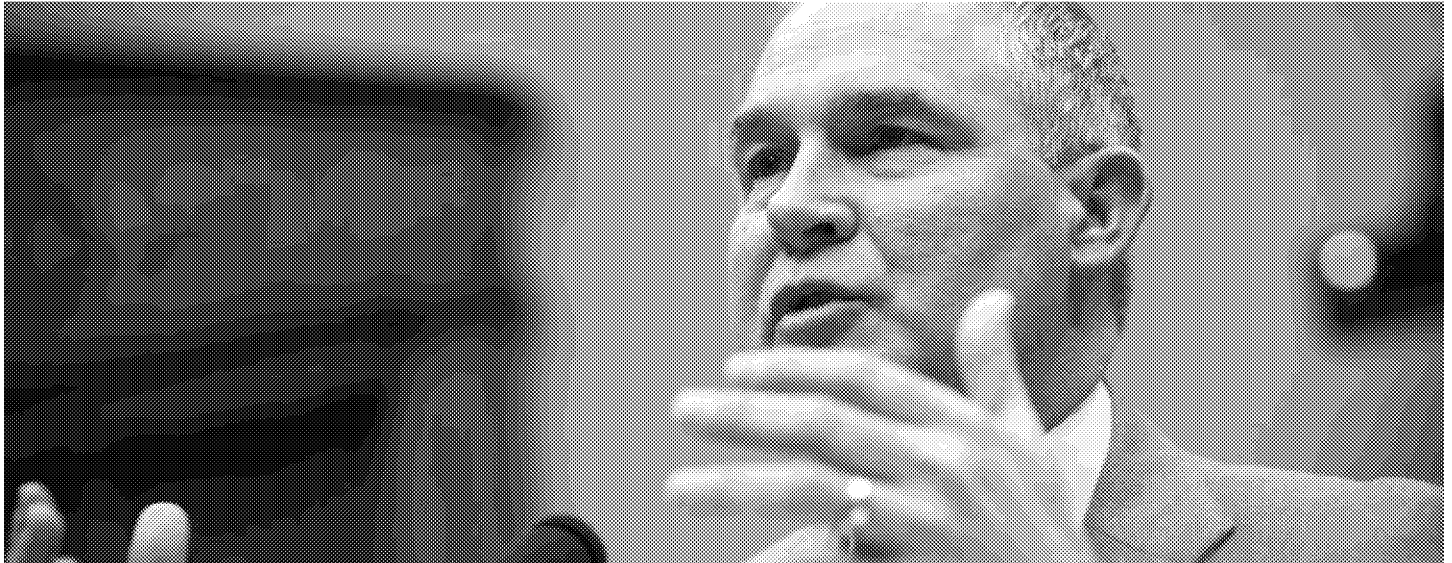


From: Tracy Mehan [tmehan@awwa.org]
Sent: 1/24/2018 10:03:30 PM
To: Tracy Mehan [tmehan@awwa.org]
Subject: Major concerns re some, not all, new WIFIA applications



Environmental Protection Agency Administrator Scott Pruitt testifies before the House Energy and Commerce Committee about the mission of the U.S. Environmental Protection Agency on Dec. 7, 2017 in Washington, DC.

Photographer: Pete Marovich/Getty Images

News

Water Utilities Fear EPA Loan Program Growing Too Big, Too Fast

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By David Schultz

- Leaked White House documents call for dramatic expansion of EPA low-interest water loans
- Under proposal, loans could now go toward Superfund cleanup, flood control, others
- Utilities say EPA should focus on core mission of drinking water, wastewater

A fledgling water infrastructure loan program at the EPA is experiencing an unusual problem in Washington: It may enjoy too much political support.

Lawmakers from both parties enthusiastically back the program, which subsidizes loans for wastewater and drinking water projects. In fact, they support the program so much that the White House may soon call for it to be expanded to cover not only water projects but also Superfund site cleanups, flood control, shipping and navigation efforts, and other purposes.

This is making the water utility industry nervous.

The loan program began in 2014 when Congress passed the Water Infrastructure Finance and Innovation Act, also known as WIFIA. Officials at the Environmental Protection Agency just selected the program's first round of loan recipients last year and haven't actually granted any loans through the program yet.

"Before WIFIA is looked to as the answer to a wider range of questions, we need to get through a [loan] cycle or two and evaluate how it's worked," Dan Hartnett, a lobbyist with the Association of Metropolitan Water Agencies, told Bloomberg Environment. He said the industry "would urge some caution there and make sure WIFIA is succeeding where it was meant to succeed first."

Leaked Plan

The Trump administration has big plans for WIFIA, according to a portion of its upcoming infrastructure proposal that leaked to the press earlier this week.

It's not just proposing changes for which types of projects would be eligible for these ultra-low cost loans. It also wants to allow the loans to go to private water systems—for example, a hospital or a factory with its own water supply.

Additionally, the White House wants to allow WIFIA loans to be used to help one utility acquire another one.

Most, if not all, of these measures could not be implemented without Congress granting the EPA more leeway in how it administers the WIFIA program, according to Mike Keegan, a legislative analyst at the National Rural Water Association. Keegan said it would be a mistake to take a program meant to finance new sewer systems or water filtration plants and expand it this much. The water utility industry just can't be lumped in with Superfund cleanup, flood control, or other projects tangentially related to water, he told Bloomberg Environment.

"They're not similar in the way they're funded, not similar in the way they're regulated, and not similar in how they interact with the public," he said. "I don't think that's well understood by people crafting this document."

The EPA deferred to the White House, which did not respond to a request for comment.

Political Support

A rarity in the current political climate, WIFIA is one of the few environmental programs that both Republicans and Democrats have enthusiastically embraced.

Separate spending bills in both the House and the Senate for the current fiscal year would allocate \$30 million to the program, \$10 million more than the administration had asked for.

Additionally, bills have been introduced in both the House and Senate that would reauthorize the program for five more years beyond its expiration date in September 2019. Both bills, H.R. 4492 and S. 2329, have bipartisan backing.

Hartnett said he thinks the program has been embraced so strongly because it has a huge bang for a relatively small buck. For every taxpayer dollar Congress allocates to WIFIA, the EPA can help municipalities get cheap loans that will kickstart between \$100 and \$200 in infrastructure construction nationwide.

"I think a big part of why WIFIA is so popular is its leveraging ability," Hartnett said. "If you're at the White House, you look at that and say 'I want to do an infrastructure initiative, but I don't want to spend a lot of money doing it.' The WIFIA model would be very attractive."

Superfund Disagreement

But the White House's proposal to expand who's eligible for WIFIA loans raises the question: would the other sectors in its proposal even benefit from WIFIA's low-cost financing?

That's unclear when it comes to speeding up the pace of Superfund cleanups—a goal that EPA Administrator Scott Pruitt has said ranks at or near the top of his priority list.

Dan French, CEO of Brownfield Listing, a real estate company that works with formerly contaminated sites, said being able to obtain a WIFIA loan would "make all the difference in the world" for stalled cleanup projects.

"Cheaper public capital won't solve every problem at every Superfund site," he told Bloomberg Environment, but some projects "would come alive again, whereas they were unfinanceable and dead before."

However, a lack of loans isn't the main obstacle blocking cleanup projects from moving forward, according to Steve Jawetz, an attorney at Beveridge & Diamond PC in Washington who works on Superfund issues.

"If this is just about temporary financing that needs to be paid back, then it's of less use," he told Bloomberg Environment. "The money has to come from somewhere. . . . It would be best to have federal funding as opposed to federal loans."

(Updates throughout with additional reporting)

(Updated to add more reporting throughout.)

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