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Washington, DC 20515

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Ranking Member

March 1, 2019

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**SUMMARY OF SUBJECT MATTER**

**TO:** Members, Subcommittee on Water Resources and Environment  
**FROM:** Staff, Subcommittee on Water Resources and Environment  
**RE:** Subcommittee Hearing on “The Clean Water State Revolving Fund: How Federal Infrastructure Investment Can Help Communities Modernize Water Infrastructure and Address Affordability Challenges”

**PURPOSE**

The Subcommittee on Water Resources and Environment will meet on Thursday, March 7, 2019, at 10 a.m. in HVC 210, Capitol Visitor Center, to receive testimony related to “The Clean Water State Revolving Fund: How Federal Infrastructure Investment Can Help Communities Modernize Water Infrastructure and Address Affordability Challenges.” The purpose of this hearing is to examine the current state of our clean water systems and receive testimony on the backlog of clean water infrastructure needs and the infrastructure affordability challenges facing communities and American households. The Subcommittee will hear from representatives of urban and rural utilities, individuals impacted by inadequate clean water infrastructure and affordability challenges, and a law professor who can speak to recommendations for the EPA to address water infrastructure needs in environmental justice communities.

**BACKGROUND**

**Clean Water Infrastructure Needs**

America’s water infrastructure is in need of further financial investment. According to the American Society of Civil Engineers *2017 Infrastructure Report Card*, America’s wastewater treatment infrastructure receives a grade of D+, which is only a slight improvement from its previous grade of D in the 2013 Report Card.

According to the Environmental Protection Agency, communities need at least **\$271 billion** of investment over the next 20 years<sup>1</sup> to bring their systems to a state of good repair. Given the

<sup>1</sup> <https://www.epa.gov/cwns/clean-watersheds-needs-survey-cwns-2012-report-and-data>.

current level of Federal investment to address these needs, States and local governments are covering more than 95 percent of the cost of clean water projects.<sup>2</sup>

These statistics indicate a need for increased investment in our Nation's water infrastructure, and the benefits are numerous. Investing in clean water creates thousands of domestic jobs in the construction industry and reduces the overall costs of operating and maintaining that infrastructure. According to the National Utility Contractors Association, every \$1 billion invested in our Nation's water infrastructure creates or sustains nearly 27,000 jobs in communities across America, while improving public health and the environment at the same time.<sup>3</sup> In addition, clean water infrastructure helps prevent contamination of our nation's waters that are relied upon by the recreational industry. People spend approximately \$70 billion per year on recreational boating and fishing; that industry employs more than 150,000 people.<sup>4</sup>

### **Clean Water Act Affordability**

Communities and governments at all levels face growing challenges in effectively managing the water resources necessary to support growing and shifting populations, thriving residential, commercial, industrial, and agricultural sectors, and healthy and productive natural environments. Many local governments also face complex affordability challenges – with some communities addressing shrinking rate bases, while others with growing populations facing increasing segments of their rate base that are unable to afford the rising costs of clean water. In short, local infrastructure needs can disproportionately impact the poorest segments of communities across the country. Nationwide, water utilities and communities, of all sizes, seek to ensure clean, safe, accessible, and affordable water, all the while dealing with the challenges of extreme weather events and mounting concerns regarding water quality and quantity.

In 2017, the National Academy of Public Administration, issued a report that examined the challenges local communities face in providing clean, safe, and affordable water and wastewater services.<sup>5</sup> This report concluded that the governmental responsibility to assure clean water that is also affordable to both communities and individuals has become an increasing challenge.

First, the report recognized that water infrastructure in the United States is aging, imposing additional costs on communities to both upgrade and maintain deteriorating infrastructure from deferred maintenance. Second, the report recognized the costs to communities to come into compliance with the Clean Water Act as an additional factor, and highlighted the importance of more cost-effective and innovative solutions, such as increased use of green-infrastructure approaches, stormwater recapture and reuse, and integrated planning, to address these challenges. Finally, the report highlighted how affordability is an especially critical issue for low-income customers throughout the United States, noting that, while average annual expenditures for water

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<sup>2</sup> Congressional Budget Office. Public Spending on Transportation and Water Infrastructure, 1956 to 2017. October 2018. <https://www.cbo.gov/publication/54539>.

<sup>3</sup> Clean Water Council: Sudden Impact: An Assessment of Short-Term Economic Impacts of Water and Wastewater Construction Projects in the United States (June, 2009).

<sup>4</sup> EPA 2012. The importance of Water to the US Economy, Part 1: Background Report. Office of Water, US Environmental Protection Agency. September 2012.

<sup>5</sup> National Academy of Public Administration. Developing a New Framework for Community Affordability of Clean Water Services. October 2017. <https://www.napawash.org/studies/academy-studies/developing-a-new-framework-for-community-affordability-of-clean-water-servi>.

are generally low relative to other utilities, they represent a higher share of income for those with the lowest 20 percent of income.

In the 115<sup>th</sup> Congress, Congress approved two bills to address some of the challenges highlighted in the NAPA report. First, Congress approved the America's Water Infrastructure Act of 2018 (Pub. L. 115-270), which, among other things, expanded the eligibility for Clean Water Act grants to address sewer overflows and to capture, treat, and reuse wastewater and stormwater runoff. In addition, Congress passed the Water Infrastructure Improvement Act (Pub. L. 115-436), which codified the "integrated planning" concept that helps communities by providing them greater flexibility in meeting their requirements under the Clean Water Act while maintaining their obligation to achieve improvements in local water quality, as well as incorporated the use of green-infrastructure approaches into the permitting and enforcement provisions of the Clean Water Act.

In addition, legislation was introduced in both in the House<sup>6</sup> and the Senate<sup>7</sup> to amend the Clean Water Act to address the issue of water affordability at the household level; however, no additional action was taken on these bills.

### **Federal Clean Water Investment: Clean Water State Revolving Fund**

For close to 80 years, Congress has provided Federal funds to municipalities to address local water quality challenges, including sewage treatment needs. Initially, this assistance was provided as direct grants to municipalities (covering 55 to 75 percent of the total costs of the projects). However, in 1987, Congress converted the direct grant program to a Clean Water State Revolving Fund ("Clean Water SRF") authority that provides funding directly to States which, in-turn, provide below-market rate loans to communities to finance local wastewater infrastructure needs (required to be fully-repaid over a 30-year term).

The authorization of appropriations for the Clean Water SRF expired after 1994. Yet, Congress continues to fund this critical investment in our Nation's wastewater infrastructure through annual appropriations bills—providing more than \$43 billion in Federal capitalization assistance to States since 1987 – including an appropriation of \$1.694 billion for the Clean Water SRF in the fiscal year 2019 appropriations bill (Pub. L. 116-6). In turn, this infusion of Federal capital to State revolving funds has leveraged over \$120 billion in direct assistance to communities over this period.

In 2014, Congress enacted amendments to the Clean Water Act which authorized States that provide assistance to communities under the Clean Water SRF program, to provide additional subsidization, including forgiveness of principal and negative interest loans to benefit a municipality that meets the affordability criteria of the State; or that seeks additional subsidization to benefit individual ratepayers in the municipality's residential user rate class that will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought.<sup>8</sup> In addition, in recent years, the annual appropriations bill for the U.S. Environmental Protection Agency has enacted additional provisions to require States to use a portion of Clean Water SRF funding to provide communities with "additional subsidy to eligible recipients in the

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<sup>6</sup> H.R. 2328, the Low-Income Sewer and Water Assistance Program Act of 2017 (115<sup>th</sup> Congress).

<sup>7</sup> S. 3564, the Low-Income Water Customer Assistance Programs Act of 2018 (115<sup>th</sup> Congress).

<sup>8</sup> Section 5003 of Pub. L. 113-121.

form of forgiveness of principal, negative interest loans, or grants” as well as to reserve an additional portion of Clean Water SRF funding for “projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.”<sup>9</sup>

Over the past few Congresses, legislation has been introduced to reauthorize and increase the authorized level of Federal appropriations for the Clean Water SRF program, as well as address the cost of wastewater service to low-income customers and households. Reauthorization of the Clean Water SRF program would provide Congress with the ability to establish Federal appropriations targets commensurate with local water infrastructure needs.

The Committee could examine whether additional changes to the Clean Water SRF program are warranted, including whether to permanently incorporate into the Clean Water Act green infrastructure and additional subsidization provisions like those included in the recent appropriations bills for the U.S. Environmental Protection Agency.

In January 2019, a coalition of 91 utility, engineering, contractors, and conservation groups cosigned a letter<sup>10</sup> to Congress urging that water infrastructure be included as part of any infrastructure package approved in the 116<sup>th</sup> Congress.

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<sup>9</sup> The fiscal year 2019 appropriations bill requires States to utilize 10 percent of their Clean Water SRF capitalization grant for this subsidy/grant component, and 10 percent of their capitalization grant for green infrastructure and water and energy efficiency projects.

<sup>10</sup> <https://www.wef.org/globalassets/assets-wef/5---advocacy/legislation-and-regulation/legislative-and-regulatory-affairs/water-sector-letter-to-congress-on-infastrucrure-package-jan2019.pdf>.

WITNESSES

Mayor David A. Condon  
City of Spokane, Washington  
*on behalf of the United States Conference of Mayors*

Mr. John Mokszycki  
Water and Sewer Superintendent  
Town of Greenport, New York  
*on behalf of the National Rural Water Association*

Ms. Catherine Flowers  
Rural Development Manager  
The Equal Justice Initiative  
Montgomery, Alabama

Ms. Maureen Taylor  
State Chairperson  
Michigan Welfare Rights Organization  
Detroit, Michigan

Mr. Andrew Kricun, P.E., BCEE  
Executive Director/Chief Engineer  
Camden County Municipal Utilities Authority  
Camden, New Jersey  
*on behalf of the National Association of Clean Water Agencies*

Professor Jill Heaps  
Assistant Professor of Law  
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