October 6, 2010

The Honorable Christopher J. Dodd
Chair
The Honorable Richard C. Shelby
Ranking Member
Senate Committee on Banking, Housing and Urban Affairs

Dear Senators,

Our organizations represent utilities and other professionals that provide the vast majority of Americans with water and wastewater services. We are pleased to see the Senate Committee on Banking, Housing and Urban Affairs advance the discussion on a national infrastructure bank.

We strongly support additional water and wastewater infrastructure finance tools, and believe that if properly structured, a water infrastructure bank would be a highly effective tool for addressing the nation's chronic underinvestment in its critical water infrastructure. We would like to share with the committee what we view as the essential principles for a water infrastructure bank, and respond to some of the discussion at the committee's September 21 hearing.

We recommend the development of a water infrastructure bank that would take a two-pronged approach to assisting water utilities: First, the Bank should provide direct, low-interest loans or loan guarantees for large water and wastewater systems or projects, including projects for drinking water, wastewater, water reuse, desalination, storm water, and combined sewer overflows. And second, the Bank should expand the funds available to state revolving loan fund (SRF) programs that leverage their SRFs via purchase or guarantees of SRF bonds. We understand the concern all parties have about the federal deficit, so we wish to emphasize up front that we are seeking a loan program, not grants.

Discussion of an infrastructure bank has focused on funding for large-scale projects and we know there is concern that smaller or rural communities would be left out. Note that our recommendation directly addresses this concern. As you know, State Revolving Funds are a key tool currently used to finance water infrastructure, but SRFs are hampered by inadequate capitalization. By allowing SRFs access to the water infrastructure bank, our proposal would provide an avenue for states to make more funds available for the SRF program, so as to better serve smaller communities. Providing an alternative source of funds for larger projects (i.e. through the bank instead of through the SRF) would also allow states to better serve smaller projects and communities by targeting more SRF funding to smaller communities.

Another issue raised in the hearing that we would like to discuss is the question of "silos" in the distribution of infrastructure finance assistance. We agree that the nation's infrastructure should be addressed in a more comprehensive fashion and that the past "silo" approach to distributing funds has not always made sense. We note that watersheds do not follow municipal or state boundaries. However, we do have concerns about the water sector having to compete for infrastructure funding against the transportation sector. People drive over roads and bridges every day, but water infrastructure largely lies buried underground. Therefore, roads and bridges have historically garnered a far larger share of federal assistance than the water sector, and we can see this continuing in the future. We would like to note that EPA' most recent Drinking Water Needs Survey shows that over the next 20 years, the United States will need to invest $335 billion in drinking water infrastructure just to maintain current service levels. Similarly, EPA's latest Clean Water Needs Survey shows that an additional $298.1 billion in wastewater infrastructure investment is necessary over the next 20 years.

Attached is the brief summary of the legislative concepts we believe define a water infrastructure bank that truly addresses the nation's critical needs.

AWWA looks forward to working with the committee in further exploring creation of an infrastructure bank for the nation's drinking water and wastewater systems.

Sincerely,

American Water Works Association
Tom Curtis
AWWA Deputy Executive Director
tcurtis@awwa.org or 202-628-8303

Association of Metropolitan Water Agencies
Dan Hartnett
Director of Legislative Affairs
Hartnett@amwa.net or 202-331-2820

Water Environment Federation
Carl Myers
Assistant Director, Public Policy
cmyers@wef.org or 703-684-2416