

Opportunities and Challenges in the Creation of a Clean Water Trust Fund
Rep. Earl Blumenauer
Written Testimony
July 15, 2009

Chairwoman Johnson, Ranking Member Boozman, and members of the Subcommittee, thank you for the opportunity to testify today and thank you for holding this very important hearing.

This Committee has done a fantastic job over the years, under the leadership of both former Chairman John Duncan and current Chairwoman Eddie Bernice Johnson, in highlighting the aging water infrastructure challenges our nation faces. Back when I was a member of this Subcommittee, it held a number of fascinating hearings on this topic.

For example, in March of 2003, I attended a hearing entitled “Meeting the Nation’s Wastewater Infrastructure Needs,” which examined the gap between wastewater needs and current spending. At that time, a recently released EPA report found that the gap between current and needed annual spending could be as high as \$9.5 billion per year. A CBO report suggested that it could be as high as \$11 billion a year. A number of the same organizations present today testified that the needs faced by communities large and small were high and that increased federal funding would be necessary to maintain the continued success of the Clean Water Act.

A little over a year later, in April of 2004, the Subcommittee held a hearing entitled “Aging Water Supply Infrastructure,” which looked at the needs of our nation’s drinking water infrastructure. The story for drinking water was very similar. Jerry Johnson, former General Manager of the DC Water and Sewer Authority, testified that a survey conducted by the Association of Metropolitan Water Agencies found that just 32 metropolitan systems alone reported that they must spend \$27 billion over the next five years on drinking water and wastewater infrastructure. Indeed, the American Water Works Association had just released a report calling this the “Dawn of the Replacement Era.”

In June of 2005, the Committee held two hearings to examine the question that previous hearings had raised – where do we find the money to make these additional investments and close the infrastructure spending gap? Republican pollster Frank Luntz testified about a recent poll he had done which showed that most Americans believe clean and safe water is a national priority, and would support a sustainable, dedicated source of funding for water infrastructure projects. In fact, he found that the public sees dedicated clean water funding as an even higher priority than investments made in the more high profile areas of transportation and airways. When asked which they thought was most important, 71% prioritized investing in clean and safe water, yet dedicated trust funds currently exist only for surface and air transportation.

Those hearings built a case for a significant increase in federal spending, and also made it clear that continuing to rely upon the limited and unpredictable yearly appropriations for the State Revolving Funds was not going to be enough. At the June hearings, a number of the witnesses called for the creation of a national clean water trust fund to provide a long-term, sustainable funding stream for water infrastructure. I was impressed when the witness from the American Beverage Association very reasonably indicated that her industry was willing to do its part and pay higher rates that reflect infrastructure needs, but didn't think it was fair to make beverages the sole source of these funds.

So here we are again, a little over four years later, trying to answer the same questions. Over the past few years, the situation has gotten even worse. We have a witness here from the American Society of Civil Engineers who will talk about an infrastructure report card that the Society releases every few years. Recently they released a new report card and found that water infrastructure continued to receive dismal ratings, having received a D- in 2005 and in 2009. The EPA's most recent *Clean Water and Drinking Water Infrastructure Gap Analysis* estimates nationwide a \$534 billion gap between current investment and projected needs over the next 20 years.

In the 110th and 111th Congress, this Committee continued to demonstrate its leadership on this issue by passing legislation to reauthorize the Clean Water State Revolving Loan Funds. I was pleased to support H.R. 1262, the Water Quality Investment Act, when it passed the House earlier this year and hope that the Senate acts to pass it soon.

Members of this Committee are fully aware of the water infrastructure needs out there, and the witnesses testifying today will no doubt highlight them even further. What I'd like to do is focus on what I think is the most important question we now face – how do we pay for the investments that will be necessary over the next 20 years to close the current gap in funding and make sure communities can continue to provide clean and safe water to our constituents? How do we make the necessary repairs to the pipes and treatment facilities installed decades ago and paid for by past generations that are reaching the end of their useful lives?

In 2008, I left the Transportation and Infrastructure Committee to become a member of the Ways and Means Committee. One of the main reasons I was willing to leave the Committee that I loved was to help answer this question about how to finance the rebuilding and renewing of America. Repairing and upgrading water infrastructure is an important piece of this puzzle, and I have been working to identify funding sources for the past two years.

In January of 2008, I joined Chairman Oberstar and Chairwoman Johnson in requesting that the Government Accountability Office (GAO) undertake a study of potential funding mechanisms and revenue sources to finance a Clean Water Trust Fund. We asked them to look for sources that could be efficiently collected, are broad based, equitable, and that support annual funding levels of at least \$10 billion. The GAO released this report last month, and today you will hear from one of its authors.

Not surprisingly, the GAO found that there is no silver bullet. An equitable solution will involve a contribution from all parties that impact and have a stake in our water systems. While it's probably the case that some water agencies could and should charge more for the water services they provide, we can't expect individuals to shoulder the entire burden of upgrading our nation's

seriously neglected infrastructure with their water bills. This could mean a doubling or tripling of rates, which in many communities have already increased at double the rate of inflation in past years. To me it is unconscionable that in this country, something as essential to life as water could become unaffordable.

You will hear from the GAO today that they did identify a number of options for revenue that could support a \$10 billion water trust fund. Although each option involves issues that need to be refined and complexities that need to be sorted out, these are options that form the foundation of a workable solution.

After closely examining the GAO report and working with a broad coalition of stakeholders, I have introduced legislation to create and finance a water trust fund. My bill, the Water Protection and Reinvestment Act, H.R. 3202, would establish, within the federal Treasury, a trust fund to finance clean water and drinking water infrastructure. The funding will be distributed mainly through the Clean Water and Drinking Water SRFs. There will be a few new grant programs focused on addressing current and future needs, such as combined sewer overflows and climate change, but most of the authorizing language in the legislation will look familiar to this Committee. You have worked hard to pass legislation reauthorizing the Clean Water SRF and my legislation is mostly consistent with the Water Quality Investment Act of 2009.

Where I've focused my efforts as a Member of the Ways and Means Committee is on the revenue sources. My bill includes some of the fees that were identified by the GAO as being the most popular amongst stakeholders and the easiest to administer. The financing mechanisms in the Water Protection and Reinvestment Act include:

- Four cent per container fee on water-based beverages. Water-based beverages are defined as beverages that are water or created by mixing water with other liquids, flavoring, vitamins, or other ingredients where the resulting product is at least 50 percent water by weight. This means the tax would include soft drinks but would not include juice or milk. Alcoholic beverages and pharmaceutical drinks would be exempted. Bottled beverages rely on drinking water as their major input and result in both increased flows and increased waste into our waters.
- Three percent fee on items disposed of in wastewater, such as toothpaste, cosmetics, toilet paper and cooking oil. These products wind up in the waste stream and require clean up by sewage treatment plants.
- One-half of one percent excise fee on pharmaceutical products. Drug residues found in our nation's water bodies are an increasing concern for clean and drinking water utilities. This fee on the industry will support programs in the legislation to prevent drugs from entering water systems and to support research into remediation.
- One-fifteenth of one percent fee on corporate profits over \$4 million. All corporations use drinking and wastewater infrastructure and depend on it functioning to conduct their business. A similar tax was used to fund the Superfund program until it expired in 1995.

All of these taxes would be assessed at the manufacturer level, so any increase in prices to consumers would be minimal.

This bill includes four separate sources so as not to place the entire burden on one industry or group of consumers. With this mix of funding, everyone will contribute a small amount to the solution.

The number of industries, experts, individuals, and other stakeholders we have consulted over the years on this legislation is staggering. I have deeply appreciated the input of so many people who were willing to step up and deal with the tough questions. I am pleased that the legislation we introduced today has the support of a diverse group of stakeholders, from the Associated General Contractors to American Rivers to the National Association of Clean Water Agencies to the Rural Community Assistance Partnership. I am also pleased to be joined by a group of bipartisan original co-sponsors, Reps. Tom Petri, Steven LaTourette, Michael Simpson, and Norm Dicks.

Despite this broad stakeholder support, we should be under no illusions that this will be easy. But the American public is with us. In January of this year, pollster Frank Luntz released the results of a new poll. He found that a near unanimous 94% of Americans are concerned about the state of our nation's infrastructure. He found that this concern cuts across all regions of the country and across urban, suburban and rural communities. He found that 84% of the public wants the federal government to spend more money to improve America's infrastructure. And most importantly, he found that 81% of Americans are personally prepared to pay 1% more in taxes for the cause – much more than the increases in this bill.

Thanks again for the opportunity to join you today for this critical hearing. I look forward to working with you to move this bill through the process and to help make sure the Ways and Means Committee is a partner in your efforts to rebuild and renew America.