

## Paying for Clean Water

### Clean Water for the 21st Century - Rates, Funding and Community Affordability

With an aging infrastructure system, new regulatory drivers demanding more spending, and sewer and water rates now nearing \$1,000 per household, a vital dialogue has formed around one very basic question: who will pay for all of this?

The federal government has substantially reduced its funding role, leaving the burden almost exclusively with local governments. At the same time, the political stars may be aligning for a significant new federal infrastructure funding bill. While the vast majority of funds invested in clean water infrastructure will continue to be local dollars, NACWA is committed to ensuring that there continues to be a federal funding presence – but is also focused on exploring other options with the private sector that can successfully leverage private dollars.

- *Advance a Federal Infrastructure Bill* – The 2016 elections have created potential opening for a large infrastructure bill, providing a platform for the new Trump Administration and Congress to find bipartisan agreement. If such a bill moves forward, NACWA will work hard to ensure the highest possible funding level for water infrastructure.
- *Preserving and Increasing the Clean Water State Revolving Fund (CWSRF)* – The CWSRF has been the primary source of federal clean water funding since the end of the construction grants program. It has not kept up with the need and has been repeatedly targeted for cuts in recent years. NACWA continues to press for increased funding to the CWSRF.
- *Water Infrastructure Finance and Innovation Act (WIFIA)* – NACWA believes the WIFIA program is an important new financing option which will allow clean water utilities to leverage federal financial support of needed infrastructure investments.
- *Protecting Tax Exempt Municipal Bonds* – *Tax exempt municipal bonds have played a key role in helping municipal clean water utilities secure financing for infrastructure investment. They support tens of billions of dollars in clean and safe water investments annually. NACWA is aggressively defending the tax exemption along with a broad coalition of groups and will push back on any attempt at rolling back or repealing the tax-exemption.*
- *Public-Private Partnerships* – In an era of constrained governmental resources, municipal clean water agencies are more interested than ever before in looking to the private sector for financing help. NACWA is supportive of public-private partnership (P3) arrangements when they are to further the mission of public clean water utilities and are prudent for public utility ratepayers.

At the same time, many local governments and their utilities are facing huge affordability challenges. Some have shrinking rate bases, but even those with growing populations are witnessing growing segments of their rate base that are unable to afford the rising costs of clean water. In short, local infrastructure investments are disproportionately impacting the poorest segments of communities' populations.

Addressing this low income affordability challenge is one of the most critical issues for municipal clean water utilities, and requires two major initiatives:

- *Low Income Rate Assistance* – Utilities have worked hard to establish local community assistance programs, but the extent of the assistance these programs can provide is constrained by limited local funding sources.

The time has come for a national low income rate assistance program that provides a subsidy to the poorest households in a community to help ensure that utilities can set rates that reflect the true cost of clean water services. A national low income water rate assistance program would allow clean water utilities to raise the revenue necessary to meet their infrastructure requirements while also lessening the burden on the poorest households.

NACWA believes the federal government is the appropriate entity to fund this type of program, similar to the federal Low Income Home Energy Assistance Program (LIHEAP) that currently assists low income households in affording residential energy bills and energy-related repairs. Currently, many households in the lowest income brackets are spending well over the 2% of median household income (MHI) figure that EPA has determined is affordable to ensure compliance with federal requirements – an unsustainable situation. Federal support for a low-income program is appropriate since many of the clean water investments made by local communities are needed to meet federal mandates, and it would also reaffirm the federal government’s original commitment under the Clean Water Act to partnering with local governments in achieving clean water.

- *Updating EPA’s Affordability Guidance* – EPA’s 1997 Affordability Guidance has long been the Agency’s benchmark in determining affordability. This is especially true with federal enforcement actions and consent decrees, which are often the largest drivers of clean water infrastructure that any community undertakes. But the document, which was written in the context of combined sewer overflow compliance, has never been updated and is now grossly outdated and uninformed by modern economic conditions. Most concerning, it continues to rely heavily on MHI as the indicator of affordability.

NACWA has long pushed for revisions to the guidance, and continues to do so aggressively in both a regulatory and legislative context. Although EPA has taken positive steps in recent years to acknowledge, in other contexts, that the guidance should look beyond MHI, updating the guidance is a critical next step. Most importantly, the guidance must be untethered from MHI and must instead evaluate utility financial capability long-term based on a range of indicators.

The challenges of infrastructure funding and affordability concerns facing clean water utilities will only grow. But the municipal clean water sector is well-positioned to meet these challenges with a combination of innovative solutions, local resources, and a unified national advocacy effort to reestablish the federal government as a critical partner in addressing low income affordability needs and ensuring consistent federal investment support. NACWA is, and will continue to be, a leader in this effort and ensure that every community can pay for clean water.