

National Association of Clean Water Agencies (NACWA)
Written Testimony Submitted to Senate Committee on Appropriations, Subcommittee on
Interior, Environment, and Related Agencies
Regarding FY22 U.S. Environmental Protection Agency (EPA) Funding

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The National Association of Clean Water Agencies (NACWA) represents nearly 330 public wastewater and stormwater utilities nationwide, both large and small, that collectively provide essential clean water services to more than 150 million Americans daily. These essential public services protect public health and the environment and are vital for local economic growth.

NACWA firmly believes it is past time for the federal government to re-engage as a strong funding partner in water infrastructure investment. Our nation's water infrastructure is at a key juncture, with costs rising both for traditional investment needs like maintaining aging infrastructure and meeting compliance obligations, as well as for newer challenges such as addressing emerging contaminants and managing increasingly complex water quality issues and ensuring system resilience in the face of climate change and cyber risks. And these costs do not include the additional expenditures related to needed new capital investments.

The challenges of COVID-19 over the past year have only heightened the financial and infrastructure needs of the public clean water sector. In the face of these rising costs, utilities struggle to maintain rates that are affordable for all customers. In fact, the inability of poorer households to afford ever-increasing rates for clean water services has become the single greatest problem for many clean water utilities around the country. This affordability challenge has existed for many years due to shrinking federal government investment but has been particularly exacerbated by the COVID-19 pandemic.

According to the Congressional Budget Office (CBO), the current federal cost-share of water infrastructure has fallen to less than 5 percent of total drinking water and wastewater infrastructure investment, forcing the vast majority of the cost of providing clean and safe water, onto local ratepayers and states. Paying for water infrastructure investment must be a shared effort between local governments and the federal government. The ongoing COVID-19 pandemic has heightened the importance of safe and reliable clean water for all Americans, while also underscoring the growing gap between federal and local investment in water systems and the vital need for more robust federal funding.

Last month, the U.S. Senate took a major first step towards bridging this gap with overwhelming bipartisan passage of *the Drinking Water and Wastewater Infrastructure Act of 2021* (DWWIA), S. 914, which authorizes tens of billions in funding for clean water and drinking water infrastructure and programs beginning with FY22. While the timing and bicameral path forward on this legislation remains unclear, NACWA hopes the Subcommittee continues building on this strong bipartisan momentum during the FY22 appropriations process and provides funding at levels at least as high as those authorized in DWWIA.

NACWA also requests that the Appropriations Committee provide as much funding as possible for clean water in any comprehensive infrastructure and investment package, especially in the form of direct grants.

Below are NACWA's FY22 EPA Appropriations priorities. As always, NACWA appreciates the Subcommittee's strong engagement and collaboration with the Association and our members and appreciates your consideration of these clean water priorities.

Clean Water State Revolving Fund (CWSRF)

The CWSRF is the primary federal clean water financing tool that communities and public clean water utilities, both large and small, utilize to help meet their Clean Water Act (CWA) obligations and infrastructure needs. The CWSRF has been instrumental to communities' success in complying with National Pollutant Discharge Elimination System (NPDES) permits, reducing the frequency and size of sewer overflows during wet weather events, and upgrading aging infrastructure and improving overall local water quality. NACWA strongly supports the higher authorization levels being advanced in Congress through DWWIA and requests as robust funding as possible in FY22 for the CWSRF.

Sewer Overflow and Stormwater Reuse Municipal Grants

Reducing sewer overflows can be very costly, placing financial strain on many communities and their ratepayers, especially in communities under federal consent decrees, dealing with aging infrastructure, and adjusting to population and economic shifts. Meanwhile, stormwater management presents significant opportunity for continued improvement in water quality and water reuse, but this comes with rising costs around the country.

Originally authorized under the *America's Water Infrastructure Act (AWIA)* (P.L.115-270) at \$225 million per fiscal year and recently reauthorized at \$280 million per fiscal year under DWWIA, this program provides grants to municipal entities for treatment works to intercept, transport, control, treat, or reuse municipal combined CSO, SSO, and/or stormwater.

In FY20, Congress took a major step forward by funding these sewer overflow grants – originally proposed in conjunction with the 1994 CSO Policy – for the first time ever. NACWA appreciates Congress' FY20 appropriation of \$28 million and FY21 appropriation of \$40 million for the program. However, as the main grant program available to communities for sewer controls and stormwater we urge continued growth in appropriations for this program at the level authorized in DWWIA.

Integrated Planning and EPA Office of Municipal Ombudsman

At the end of 2018, Congress passed the bipartisan *Water Infrastructure Improvement Act* (Public Law No: 115-436) which codified EPA's Integrated Planning (IP) Framework to provide local communities with critical flexibilities in meeting their CWA obligations and ensure residents continue receiving safe, reliable, and affordable clean water services. The IP approach helps local communities sequence and prioritize how they meet their specific clean water obligations and long-term infrastructure needs and better manage costs over time. IP presents a significant opportunity to help communities stay on track with their clean water obligations and

best manage costs, especially at a time of rapid innovation and changing environmental conditions.

EPA will soon be providing an update to Congress on IP via a report that was required as part of the 2018 legislation. However, it takes significant work by the community, state regulatory agency, and EPA to understand and pursue an integrated planning approach. We urge Congress to provide EPA with additional resources to help communities consider IP, including providing states with needed guidance on how to incorporate integrated planning concepts in CWA municipal permits. Specific funding for this effort in FY22 would be particularly helpful in advancing IP efforts at the local level, as well as signaling to EPA that Congress continues to view expanding IP as a priority.

EPA has recently begun to ramp up its IP efforts with its Technical Assistance Program for states and municipalities, which ends in August 2022, to receive free IP reviews from the Environmental Finance Centers at the University of Maryland and University of North Carolina. While this assistance is helpful, the Agency has yet to fully provide states and communities, both large and small, with more information and guidance on the initial steps, knowledge, and resources needed to begin the IP process and how to best utilize it to meet CWA obligations.

NACWA appreciates the subcommittee including IP report language in the final FY21 omnibus bill that supports IP activities at the Agency. Dedicated Congressional funding for IP is essential however to ensure EPA has the resources to fully and properly implement the law and help communities fully utilize this clean water tool. NACWA requests funding at a level of at least \$2 million in FY22 to provide EPA and the Agency's regional offices with dedicated resources to fully and properly implement IP activities.

The *Water Infrastructure Improvement Act* also included a provision establishing a Municipal Ombudsman's office within EPA to provide municipalities with a dedicated point of contact within the Agency to ensure Agency policies are being implemented appropriately and consistently at the local level, as well as lead the EPA's efforts on IP. Last year, EPA hired the Agency's first Municipal Ombudsman, and the water sector looks forward to increased collaboration. NACWA requests FY22 report language similar to that in the FY21 Omnibus that directs funding for the Office of Municipal Ombudsman to be funded at no less than the previous fiscal year level, with a request that this funding level be increased.

Water Workforce Infrastructure Grants Program

Jobs in the water sector provide a good career with competitive wages. Over the next decade however, the water utility workforce is expected to incur a retirement rate of over one-third. This number is not only alarming given the important daily work of these professionals but is also problematic given the education and on-the-job training these jobs require.

Congress authorized the Water Workforce Infrastructure Grants Program through *AWIA* 2018 to facilitate innovative workforce training programs that help address the workforce need. NACWA requests funding at a level of at least \$5 million in FY22 for the program to train and develop the utility workforce of the future and ensure the long-term stability in the sector. NACWA also

requests that the Subcommittee clarify that public clean water and drinking water utilities are eligible to receive these grants in partnership with training and educational institutions.

Water Infrastructure Finance and Innovation Act (WIFIA) Program

The WIFIA program is a compliment to the SRFs, providing an additional financing option for water infrastructure investment by leveraging limited federal resources. Since being authorized in 2014, NACWA has been pleased with the success of the WIFIA program in financing critical infrastructure projects. NACWA requests funding at a level of \$68 million in FY22 for WIFIA.

NACWA also supports an additional \$5 million be provided for SWIFIA which allows state financing authorities that administer the SRFs to apply for WIFIA loans directly through EPA, applying with a single application in which the state would bundle multiple projects on the state's approved intended use plan.

Low Income Household Water Assistance Program (LIHWAP)

NACWA has long supported the creation of a federal low-income water assistance program at U.S. EPA to assist low-income households in maintaining access to affordable and reliable public clean and drinking water services. A robust and permanent federal water assistance program is key to helping communities and public utilities provide service to all customers while continuing to invest in and maintain safe, reliable water and wastewater systems. The ongoing COVID-19 pandemic has further highlighted this important need.

DWWIA takes an important step by directing EPA to assess low-income water needs around the country and authorizing a low-income household water assistance pilot program. NACWA continues to work with Congress on the establishment of a permanent low-income household water assistance program, and as a step in that direction we strongly support the low-income provisions in DWWIA.

NACWA looks forward to further discussions with the Subcommittee and both the Senate and House authorizing committees on this important issue and requests that as much funding as possible be appropriated in FY22 for low-income household water assistance.

In addition to the core clean water programs outlined above, NACWA also supports increased FY22 funding for **EPA's Geographic Programs**, such as the Great Lakes Restoration Initiative (GLRI), Chesapeake Bay Program, and Long Island Sound among others, which support critical watershed-based investments; **Section 319 Nonpoint Source grants** that are instrumental in pursuing holistic watershed solutions to impairments driven by nonpoint sources, which remain the largest outstanding driver of water quality impairments; and \$20 million for **EPA's National Priorities Water Research grant program** that serves as an important source of federal funding to directly support water research projects.

Lastly, NACWA supports strong FY22 appropriations for EPA to complete an updated **Clean Water Infrastructure Needs Survey** to ensure there is accurate, updated, and complete understanding of clean water needs across the country. It is critical that EPA receive Congressional funding support to complete this vital survey, but also that EPA be directed to move expeditiously in issuing the next updated report which is already behind schedule.