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**From:** Tracy Mehan [tmehan@awwa.org]  
**Sent:** 12/22/2017 8:54:47 PM  
**To:** Forsgren, Lee [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=a055d7329d5b470fbaa9920ce1b68a7d-Forsgren, D]; Sawyers, Andrew [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=49214552a00b4ab7b168ec0edba1d1ac-Sawyers, Andrew]; Stein, Raffael [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=280af9f00275496d96dc7587ab473480-Rstein]; Klasen, Matthew [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=9d5ba7959ebd4929ab5ab57fba80b21d-MKlasen]; Dorfman, Jordan [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=9b2443612937410b87c6a0a816a216eb-Dorfman, Jordan]; Jernberg, Jorianne [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=Jernberg, Jorianne]  
**Subject:** FW: From Inside EPA - WIFIA - SRF

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**From:** Steve Via  
**Sent:** Friday, December 22, 2017 3:04 PM  
**To:** Tracy Mehan <tmehan@awwa.org>; Tommy Holmes <THolmes@awwa.org>; Nate Norris <NNorris@awwa.org>  
**Subject:** From Inside EPA - WIFIA - SRF

Steve Via  
Director Federal Relations, AWWA

Ex. 6

## Groups Split Over Boozman's Plan For New EPA Water Funding Mechanism

December 22, 2017

Sen. John Boozman (R-AR), chairman of the Senate clean water panel, is floating draft legislation that would create a new \$1 billion water infrastructure loan mechanism for states at EPA, but the bill is splitting water groups, with supporters saying it would increase funds, especially for small and rural communities, while opponents say it could cap existing funds.

The fight over the legislation comes as the Trump administration prepares to unveil its broader infrastructure financing package in early 2018, signaling that the dispute over the water legislation is likely to be part of the broader infrastructure debate Congress is likely to face next year.

The [draft bill](#), a copy of which was obtained by *Inside EPA* along with a [section-by-section summary](#), would amend the 2014 Water Infrastructure Financing and Innovation Act (WIFIA) to provide \$200 million per year that EPA would provide to state revolving loan fund (SRF) authorities to use as security for Treasury loans.

Those loans would be provided at preferential interest rates, with one cohort having interest rates set at between 50 and 100 percent of treasury rates and the other set at a fixed 80 percent of treasury rates.

The bill, referred to as the Securing Required Funding for Water Infrastructure Now (SRF WIN) Act, establishes a \$5 billion project cap per state for fiscal years 2018 through 2022, and includes a sense of Congress statement that the loan security funds will leverage almost \$11 billion in treasury financing per year.

Availability of the new funding would be contingent on an annual appropriation equal to fiscal year 2017 SRF and WIFIA funding levels, which supporters say will help guarantee both SRF and WIFIA funding, neither of which is currently appropriated at authorized levels.

Supporters also say the legislation would allow state SRF authorities to be able to apply for 100 percent of federal funding rather than the 49/51 split in WIFIA.

Repayment of SRF WIN Act funding would be from the state finance authorities, and with 35 years to pay the loan back, communities can plan ahead to invest in their infrastructure without citizens seeing their water utility bills skyrocket, supporters' [talking points](#) say.

State financing authorities would also have their applications reviewed within 180 days, according to the talking points. And it would also extend authorization of WIFIA through 2022 and remove WIFIA's pilot designation.

Supporters of the bill include the Council of Infrastructure Financing Authorities, National Rural Water Association, National Association of Clean Water Agencies, Ducks Unlimited, American Public Works Association, American Society of Civil Engineers and Associated General Contractors of America, among others.

Supporters say the draft legislation builds on the leveraging concepts of WIFIA to provide a minimum of \$50 billion in new funds for the existing drinking water and clean water SRFs over five years.

Supporters say the legislation is needed to significantly increase available water infrastructure funds, leverage SRF funds, which policymakers are expected to hold level even as other EPA programs are cut, reduce the agency's administrative burdens and a host of other benefits.

### **Unnecessary Legislation**

But opponents of the legislation, including the American Water Works Association, Association of Metropolitan Water Agencies and the Water Environment Federation, say the legislation is unnecessary because WIFIA, while aimed primarily at large infrastructure projects over \$20 million, already allows small communities to seek funding for smaller projects and allows states to aggregate projects to meet WIFIA funding thresholds.

"Every one of the SRF projects eligible under that proposal is already eligible to seek financing under WIFIA, given that SRFs can bundle smaller projects to meet the project size thresholds, as the State of Indiana has done," opponents write in a [Dec. 13 letter](#) to Boozman and Sen. Cory Booker (D-NJ), the panel's ranking Democrat.

"We believe we at least ought to see how the Indiana project plays out, and the level of SRF interest in WIFIA generally, before creating and dedicating outsized funding to another SRF program within WIFIA."

The opponents also raise other concerns in their letter, including calling the "enormous interest rate subsidy" of allowing the EPA administrator to fund some loans at 50 percent of the treasury rate "a significant step backward from our collective effort under WIFIA to leverage limited federal funds to support much-needed water infrastructure investment."

EPA has estimated it will leverage WIFIA capitalization funds at a ratio of 92:1, but opponents say they estimate the leveraging ratio under the proposed bill would be only 6:1.

"Additionally, the draft bill appears to give the EPA Administrator complete discretion in making loans at half the Treasury rate, so this interest rate subsidy is apparently not targeted to rural or under-resourced systems. There also appears to be no provision for the rate savings to be passed along to the borrowers from the SRF," the opponents say in their letter.

They also take issue with the idea that the bill would protect the SRFs and WIFIA by tying funding for the new program to the requirement that SRFs and WIFIA get the same amount of money as they did the previous year.

"We believe that once [the Congressional Budget Office] scores this bill, that provision will likely be removed to help reduce the deficit the new program would cause. In addition, this language would create a de facto cap on SRF and WIFIA appropriations at FY 2017 levels, where the WIFIA authorizing legislation provided for increased funding each year for WIFIA," the letter says.

And while WIFIA's funding authorization is currently scheduled to expire in 2019, the statute carries no sunset clause that would force the program to cease operations in the absence of additional congressional action, as the SRF WIN provision would do, the opponents note.

An EPA [technical analysis](#) of the draft bill from Sept. 25 also questions the sliding scale provision for loans, saying, "the language as written is not clear and may be interpreted to allow EPA to provide any SRF borrower an interest rate as low as 50% of treasury rates. We recommend amending the language to state that SRFs may borrow from WIFIA at no less than 100% of treasury rates (same as base program), except for certain states that may borrow at interest rates between 50% and 80% of treasury rates." -- *Lara Beaven* ([lbeaven@iwpnews.com](mailto:lbeaven@iwpnews.com))

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