



Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington DC 20515

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September 22, 2017

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Water Resources and Environment
FROM: Staff, Subcommittee on Water Resources and Environment
RE: Subcommittee Hearing on “Building a 21st Century Infrastructure for America: Water Stakeholders’ Perspectives”

PURPOSE

The Subcommittee on Water Resources and Environment will meet on Tuesday, September 26, 2017 at 10:00 a.m. in 2167 Rayburn House Office Building, for a hearing titled “Building a 21st Century Infrastructure for America: Water Stakeholders’ Perspectives.” The purpose of this hearing is to receive the views of water stakeholders regarding infrastructure in the 21st Century. The Subcommittee will receive testimony from several public and private sector stakeholders with an interest in water infrastructure.

BACKGROUND

The U.S. Environmental Protection Agency (EPA) administers water quality and wastewater infrastructure programs pursuant to the Federal Water Pollution Control Act, commonly referred to as the Clean Water Act (CWA). Title III of the CWA establishes the technological and water quality-based treatment requirements for point source dischargers, including municipalities’ wastewater treatment works. Title IV of the CWA establishes the National Pollutant Discharge Elimination System (NPDES) permit program for the discharge of pollutants from point sources, including wastewater treatment works and certain municipal storm sewer systems. Title VI of the CWA provides for the establishment and capitalization of Clean Water State Revolving Loan Funds (CWSRFs) to aid in funding the construction of wastewater treatment works and other wastewater infrastructure around our Nation.

Resilient wastewater and clean drinking water services are necessary to sustain public health, support our economy, and protect the environment. Significant amounts of public resources have been devoted to improving water infrastructure in American communities over the last 45 years. An impressive inventory of physical assets has been developed over this period.

Our Nation's wastewater infrastructure includes over 151,000 public water systems, 100,000 major pumping stations, 800,000 miles of public sewers, and 200,000 miles of storm sewers.¹ Since 1972, with the enactment of the CWA, federal, state, and local investment in our national water and wastewater infrastructure has amounted to well over \$2 trillion.² Of this amount, approximately \$815 billion was spent on physical capital investments and \$1.35 trillion was spent on operations and maintenance costs.³ This investment has provided significant environmental, public health, and economic benefits to the Nation. Our farmers, fishermen, manufacturers, and tourism industries rely on clean water to carry out activities that contribute well over \$300 billion to our economy each year. However, the Nation's ability to provide clean and safe water is being challenged as existing wastewater infrastructure is aging, deteriorating, and in need of repair, replacement, and upgrading.

The Federal Role in Financing Water Infrastructure

Beginning in the 1970s, the Construction Grants program, contained in Title II of the CWA, oversaw considerable investment in our Nation's wastewater infrastructure. From 1972 to 1990, the federal government provided more than \$60 billion in direct grants to communities for wastewater treatment capital improvements under the Construction Grants program.⁴ Despite this large federal expenditure, many newly constructed wastewater treatment plants were not treating wastewater at the efficiency levels they were designed to achieve and a large percentage of plants were in violation of their permits.⁵ As a result federal, state, and local governments spent millions to fix the same treatment plants for which they originally spent millions to construct.⁶ In part, as a result of these problems, in the 1980s, a shift occurred in the financing of water infrastructure. Congress and the Reagan Administration wanted states and localities to assume greater responsibilities for funding new wastewater treatment facilities. This led to the transition of the Federal Construction Grants program to a state revolving loan program to provide states with a permanent source of funding that would not be fully dependent on federal contributions – a change that was enacted in the *Water Quality Act of 1987*.

Since 1987, most of the federal government's assistance for water infrastructure has been provided through the CWSRF program. Through this program, individual states and territories maintain their own revolving loan funds to provide low-cost financing for approved water quality infrastructure projects, including municipal wastewater treatment, nonpoint source, watershed protection and restoration, estuary management, and more. These programs are capitalized annually by federal and state contributions. For every dollar contributed by the federal government, states must contribute 20 cents. Since capitalization of the CWSRF program began, federal contributions have reached \$41 billion, with corresponding state

¹ American Society of Civil Engineers, *2017 Infrastructure Report Card: Wastewater* (March 2017).

² Congressional Budget Office, *Public Spending on Transportation and Water Infrastructure, 1956 to 2014* (March 2015).

³ *Id.*

⁴ U.S. Environmental Protection Agency, *2016 Annual Report: Clean Water State Revolving Fund Programs*, EPA-832-R-17007 (March 2017).

⁵ U.S. Government Accountability Office, *Environmental Protection Agency's Water Pollution Control Construction Grants Program* (June 1981).

⁶ *Id.*

contributions of \$7.6 billion.⁷ However, these public funds have a multiplier effect. Over the past 30 years, these federal and state contributions in the 51 CWSRF programs resulted in over \$120 billion in available funding for eligible projects.⁸ At the same time, according to the Congressional Budget Office, the federal share of the costs for wastewater infrastructure has significantly declined since the transition to the CWSRF.⁹

To further assist in the financing of large water infrastructure projects, Congress enacted the *Water Infrastructure Finance and Innovation Act (WIFIA)*, as part of the *Water Resources Reform and Development Act of 2014*, to provide federal credit assistance for drinking water and wastewater activities to be administered by EPA. This program is modeled after the Transportation Infrastructure Finance and Innovation Act program for surface transportation projects. WIFIA aims to provide credit assistance in the form of loans or guarantees for eligible water projects and promotes the use of public-private partnerships in the water market by reducing the cost of private participation. EPA has actively developed its WIFIA program and is expected to issue the first round of credit assistance by the end of 2017.

Water Infrastructure Needs

Water is our most precious resource, one that is essential to a healthy human life. As a result, water pollution issues dominate public concerns about national water quality and maintaining healthy ecosystems. However, “out of sight, out of mind” best describes our attitude toward water infrastructure, and this “hidden” infrastructure is often lost in the general infrastructure discussion.

In the United States, localities are primarily responsible for providing water infrastructure services and funding these services through user fees. Today, many communities face formidable challenges in providing adequate and reliable water infrastructure services, and investment is not always keeping up with the needs. In the absence of increased federal and state financial resources, the cost of many of these obligations ultimately rests with local governments and ratepayers. Today, local government provides the majority of the capital required to finance water infrastructure investments through loans, bonds, and user fees. A number of factors contribute to our Nation’s water infrastructure problems, including changing demographics, underpricing, compliance with increased federal regulatory requirements without commensurate federal financial support, and deferred maintenance and replacement of water assets.

While the age of our water-related infrastructure and the absence of increased federal investment have both contributed to the challenges facing our water infrastructure needs, Hurricanes Harvey and Irma also demonstrated that these systems are vulnerable to damage from storm events. In particular, Hurricane Harvey caused historic flooding in Houston, Texas, that contributed to releases of wastewater from sanitary sewers.¹⁰

⁷ U.S. Environmental Protection Agency, *2016 Annual Report: Clean Water State Revolving Fund Programs*, EPA-832-R-17007 (March 2017).

⁸ *Id.*

⁹ Congressional Budget Office, *Public Spending on Transportation and Water Infrastructure, 1956 to 2014* (March 2015).

¹⁰ U.S. Environmental Protection Agency, *Press Release: Status of Water Systems in Areas Affected by Harvey*. (September 2017). <<https://www.epa.gov/newsreleases/status-water-systems-areas-affected-harvey>>

The EPA estimates the national funding need for capital improvements for such facilities totals approximately \$660 billion over the next 20 years. Of this, the total documented needs for sustainable wastewater infrastructure, combined sewer overflow correction, and stormwater management are \$271 billion nationwide (as of January 1, 2012, which is the most recent numbers available).¹¹

Municipalities are very concerned about the impacts of a lack of available financial resources on the ability of local governments to meet their compliance obligations and needs. These needs are especially urgent, as many communities lack sufficient independent financing and continue to face the need to meet existing and future water quality requirements, all while EPA has stepped up enforcement actions against many municipalities.

More needs to be done to help our Nation's communities meet their water infrastructure needs. The continuing water infrastructure problems our Nation faces require a fundamental shift away from the "business as usual" approach. The first step in doing so, is to hear from various stakeholders' views on the types of policies that are needed to further improve our Nation's water infrastructure.

¹¹ U.S. Environmental Protection Agency, *Clean Watersheds Needs Survey 2012: Report to Congress*, EPA-830-R-15005 (January 2016).

WITNESS LIST

The Honorable Joy Cooper
Mayor
City of Hallandale Beach, Florida
On behalf of the U.S. Conference of Mayors

Mr. James M. Proctor, II
Senior Vice President and General Counsel
McWane, Inc.

Mr. David W. Pedersen, P.E.
General Manager
Las Virgenes Municipal Water District
On behalf of the Association of California Water Agencies
and the California Association of Sanitation Agencies

Mr. David St. Pierre
Executive Director
Metropolitan Water Reclamation District of Greater Chicago
On behalf of the National Association of Clean Water Agencies

Mr. Hector Gonzalez
Government Affairs Manager
El Paso Water Utilities
On behalf of the Association of Regional Water Organizations

Mr. Christopher Franklin
President and CEO
Aqua America
On behalf of the National Association of Water Companies

Mr. Lawrence Levine
Senior Attorney
Natural Resources Defense Council