

Message

From: Tracy Mehan [tmehan@awwa.org]
Sent: 7/30/2018 3:28:48 PM
To: Tracy Mehan [tmehan@awwa.org]
Subject: SRF-WIN "slashed"

Daily News

Draft Senate Bill Slashes Controversial EPA Water Infrastructure Program

July 27, 2018

Draft legislation the Senate is slated to consider as soon as next week proposes to slash authorized funding levels for a controversial EPA water infrastructure loan guarantee program -- to roughly 5 percent of what the environment committee originally approved -- in order to comply with Senate budget rules.

The draft manager's amendment to the water resources development bill, obtained by *Inside EPA*, would authorize funding for the so-called Securing Required Funding for Water Infrastructure Now (SRF WIN) program at \$4 million for fiscal year 2019 and \$5 million for FY20, with \$1 million each year reserved for administrative expenses.

This is a significant reduction from the \$100 million for each of those fiscal years that the Senate Environment and Public Works Committee (EPW) approved in May in its version of the Army Corps of Engineers authorization bill, S. 2800.

SRF WIN would amend EPA's Water Infrastructure Finance and Innovation Act (WIFIA) program to create a new class of loans that would be available exclusively to states to pay for projects listed on their state revolving fund (SRF) intended use plans.

WIFIA is an agency program that allows EPA to provide low-interest federal loans and loan guarantees from the U.S. Treasury that cover up to 49 percent of large infrastructure and water reuse projects, with utilities or states responsible for coming up with the remaining 51 percent of the project. WIFIA loans are aimed at projects that cost at least \$20 million for large cities and \$5 million for smaller municipalities, and may be combined with traditional SRF infrastructure financing.

The Senate's SRF WIN language has created a split among organizations representing water utilities, with proponents arguing the changes are necessary to provide additional funding for small and rural communities and opponents charging the bill will hamstring the existing WIFIA program and reduce overall federal water infrastructure funding.

Opponents, in a July 11 letter to EPW, said EPA analysis indicates the typical SRF WIN loan subsidized at interest rates of between 50 and 80 percent of the Treasury rate would leverage federal dollars at rates of only between 3.66-to-1 and 8.50-to-1.

This is significantly below the 92-to-1 rate in place for WIFIA loans to be awarded through the 2017 round of funding, as well as the 102-to-1 leveraging ratio estimated for WIFIA in FY19, the letter says.

Legislative Hurdles

While the environment committee attached the SRF-WIN provisions to pending legislation authorizing Army Corps of Engineers funding, the legislation is facing significant hurdles.

EPW Chairman John Barrasso (R-WY) announced earlier this month that the committee had pared back SRF WIN after the Congressional Budget Office estimated that the May bill would reduce federal revenues by \$2.6 billion over 10 years and open the door to a point of order that would require 60 votes to overcome.

But Barrasso did not say by how much the authorized funding had been cut.

A water utility source opposed to the program says the amendment shows that lawmakers are seeking to preserve the proposed change but virtually killing the funding, making it unlikely that projects would receive financing.

"So apparently the Senate's solution to addressing the massive budget score associated with SRF WIN is to nearly eliminate the program's authorized funding," the source says. "This would not leave much money available to actually fund projects through SRF WIN, especially given the low leveraging ratio expected of that program."

In addition, the House appears to be opposed to the provisions. The House companion to the Senate Army Corps bill, H.R. 8, which cleared the House overwhelmingly earlier this year, is silent on the SRF WIN language.

In addition, outgoing transportation committee Chairman Bill Shuster (R-PA) is proposing legislation that would preserve the current WIFIA program while putting it on a stronger footing by increasing the size of the federal match and taking other steps that would ease the burden on utility recipients.

The Senate manager's amendment also preserves the current \$50 million annual authorization for WIFIA. -- *Lara Beaven*

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