June 13, 2025

The Honorable Mike Collins
Chairman
Subcommittee on Water Resources and Environment
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC
201515

The Honorable Frederica S. Wilson
Ranking Member
Subcommittee on Water Resources and Environment
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC
201515

Dear Chairman Collins and Ranking Member Wilson,

Thank you for leading the recent Water Resources and Environment Subcommittee hearing on the Water Infrastructure Finance and Innovation Act (WIFIA) and State Revolving Fund (SRF) programs. The undersigned organizations represent a coalition of drinking water and wastewater systems and water sector professionals. We are strong supporters of these federal water infrastructure financing programs that allow our members to make major infrastructure investments to ensure the reliable delivery of water to the nation, while keeping water and wastewater rates affordable for our shared constituents.

As the subcommittee considers legislation on the topic of improving water infrastructure financing, we write to recommend a change that would benefit water and wastewater ratepayers. Under current law, a WIFIA loan from the EPA (as well as a loan from the related Corps Water Infrastructure Financing Program (CWIFP) under the Army Corps of Engineers) may not be subordinated to any other debt obligations funding the same project. Although intended to protect investments by the federal government, this provision makes it more difficult for large water and wastewater utilities, with complex debt portfolios, to maximize savings. When water and wastewater systems are required to pay WIFIA loans simultaneously with or ahead of other obligations, it dilutes the revenues available to pay debt service on their publicly offered bonds, thereby increasing costs on those bonds and limiting overall borrowing capacity.

Unlike other infrastructure sectors, like transportation, large water systems do not typically finance infrastructure projects relying solely on the revenues of said projects. Instead, water systems typically issue loans and bonds financed from the total revenues of their enterprise or system. This renders the concern about individual project revenues obsolete and makes it difficult for such large enterprises to take full advantage of WIFIA, because WIFIA only funds 49% of project costs, which requires agencies to rely on other financing tools for the balance.

While the EPA does offer limited subordination options, this is in the form of a 'springing subordination' that goes into effect precisely when it is of primary concern to investors in bonds. This means the spring provision is of limited credit value—it is like fire insurance that is valid, so long as a property is not burning. Similarly, the WIFA loan with a springing loan is no longer subordinate, precisely when investors care most.

The ability to waive the nonsubordination requirement that we seek has already been granted to transportation issuers borrowing under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, even though transportation issuers make greater use of project financings and water issuers are typically more highly rated. We therefore believe that water agencies deserve the same treatment as transportation agencies and recommend that Congress amend the EPA WIFIA and Corps CWIFP statute to adopt features that are similar to the TIFIA program. Specifically, our recommendation is that Congress allow for a waiver of nonsubordination requirements where (i) a borrower has an 'A' category credit rating or better; (ii) the pledge is not dependent on revenues from the financed project; and (iii) the borrower is a public sector borrower.

Amending the law to allow for a waiver of nonsubordination requirements for qualified borrowers would not create additional risk to the federal government. It would create greater national water security and availability, as qualified water agency loan borrowers are highly rated, publicly owned utilities that provide essential drinking water or wastewater services, and which are unlikely to default on outstanding debt.

We believe the EPA and Corps will find this change helpful to their programs, as this increased flexibility would strengthen the EPA and Corps loan programs' overall portfolios marketability by making the loan program more attractive to a wider range of borrowers. This change would bring in large, well-rated entities that currently do not take advantage of the program and allow utilities to maximize the value of their infrastructure investments. In this respect, this program may reduce the federal government's risk.

We would welcome the opportunity to discuss this proposal further and look forward to supporting your work to reauthorize federal water infrastructure financing programs.

Sincerely,

American Water Works Association
Association of Metropolitan Water Agencies
National Association of Clean Water Agencies
Water Environment Federation