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**BEFORE THE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES**

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Good afternoon, Chairman Gibbs, Ranking Member Bishop, and members of the Subcommittee.

I am Nancy Stoner, Acting Assistant Administrator for the Office of Water at the U.S. Environmental Protection Agency (EPA). Thank you for the opportunity to speak about the President's Fiscal Year 2014 budget request for the EPA's National Water Program. The President's budget request demonstrates the EPA's commitment to working in collaboration with the states, territories, and tribal governments to protect and maintain the quality of the Nation's waters. The EPA's request for the National Water Program reflects the EPA's ongoing efforts to carefully consider potential savings.

In these difficult economic times with declining budgets, the EPA carefully reviewed its programs to identify cost efficiencies and savings while still funding the nation's most pressing environmental priorities. The agency has made decisions that allow the EPA to focus on sustaining state and tribal partnerships and maintaining the commitment to our core mission. The requested level of \$3.3 billion still allows the National Water Program to continue to support communities, improve infrastructure, drive innovation, spur technology, and increase sustainability. We are doing all of this with an overriding emphasis on strengthening partnerships and providing information and tools for states, tribes and local governments.

The Importance of Clean Water

Clean water is essential for public health, to the nation's economic well-being, to our drinking water supplies, and to the welfare of our families and communities, whether in large cities, small towns, or rural America. The range of local and large-scale businesses that we depend on—and who, in turn, depend on a reliable supply of clean water—include tourism, farming, fishing, beverage production, manufacturing, transportation, and energy generation.

Consider these facts about the value of clean water to the U.S. economy:

- Manufacturing companies use nine trillion gallons of fresh water every year.
- 31 percent of all water withdrawals in the U.S. are for irrigation, highlighting the extent to which the nation's farmers depend on clean water.
- About 40 million anglers spend \$45 billion annually to fish in U.S. waters.
- The beverage industry uses more than 12 billion gallons of water annually to produce products valued at \$58 billion.

One of the EPA's highest priorities, and one we focus on every day, is supporting communities in meeting their clean water and drinking water goals. A particular focus of ours is helping communities to manage their water infrastructure in an effective, affordable and beneficial manner. The President's budget seeks to ensure that federal dollars provided through the Clean Water and Drinking Water State Revolving Funds (SRFs) act as a catalyst for efficient system-wide planning; improvements in technical, financial, and managerial capacity; and well-designed, well-managed, and sustainable water infrastructure.

This budget will allow the agency to continue its efforts to build, maintain, and strengthen effective partnerships with states, other federal agencies, communities, and other stakeholders to continue to improve the country's water quality. For example, in FY 2014, the EPA will continue its partnership with the U.S. Department of Agriculture (USDA) to ensure that federal resources – including both Section 319 Clean Water Act grants and Farm Bill funds – are managed in a coordinated manner, where feasible, to protect water quality in agricultural watersheds. This coordination will support more effective, targeted investments to ensure continued improvements in water quality during a time of constrained budgets.

Water and Wastewater Infrastructure Investments

The Clean Water and Drinking Water SRFs provide funding to states to improve wastewater and drinking water infrastructure at the municipal level, to address various sources of water pollution, and to improve protection of our waterways. The Clean Water SRF provides financing at below-market interest rates, which allows thousands of communities and other eligible entities to upgrade and replace their wastewater treatment plants, correct combined and sanitary sewer overflows, and prevent pollution from entering waterways at a much lower cost than they would have incurred through conventional financing. The Drinking Water SRF helps to finance the costs of infrastructure improvements needed to achieve or maintain compliance with the Safe Drinking Water Act (SDWA) and to protect public health. Our nation's water utilities face significant infrastructure challenges, and SRF investments help states and communities fund needed improvements to communities' aging infrastructure.

The President's FY 2014 budget request includes \$1.095 billion for the Clean Water SRF and \$817 million for the Drinking Water SRF. This funding will enable states and tribes to begin approximately 450 clean water and approximately 370 drinking water projects nationally. The EPA will also work with states to target assistance to small and underserved communities with limited ability to repay loans, while maintaining state program integrity. This request, when combined with enacted appropriations, including the American Recovery and Reinvestment Act, totals approximately \$20 billion invested by the Federal government in the SRFs over the last six years.

A priority of the EPA this fiscal year will be helping the states of New York and New Jersey to recover from the significant damage done to drinking water and wastewater systems as a result of Hurricane Sandy. With the enactment of HR 152, the Disaster Relief Appropriations Act of 2013 (Public Law 113-2), the EPA will work with New Jersey and New York to make improvements to wastewater and drinking water treatment facilities impacted by Hurricane Sandy, that will make these systems more resilient to limit damage from future natural disasters.

The EPA is also working with municipalities across the country to expand and institutionalize the use of integrated planning that considers a full range of infrastructure alternatives, including "green" infrastructure, so that priority investments are made first, and at the lowest life cycle cost. The EPA continues to implement its 2010 Sustainable Water Infrastructure Policy¹, which places significant emphasis on encouraging utility planning resulting in infrastructure investments that also support other relevant community goals. The Policy encourages a robust analysis of various infrastructure options, including use of green infrastructure techniques, and encourages utilities to implement management strategies and rate structures that support a system's water infrastructure investments and operations and maintenance.

¹ <http://water.epa.gov/infrastructure/sustain/upload/Sustainability-Policy.pdf>

Strengthening State Partnerships

Despite the fiscal challenges we face, supporting our state and tribal partners, the primary implementers of environmental programs, remains a priority of the EPA. Funding for states and tribes through the State and Tribal Assistance Grants (STAG) account is once again the largest percentage of the EPA's budget request – at nearly 40 percent in FY 2014. Agency-wide, the FY 2014 request includes a total of \$1.14 billion in categorical grants. Total National Water Program categorical grant funding for the FY 2014 budget request is \$558.9 million, an increase from the FY 2012 enacted level of \$544 million.

The FY 2014 request includes \$258.7 million for Water Pollution Control Grants to states, tribes and interstate agencies, an increase of \$20 million over FY 2012 levels. In FY 2014, the EPA will designate \$15 million of this increase for states that commit to strengthening their nutrient management efforts consistent with my March 2011 memorandum, which lays out a recommended framework for how the agency can work in partnership with states and tribes to achieve near-term reductions in nutrient loadings.² Nitrogen and phosphorus pollution is one of the nation's most widespread, costly and challenging environmental problems. Nutrients impact many of our nation's streams, rivers, lakes, bays and coastal waters, causing serious environmental and human health issues, and harming the economy. Some 16,000 waterways are impaired by nitrogen and phosphorus, and 78 percent of assessed coastal waters suffer from nutrient pollution. These additional funds along with state activities funded by nonpoint source grants (Clean Water Act Section 319) and the Clean Water State Revolving Fund, will help ensure that state programs are effective at protecting the environment and supporting our economy.

² Nancy K. Stoner memorandum, *Working in Partnership with States to Address Phosphorus and Nitrogen Pollution through Use of a Framework for State Nutrient Reductions*, March 16, 2011.

Supporting Regional Restoration and Community Programs

The President's budget requests \$73 million for the Chesapeake Bay Program. The EPA continues to collaborate closely with other federal agencies to restore the health of the Chesapeake Bay and implement the President's Executive Order on protection and restoration of the Chesapeake Bay. The EPA also continues to support the ongoing partnership among federal agencies, Chesapeake Bay jurisdictions, and other stakeholders, which is essential for ensuring that the diverse activities necessary to restore the Bay are being implemented and supported in a strategic manner.

The President's proposed FY 2014 budget provides state and local governments within the Bay watershed with an additional \$14.4 million in grants to make further progress on implementing Phase II Watershed Implementation Plans that Bay states and the District of Columbia developed to meet the Chesapeake Bay Total Maximum Daily Load (TMDL). The TMDL defines the reductions in nutrients and sediment needed to alleviate the harmful nutrient and sediment levels that rob the Bay of the oxygen and sunlight needed to support blue crabs, rockfish, other fish and wildlife, and important plant life critical to the Bay ecosystem, and to support clean water in all communities in the Chesapeake Bay watershed. The EPA will continue to work with the seven Bay watershed jurisdictions, as well as local governments throughout the watershed, in identifying cost-effective solutions for meeting the TMDL's goals.

The request includes \$300 million to continue funding for the Great Lakes Restoration Initiative (GLRI). The GLRI promotes unparalleled interagency coordination across 16 federal agencies to reduce levels of toxic pollutants in the Lakes, restore habitat, combat invasive species, and improve the health of the Lakes. Approximately half of the \$ 300 million will be given to other federal agencies to support their restoration activities. Special priority will be placed on cleaning up and de-

listing Areas of Concern,³ preventing the introduction of new invasive species, and reducing nutrient pollution that contributes to harmful algal blooms and other water quality impairments.

The President's budget requests \$4.4 million to support the Urban Waters Program. The Program focuses on integrating water quality improvements in urban watersheds with community and economic development goals. Through the Urban Waters Program, the EPA will help communities to restore water quality, protect human health, adopt green infrastructure solutions, and provide training and employment opportunities. The majority of the President's \$4.4 request for the Urban Waters Program would provide grants directly to local communities for projects that help to achieve these goals. The EPA will continue to actively co-lead the 13 member Urban Waters Federal Partnership along with USDA, the Department of the Interior, and the Department of Housing and Urban Development. The Partnership is working to break down federal program silos and promote more efficient and effective use of federal resources while building new partnerships with state and local governments, local non-profit organizations and the private sector. Through these efforts, the EPA is advancing restoration projects that improve urban water quality and catalyze improvements in local communities and economies.

Conclusion

Thank you, Chairman Gibbs, Ranking Member Bishop, and members of the Subcommittee for this opportunity to discuss the President's FY 2014 budget request for the EPA's National Water Program. The President's budget reflects the EPA's ongoing efforts to identify potential savings while continuing our commitment to the core mission of sustaining water quality, public health, and our economy. We look forward to continuing our work with the Subcommittee to ensure clean and safe water for all Americans. Thank you again, and I will be happy to answer any questions you may have.

³ <http://www.epa.gov/glnpo/aoc/>