Financial Sustainability for Water Infrastructure

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We have made good progress toward achieving national water quality and drinking water goals since the passage of the Clean Water Act in 1972 and the Safe Drinking Water Act. High levels of drinking water and wastewater treatment are the norm throughout the United States and we enjoy one of the highest levels of water quality in the world.

Despite this progress, impaired waters still persist. Recent assessments indicate that water quality improvements may have reached a plateau in spite of the current levels of investment by federal and state programs and by water and wastewater utilities According to 2006 to 2008 State assessments reported to EPA, 63% of assessed estuaries and 49% of assessed rivers and streams have impaired water quality due to a variety of sources, including inadequately treated wastewater.

One of the most critical issues facing Americans is how to improve and maintain our infrastructure to ensure that we fully enjoy the health, economic and social benefits that clean and safe water provide. Infrastructure problems associated with aging pipes, outdated treatment systems, and inadequate capacity to meet growing population demands are requiring many communities to make huge investments in upgrades to their water and wastewater infrastructure systems. In 2002, EPA estimated a potential gap for wastewater infrastructure capital improvements, along with operations and maintenance, of about $150 billion to $400 billion over the period from 2000 to 2019. EPA has also estimated that the nation's water utilities will need to invest about $335 billion over the next 20 years on drinking water infrastructure. These amounts are beyond the capacity of some municipalities and utilities to shoulder alone. Without additional investment in the nation's water and wastewater infrastructure, the environmental and public health gains made during the last three decades could be at risk.

WEF Position

The Water Environment Federation supports a three-pronged approach to solve the financial sustainability of infrastructure challenge facing water sector utilities: First, utilities must be well managed and appropriately funded to ensure long-term sustainability of collection, treatment and distribution systems; second, there must be a significant and continuing federal investment commitment; and, third, the general public and business community must play a larger role in ensuring that utilities continue to effectively serve their communities.

Well-Managed Utilities

Utilities must be well managed locally to ensure long-term sustainability of collection, treatment and distribution systems: The first line of defense in providing Americans the benefits of clean and safe water is ensuring our local water and wastewater utilities are well maintained and operated with sufficient local support. Specifically, WEF supports:

- Full cost-of-service pricing systems that encourage local communities to establish rates that reflect, to the maximum extent practicable, the system's true life-cycle costs, including debt service, and that can support long-term management needs. Full cost-of-service pricing also reflects the environmental and public health value of the water and wastewater services provided;
- Strong professional staff that are viewed as advocates for clean and safe water in the community and on the state and federal level. Utilities must have employee development and training programs that ensure utility staff possess the skills needed to manage, operate and maintain the utility using best practices;
- Water sector utilities should fully utilize the tools of the Effective Utility Management (EUM) program that establishes performance measures for excellence in utility management

- Sustainable management approaches, including asset management and environmental management systems, that proactively ensure long term viability of each component of the system while simultaneously ensuring compliance with local, state and federal environmental regulations;
- Long-term financial planning and structured resource prioritization to help ensure that utilities develop and allocate their available resources to most effectively deliver customer and environmental services;
- A culture of constant innovation and research into new technologies and management approaches that support best management practices, including conservation, efficiency and reuse; and a system to ensure transparency and public participation so the utility remains accountable to ratepayers and the general public.

There must be a significant and continuing federal investment: WEF recognizes that even if local utilities do all the above and are managing their systems using best practices, federal assistance in financing infrastructure costs will continue to be essential for many communities due to affordability issues. Congress must make a significant renewed commitment to help communities and regional watershed partnerships meet their obligations under the Clean Water Act and the Safe Drinking Water Act. Specifically, WEF supports:

Strengthening the Clean Water and Safe Drinking Water State Revolving Fund Programs (SRFs)

- Reauthorization of the Clean Water and Safe Drinking Water State Revolving Fund Programs (SRF) with a significant increase in appropriations to more closely reflect financing needs that exist;
- Improved administration of State Revolving Funds, that streamlines the application process, provides increased flexibility to States to determine, with public input, project eligibility and environmental compliance standards, and encourage innovative partnerships that bring diverse stakeholders together for more effective broad-based solutions; and reduces paperwork burdens on communities;
- Flexible forms of financing, made available by states on the basis of need, to assist communities that do not have the rate base to support conventional or SRF loan financing costs. These include extended loan terms, low and negative interest loans, loan forgiveness programs and grants. Communities in need often include low-income communities and small communities or those facing costly environmental challenges such as correction of CSO and SSO problems or meeting new TMDL and security requirements. More comprehensive affordability criteria should be developed for states to use in allocating SRF financing;
- A dedicated revenue source for the SRF could ensure that federal investment in water infrastructure is consistent and no longer solely depends on annual discretionary appropriations. .
- WEF believes that any dedicated SRF revenue source identified should be broad-based, related to clean and safe water, and should not impose a national tax or fee on local water and wastewater ratepayers. WEF is willing to work with Congress and other stakeholders to bolster SRFs by considering dedicated revenue sources and innovative financing. One possible dedicated revenue source is a water trust fund. An example of an innovative financing approach is a water-specific infrastructure bank.

Support for State Programs, Small Communities, Research, Asset Management, and Public Education -

- In addition to increased funding for the SRF, assuring infrastructure sustainability will require increased federal support for States to administer clean water programs, including federal support for watershed based approaches; federal support for technical assistance to small

communities; increased federal investment for research and development of cost-effective treatment and infrastructure technologies and asset management strategies that improve the life-cycle of wastewater treatment systems; and federal support for the development of a national program to educate the public about the benefits and economic importance of water and wastewater infrastructure.

The general public and the business community must play a larger role in ensuring clean and safe water. WEF supports strategies that encourage greater participation by the general public and the business community in maintaining the healthy operation of community water and wastewater treatment facilities. WEF believes that to ensure long term environmental stewardship of our water resources, all parts of society must be involved. Specifically, WEF supports:

- Public partnerships and cooperative relationships with the business community to develop innovative, cost-effective solutions to infrastructure sustainability. Public/private partnerships should not be restricted or hindered by tax laws, grant conditions or other federal requirements. Public-private partnership decisions should be made locally based on what local officials determine is most appropriate for preserving and enhancing the water environment;
- Elected officials and non-governmental organizations, including public health organizations, advocacy groups, business associations and other civic organizations, playing a leadership role in highlighting the importance of water infrastructure and continued investment in it;
- A continued commitment from WEF to continue public outreach among all stakeholders to increase the public's support for investment in infrastructure for clean, safe water.

WEF recognizes that no single solution addresses the full range of clean water infrastructure and related challenges. All levels of government and the private sector must share responsibility for effective, efficient, and fair solutions to protecting our nation's waters.

About the Water Environment Federation

Formed in 1928, the Water Environment Federation (WEF) is a not-for-profit technical and educational organization with 36,000 individual members and 75 affiliated Member Associations representing water quality professionals around the world. WEF and its Member Associations proudly work to achieve our mission of preserving and enhancing the global water environment.