



**American Water Works  
Association**

*Dedicated to the World's Most Important Resource™*

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**Comments from the American Water Works Association regarding the Water Infrastructure Finance  
Innovation Act (WIFIA)**

**For the Senate Environment and Public Works Committee**

**Hearing on "Oversight: Modernizing Our Nation's Infrastructure"**

**February 8, 2017**

As you know, water infrastructure protects public health and the environment, supports local and national economies, protects us from fires, creates jobs and brings a better quality of life. Supplying state and local water agencies with the support they need to ensure the availability of safe drinking water is vital to protecting public health, as well as to preventing emergencies related to contaminants in drinking water.

One such mechanism to help provide support to repair, rehabilitate or replace the water infrastructure our nation needs is the Water Infrastructure Finance Innovation Act (WIFIA). WIFIA is a cost-effective mechanism that will help communities deal with the more than \$1.3 trillion price tag for needed water infrastructure investments. It supports projects beyond the scope of the State Revolving Fund (SRF) program and does so in a manner that is budget neutral in the long term.

WIFIA allows the federal government to facilitate increased local investment in infrastructure by lowering the cost of capital for water and wastewater projects. Lowering these costs represents an important way to leverage local funding and help America rebuild its aging infrastructure, since lowering the cost of capital can offer significant cost savings to the utility and its customers.

A WIFIA loan could support up to 49% of the eligible project costs, with the remainder being financed with either municipal bonds, cash financing, an SRF loan, and/or private capital. A WIFIA loan reflects long-term Treasury rates and will be roughly equal to a Treasury rate of a similar maturity. Additionally, in a given project year, Congressional appropriations will be used to cover the "subsidy cost" of its loan portfolio, i.e. the estimated cost of defaults. **Based on calculations from the Office of Management and Budget, Congressional appropriations could be leveraged at a ratio of 67:1. For example, if WIFIA were to receive the \$45 million authorized for FY 2018 under WRRDA 2014, the program could cover \$3.015 billion in credit assistance.**

In testimony received by the Senate Environment and Public Works Committee (EPW), witnesses made statements regarding WIFIA. Among those statements is that WIFIA “lacks any needs-based targeting, credit elsewhere means-testing, or focus on improving public health or compliance.” These statements are untrue. Last month, EPA issued the WIFIA Program Handbook.<sup>1</sup> Appendix C of that document lists the project selection criteria. Specifically listed among the criteria, along with respective weights of each, are the following:

- The extent to which the project helps maintain or protect the environment or public health – 10 percent;
- The extent to which the project financing plan includes public or private financing in addition to the WIFIA credit assistance – 5 percent;
- The extent to which WIFIA credit assistance reduces the contribution of federal assistance to the project – 5 percent;
- The extent to which the project addresses needs for repair, rehabilitation, or replacement of a treatment works, community water system, or aging distribution or wastewater collection system – 10 percent; and
- The extent to which the project serves economically stressed communities, or pockets of economically stressed rate payers within otherwise non-economically stressed communities – 10 percent.

As you can see, the program handbook explicitly states that these criteria will be considered in project selection, and will in fact account for nearly half of the evaluation of the project applications. You can think of WIFIA as helping communities prevent becoming compliance or public health problems.

Congress designed WIFIA to complement the SRFs, which lack both the capacity and the program eligibility to fully address of our nation’s enormous water infrastructure needs. WIFIA maintains local control of infrastructure projects and provides a tool for water utilities in communities large and small to help themselves. Where WIFIA can fund projects with eligible costs of at least \$20 million – and small community projects of at least \$5 million – the average size of a DWSRF loan over the nineteen-year history of the program has been \$2.2 million. SRF project eligibility is narrower than WIFIA project eligibility. For example, DWSRF loans cannot be used to repair or replace infrastructure because it is deteriorating – it must be linked to a health hazard. Nor can SRF loans be used for capacity increases or system expansions. WIFIA includes these broader eligibilities and more, including flood control and navigation projects.

AWWA would be happy to discuss the WIFIA program or other drinking water issues with you further. Please feel free to call me or Sean Garcia on my staff (202-326-6122) if you have any questions or need further information.

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<sup>1</sup> Found at [https://www.epa.gov/sites/production/files/2017-01/documents/program\\_handbook\\_1-9-17\\_final.pdf](https://www.epa.gov/sites/production/files/2017-01/documents/program_handbook_1-9-17_final.pdf).

Yours Sincerely,

A handwritten signature in black ink that reads "G. Tracy Mehan" followed by a stylized flourish.

G. Tracy Mehan  
Executive Director of Government Relations  
American Water Works Association