

**National Association of Clean Water Agencies  
Written Statement for Senate Environment and Public Works Hearing On  
The Federal Role in Keeping Water and Wastewater Infrastructure Affordable  
April 7, 2016**

The National Association of Clean Water Agencies (NACWA) represents the nation's public clean water utilities, with nearly 300 public agency members that collectively treat the majority of the nation's wastewater and manage large quantities of the nation's stormwater. NACWA respectfully requests the following statement to be submitted as part of the record for the Senate Environment and Public Works hearing on "The Federal Role in Keeping Water and Wastewater Infrastructure Affordable."

This hearing is indeed timely as policymakers grapple with recent water-related crises in Flint, MI, the ongoing drought in the West, and other water issues that have placed the national spotlight on the state of our water and wastewater infrastructure. More importantly, these crises have raised questions about the federal water policy in place to ensure all Americans have access to safe and clean water.

**Affordability Concerns and the Clean Water Act**

There is little doubt that our nation's water quality has significantly improved since enactment of the Clean Water Act (CWA) in 1972, largely due to investments in wastewater infrastructure made by Congress and America's ratepayers. In fact, since the law's enactment, the number of fishable and swimmable waterways has increased nearly 50%. Yet improvements in water quality have largely plateaued as sources of pollutants have grown more complex and the age of many of our wastewater collection and treatment systems reach the end of their useful life. At the same time, the current structure of the CWA, which hasn't been significantly reformed in over thirty years, continues to lead to a buildup of costly regulations for local ratepayers.

Paying for clean water services has primarily rested with local ratepayers, who have seen water and sewer bills increase nearly twice the rate of inflation each year for the past decade. Today, 40% of households across America are paying more out of their disposable incomes for wastewater management than what EPA says is affordable. The affordability of water and wastewater services is becoming so acute for lower-income ratepayers that some view it as a significant civil rights and environmental justice issue.

Despite the decrease in federal spending on water infrastructure over the past 20 years, NACWA believes there is still a significant federal role in ensuring water and wastewater services remain affordable to all Americans. Specifically, NACWA recommends that Congress pursue three main policy approaches to address the affordability challenge:

- Significantly increase funding for the Clean Water State Revolving Fund (CWSRF) program and ensure investments in municipal bonds remain tax-exempt so that communities continue to have access to low-cost financing for capital investments in water and wastewater infrastructure;
- Modernize the Federal Clean Water Act to ensure that the regulatory framework remains affordable to ratepayers and effective for meeting today's clean water challenges; and,
- Ensure lower-income ratepayers who struggle to pay water and sewer services have the financial support to continue accessing safe and clean water.

### **Renew the Local, State and Federal Clean Water Investment Partnership**

On average, water and wastewater ratepayers are spending nearly \$100 billion annually for water and wastewater services. Despite this investment, EPA's quadrennial needs surveys for drinking water and wastewater treatment systems indicate that well over \$600 billion in additional spending will be needed over the next twenty years for water and wastewater treatment needs. Ratepayers cannot be expected to shoulder this burden alone.

Except for the years just after the 1972 enactment of the CWA when Congress provided grant financing to meet obligations under the Act, ratepayers have financed wastewater infrastructure largely through the use of low-cost loans provided by the Clean Water State Revolving Fund (CWSRF) Program and/or by issuing tax-exempt municipal bonds. Since the CWSRF was established in the 1980s, over \$100 billion has been leveraged and invested in wastewater infrastructure; and just since 2003, over \$250 billion of tax-exempt municipal bonds have been issued for water and wastewater infrastructure investments. By establishing these programs, Congress recognized that the federal government has a critical role to play in providing communities a way to pay for water and wastewater infrastructure affordably.

The CWSRF and tax-exempt municipal bonds have been exceedingly successful and are key pillars in helping clean water agencies maintain affordable rates for wastewater treatment services. However, in recent years, both programs have been at risk as federal discretionary spending for the CWSRF has been reduced and proposals to curtail or eliminate the tax-exempt status of municipal bond investments have been proposed. For Fiscal Year 2017, the President had proposed over \$400 million in cuts for the CWSRF – cuts that Congress should roundly reject.

In order to ensure that communities can continue to access low cost capital to pay for capital improvements in wastewater treatment, Congress must renew its commitment to the CWSRF and provide significantly more funding for it. NACWA calls on Congress to establish a long-term sustainable funding mechanism to provide annual capitalization grants for the CWSRF that do not rely on annual discretionary spending caps and ensure that investments in municipal bonds remain fully tax-exempt.

### **Modernize the Clean Water Act to Affordably Meet Today's Clean Water Challenges**

Today's most pressing water quality challenges are no longer the result of conventional pollutants discharged by publicly-owned treatment works, but rather pollutants from a variety of diffuse sources such as nutrient run-off from farms, air deposition of mercury and nitrous oxide from vehicles and other sources, emerging contaminants from pharmaceuticals and personal care products, and stormwater runoff from urban areas. Exacerbating these challenges is climate change, which poses significant new infrastructure challenges for water and wastewater systems. Communities in wetter regions must deal with unpredictable yet devastating storms, and communities in more arid regions must cope with diminishing water supplies caused by persistent drought. Yet the municipal clean water sector continues to confront a list of costly CWA regulatory requirements based on an antiquated statute that no longer reliably leads to significant improvement in local water quality, but that nevertheless saps ratepayer resources to confront current water quality challenges in new and more innovative ways.

NACWA believes there are common sense reforms to be made to the CWA that will lead to better water quality outcomes and help municipalities deal more affordably with today's water infrastructure challenges. These include reforms that incentivize more efficient targeting of ratepayer resources, investment in innovation and new technologies, watershed-based approaches, and partnerships.

Many of these reform proposals are outlined in recently introduced legislation by Senator Sherrod Brown of Ohio. Senator Brown's *Clean Water Affordability Act* includes such things as extending National Pollutant Discharge Elimination System (NPDES) permit terms, codification of integrated planning approaches, and enabling use of lower cost treatment technology designed specifically for managing extreme wet weather events. If adopted, these proposals will save ratepayers money, enable communities to develop more resilient infrastructure, and lead to greater water quality gains because ratepayer resources would be targeted toward investments that have the greatest water quality benefit. More importantly, the cost of delivering clean water services can be stabilized without jeopardizing water quality.

### **Ensuring Clean Water Access for Lower-Income Ratepayers**

Even with adoption of these recommendations, lower-income ratepayers whose wages have stagnated for the past several decades may continue to experience hardship in paying for water and wastewater services. NACWA, along with several other water associations, are examining the potential use of alternative rate structures and other forms of ratepayer assistance programs that may be available to help this population continue to afford water and wastewater services. The advantage of these programs is that they provide much needed financial support for low income households while also allowing utilities to raise the revenues necessary for clean water infrastructure investments.

Several communities already have assistance programs in place to aid low-income ratepayers, and Congresswoman Marcia Fudge (D-OH) has proposed a pilot program at the national level to further explore this idea and potentially provide a solution to this challenge. At the same time, Congressman Earl

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Blumenauer (D-OR) has introduced bi-partisan legislation with Congressmen John Duncan (R-TN) and Richard Hanna (R-NY) to study whether a national ratepayer assistance program for water and wastewater services is viable. NACWA strongly supports these efforts.

**Conclusion**

It is clear that the current prescription of rate increases and expanding municipal debt loads to pay for the investments needed in our water and wastewater infrastructure is not sustainable. Simply stated, absent a renewed approach to federal investment in water and wastewater systems coupled with reforms to the CWA regulatory compliance framework, the future of maintaining — let alone adding to — the record of water quality gains is at risk.