



WATER INFRASTRUCTURE FINANCING

ISSUE AND BACKGROUND

EPA and others have estimated that during the next 20 years water utilities must invest hundreds of billions of dollars to replace and upgrade failing water infrastructure. The Federal Government has an appropriate role to assist in meeting this challenge by encouraging utilities to pursue creative public-private partnerships, explore utility consolidation, implement sound asset management practices, and charge consumers true cost of service rates. Direct Government loan assistance to utilities is another role, but should be carefully managed and targeted only where and when necessary. An **inappropriate** role of government would be to subsidize the water industry indefinitely with a massive inefficient federal grant program, as some have advocated.

The goal of government and the water utility industry should be to address the near-term funding challenges in the most efficient manner, with the government stepping in only when necessary and then in only very limited and specific ways.

NAWC POSITION

- **State Revolving Fund** programs (SRF) are an appropriate vehicle for such assistance. The programs themselves are self-replenishing and don't have the economic disincentives associated with direct grants. The NAWC supports the SRF programs. Some more direct Federal assistance may be appropriate for economically disadvantaged communities or individual customers.
- **Water Industry Self-Sustainability** must be the goal for our industry. Since this can happen only if utilities charge full cost of service rates, any government assistance program for the industry should be structured to encourage water utilities to charge such rates.

In addition to these fundamental principles, to avoid abuse and assure the most efficient use of taxpayer dollars, any assistance program should include the following provisions:

- Assistance should be available only to truly needy utilities that have a demonstrated health threat or significant service problem.
- Government funding should be available only after all other funding sources have been considered.
- All suppliers should be eligible for assistance regardless of utility ownership. (State Public Utility Commissions assure that all utility proceeds for privately owned systems benefit customers, not shareholders.)
- No more than 30% of federal funds available should be used for grants, or similar programs.
- The Federal portion of a specific project cost should not exceed 50% of the total project cost.
- Programs should provide bill-paying assistance directly to disadvantaged *consumers*, as opposed to subsidizing entire utilities.

S. 1961, THE WATER INVESTMENT ACT – NAWC SUPPORTS S. 1961 INTRODUCED IN FEBRUARY 2002 BY SENATORS JEFFORDS (I-VT), SMITH (R-NH), GRAHAM (D-FL), AND CRAPO (R-ID). S. 1961 EMBRACES VIRTUALLY ALL OF THE POINTS DETAILED ABOVE AND IS AN IMPORTANT STEP TOWARD THE RESOLUTION OF THE INFRASTRUCTURE DEBATE.

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