

Statement for the Record of

The American Society of Civil Engineers

on

**“The Clean Water State Revolving Fund: How Federal
Infrastructure Investment Can Help Communities Modernize
Water Infrastructure and Address Affordability Challenges”**

United States House of Representatives

**Committee on Transportation & Infrastructure Subcommittee on
Water Resources & Environment**

March 7, 2019

Introduction

The American Society of Civil Engineers (ASCE) appreciates the opportunity to submit our position on the importance of long-term, strategic investment in our nation's water infrastructure systems. ASCE also thanks the U.S. House of Representatives Transportation and Infrastructure Subcommittee on Water Resources and Environment for holding a hearing on this critical issue. ASCE is eager to work with the Subcommittee in the 116th Congress to reauthorize the Clean Water State Revolving Fund.

ASCE's 2017 Infrastructure Report Card

Infrastructure is the foundation that connects the nation's businesses, communities, and people, serves as the backbone to the U.S. economy, and is vital to the nation's public health and welfare. Every four years, ASCE publishes the *Infrastructure Report Card*, which grades the nation's 16 major infrastructure categories using a simple A to F school report card format. The Report Card examines the current infrastructure needs and conditions, assigning grades and making recommendations to raise them.

ASCE's *2017 Infrastructure Report Card* rated the overall condition of the nation's infrastructure a cumulative grade of "D+" across sixteen categories, with an investment gap of \$2 trillion. The Report Card gave our nation's wastewater infrastructure category a grade of "D+," while our nation's drinking water infrastructure category received a grade of "D."

Millions of new users are expected to be connected to centralized wastewater treatment centers in the coming years. America's wastewater and drinking infrastructure provide a critical service; therefore, it is crucial that all levels of government and the private sector make sustained, significant, and strategic investments these infrastructure systems.

Investment Shortfalls Total Billions of Dollars

A well-maintained public drinking water and wastewater infrastructure is critical for public health, strong businesses, and clean waters and aquifers. However, funding both capital projects and operations and maintenance (O&M) is difficult because the public often does not appreciate the modern convenience of wastewater and drinking water treatment, making it difficult to convey the need for water rate increases. Furthermore, capital spending has not kept pace with needs. If these trends continue, the funding gap will only widen, resulting in leaking pipes, source water pollution, and increases in the cost of O&M.

Overall, the nation's infrastructure funding gap comes to \$2 trillion over 10 years. Despite increased efficiency methods and sustainable practices, there is a growing gap between the capital needed to maintain drinking water and wastewater infrastructure and the actual investments made. By 2025, the disparity between needed and anticipated funding for drinking water and wastewater systems will be \$105 billion.

The nation's drinking water systems face staggering public investment needs over the next

several decades. According to the American Water Works Association¹, \$1 trillion will be needed to maintain and expand drinking water service demands during the next 25 years. Many of the pipes that deliver drinking water in the nation were laid in the early to mid-20th century with a lifespan of 75 – 100 years. Failures in drinking water infrastructure can result in water disruptions, impediments to emergency response, and damage to other types of essential infrastructure. Every day, nearly six billion gallons of treated water is lost due to leaking pipes, with an estimated 240,000 water main breaks occurring each year. It is estimated that leaky, aging pipes waste about 14 to 18% of each day's treated drinking water – enough to support 15 million households.

Nearly 240 million Americans – 76% of the population – rely on the nation's 14,748 treatment plants for wastewater sanitation. There are over 800,000 miles of public sewers and 500,000 miles of private lateral sewers connecting private property to public sewer lines. Each of these conveyance systems is susceptible to failure, blockages, and overflows.

As cities continue to experience population growth and rural households switch from septic systems to public sewers, pressure on existing centralized systems will require billions of dollars in investment to meet federal regulatory requirements. Over the next two decades, it is estimated that more than 56 million new users will be connected to centralized wastewater systems, which will require the construction of 532 new systems by 2032 to meet future demand. The U.S. Environmental Protection Agency (EPA)² estimates that over the course of the next 20 years, \$271 billion will be needed for wastewater infrastructure.

Solutions

Fortunately, Congress has provided some federal funding options that could help close the funding gap needed for drinking water and wastewater infrastructure if appropriated. Certainly, federal funding is not the only answer; since the mid-1970s, money from local and state governments has represented an increasing percentage – nearly 95% – of public drinking water and wastewater investment. Cities and towns across the country report that complying with federal wastewater and stormwater regulations represent some of their costliest capital infrastructure projects.

As some water systems have become privatized, private capital has become another financing mechanism. Regardless of whether a water system is publicly or privately owned or managed, households and businesses still ultimately foot the bill. Therefore, care much be taken to ensure that rates are set at levels sufficient to maintain and upgrade infrastructure while not increased so much that low-income residents would face

¹ American Water Works Association, Buried No Longer: Confronting Americas Water Infrastructure Challenge, February 2012

² Environmental Protection Agency, Clean Water Needs Survey, 2012 Report to Congress, December 2016.

financial hardship.

The federal government funds many infrastructure categories, and of all of these, water services receive less than 5%. However, the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) – both authorized by Congress several decades ago – play a vital role in providing much-needed support for investments in state and local drinking and wastewater infrastructure.

In the past 30 years, the federal government has loaned \$42 billion to all 50 states, the District of Columbia, and Puerto Rico through the CWSRF, which has given states the ability to fund over \$126 billion in wastewater infrastructure system improvements – all through low-interest financing. Every dollar provided by the federal government is matched at 20 percent by the state.

Likewise, the DWSRF program provides low-interest loans to state and local infrastructure projects. The EPA provides an allotment of funding for each state, and like the CWSRF, each state provides a 20 percent match. Since the program's inception, \$35.4 billion of low-interest loans have been allocated. ASCE was pleased that the DWSRF was reauthorized at increasing funding levels in the America's Water Infrastructure Act of 2018 (P.L. 115 – 270, Sec. 2023) and urges Congress to reauthorize the CWSRF at increasing funding levels, as well.

ASCE believes that our nation's elected leaders need to act quickly to address the growing gap in drinking water and wastewater infrastructure investment. We urge Congress to:

1. Renew the federal commitment to water infrastructure by reinvigorating the CWSRF program through permanent reauthorization and tripling the amount of annual authorization and appropriations.
2. Fully fund the WIFIA program at no less than the FY19 enacted level of \$68 million.
3. Eliminate the state cap on private activity bonds for water infrastructure projects to bring an estimated \$6 billion to \$7 billion annually in new private financing to bear on the problem.
4. Create legislation to allow Public Private Partnerships (P3) as one of many methods of financing water infrastructure improvements. ASCE supports the use of P3 project delivery methods to enhance federal, state and local resources when the public interest is protected.
6. Preserve tax exempt municipal bond financing, which provides communities with low-cost access to capital for drinking water and wastewater infrastructure upgrades.

7. Support green infrastructure solutions, which provide co-benefits such as water and quality improvement, aesthetic value to communities, and cost competitiveness.
5. Create legislation to establish a dedicated source of revenue for drinking water and wastewater infrastructure projects that would provide a stable, long-term basis for financing for these critical systems.

Finally, ASCE believes our nation must prioritize the investment needs of our wastewater and drinking water infrastructure to ensure public health, a strong economy, and clean and safe water sources. Strategic, robust, and sustained investments in these water infrastructure systems from a variety of mechanisms must be made quickly if we hope to close the growing funding gap. ASCE thanks the Subcommittee for holding this hearing and bringing attention to this critical matter. We look forward to working with you to find solutions to our nation's wastewater and drinking water infrastructure investment needs.