



The Western Coalition of Arid States

WESTCAS

FUNDING WATER RESOURCES INFRASTRUCTURE: NEW CHALLENGES/NEW IDEAS

WESTCAS Washington DC Fly-In, April 18-19, 2012



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Water resources infrastructure is the cornerstone of our nation's future. The federal government has historically recognized the importance of water infrastructure as essential to job creation and as one of the most basic components for global competitiveness. Decreasing Federal investment, combined with aging existing systems, the need to build new infrastructure, and the impact of a complex permitting process and a host of environmental regulations, have all combined to create a serious infrastructure deficit for the United States.

We all benefit from a legacy of water supply and distribution infrastructure created through partnerships between local and Federal stakeholders. Historically, these collaborations have helped to create facilities that capture, treat and distribute reliable water supplies to a growing population. Local stakeholders must continue to partner with the Federal sector both to preserve and strengthen current funding arrangements while at the same time helping to identify new concepts that will help bridge the current gap in investment.

WESTCAS supports maintaining current Appropriations levels for water infrastructure, identifying new funding strategies, and institutionalizing a streamlined process for permitting and regulatory compliance. This represents a trifecta of progress through which the Arid West and our entire nation can successfully address the huge challenge of meeting our infrastructure needs in the 21st century.

1. Maintain regular appropriations funding for water resources infrastructure

One of the traditional cornerstones of the local/Federal funding partnership for water infrastructure has been the Congressional Appropriations process, including the USEPA Clean Water and Drinking Water SRF programs, Bureau of Reclamation Water and Related Resources and the Army Corps of Engineers Environmental Infrastructure Construction Account. All three of these programs have been targeted for major funding reductions.

The Voice of Water Quality in the Arid West

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Estimates for drinking water investment over the next 20 years exceed \$1 trillion with \$600 billion required for Clean Water. But the combined FY13 EPA SRF budget request totals just \$2.25 billion. Bureau of Reclamation Water and Related Resources requested FY13 funding is only \$818.635 million and no Army Corps of Engineers Environmental Infrastructure Construction account funding is being sought by the Administration. This means that slightly more than \$3 billion is being requested by the Executive Branch which equates to a small fraction of the actual need in drinking water and Clean Water Investment.

In FY12 the Congress added \$29.660 million in funding to the Administration request to the Army Corps of Engineers Environmental Infrastructure account and \$80 million to the Bureau of Reclamation Water and Related Resources Account. WESTCAS supported both actions. WESTCAS strongly urges that Congress keep FY13 funding for both of these programs at least at their FY12 levels. WESTCAS further supports the Congress maintaining the Clean Water and Safe Drinking Water SRF's at their FY11 levels of \$1.468 billion and \$919.363 respectively.

2. Identify new approaches to fund water infrastructure

WESTCAS supports the development of Water Infrastructure Finance and Innovation Act [WIFIA] legislation as well as proposals for lifting the cap on Private Activity Bonds for water resources infrastructure and also innovative public/private partnerships that could further leverage the non-governmental investment market.

WIFIA would be targeted at larger infrastructure projects of \$20 million or more through loans and loan guarantees. This concept would require only minimal Congressional Appropriations necessary to provide the initial capital for the fund and then an annual Appropriation to cover any credit losses caused by the default by which are projected to be less than one half of 1%. The vast majority of the program would be self sustaining as loans are paid off, with interest, from income generated by local water agencies through their water rates.

One major issue associated with WIFIA is whether the program should be administered on the national level by USEPA including all funding decisions or whether existing State SRF programs could expand their successful loan programs to include a WIFIA effort. WESTCAS supports the concept of administration by State SRF programs since they have a better sense of the needs of their water community but with the very specific caveat that this arrangement must not become a zero sum game in which existing SRF funds are reduced in order to allow the WIFIA program to be funded. A Congressionally authorized loan program generating a growing stream of investment capital as loans are repaid with interest would be an effective response to the infrastructure funding challenge.

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WESTCAS also supports exempting Private Activity Bonds from the current volume cap for drinking water and Clean Water projects. The ability to issue tax free bonds would allow local water agencies to tap into the private investment market while also reducing the cost of the overall project since bondholders do not have to pay Federal and in some cases state income tax. HR 1802, introduced in the 112th Congress would remove the PAB volume cap for water and wastewater facilities.

3. Innovations in Regulation and the Permitting Process

Infrastructure costs are often increased by the Federal permitting process. This includes traditional water infrastructure needs and also emerging challenges such as stormwater discharge, removing naturally occurring elements and other constituents of emerging concern from drinking water, and complying with Federal requirements such as the Endangered Species Act. Issues like these can expand the time frame for water projects to many years which in turn greatly increases the cost of construction. Any serious approach to the funding of water infrastructure must consider these regulatory challenges to meeting infrastructure funding needs.

WESTCAS supports Executive Orders 13563 and 13604 issued by President Obama on January 18, 2011 and March 22, 2012, respectively. Order 13563 titled “Improving Regulation and Regulatory Review” promotes smart and efficient regulations and requires federal agencies ensure that an adopted regulation is based on a reasoned determination that its benefits justify the costs. WESTCAS believes that the net environmental benefit of water regulations should be a critical part of the cost-benefit analysis that precedes the promulgation of new rules affecting water resources infrastructure.

Order 13604 “Improving Performance of Federal Permitting and Review of Infrastructure Projects” requires Executive Branch Agencies to work together to identify a better process for review of Permit applications with a goal of shortening the time required for final approval. All of these agencies who permit water infrastructure will be members of the “Steering Committee on Federal Infrastructure Permitting and Review Process Improvement” chaired by a Chief Performance Officer. This should provide a common ground to share ideas for how the permitting process can be made quicker and more efficient. This has the potential to benefit all parties and to significantly reduce a major cost borne by local sponsors of water infrastructure projects.

CONCLUSION

An effective Federal water infrastructure policy is fundamental to securing our nation’s future. WESTCAS appreciates the reality of current financial constraints at every level of government. But this cannot be accepted as an excuse to let our current water infrastructure

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deteriorate while failing to build for the future. We believe that these challenges can best be addressed through a combination of preserving current traditional Appropriations programs, developing creative new approaches like the WIFIA and removing caps on Private Activity Bonds, and by ensuring that the benefits of regulations outweigh their cost. The members of WESTCAS pledge to work with the Administration and the Congress to ensure that this national priority is fully met with programs that are relevant for the Arid West.

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