

WATER INFRASTRUCTURE

Side-by-Side Comparison of Recommendations Of the WIN and the H₂O¹ Coalition

February 16, 2001 Revision

Issue	WIN Position ²	H ₂ O Coalition Position
General Issues		
Duration of federal assistance	<ul style="list-style-type: none"> Wants new legislation that would create a “long-term sustainable and reliable source of federal funding for clean and safe water.” 	<ul style="list-style-type: none"> Recognizes short-term help may be needed but wants water and wastewater utilities to be self-sustaining, not subsidized enterprises, over the long term. Utilities should be financially supported through the rates they charge customers (full cost of service rates).
Nature of federal assistance	<ul style="list-style-type: none"> Investment “needs are large and unprecedented; in many locations, local sources cannot be expected to meet this challenge alone.” An “enhanced federal role should provide for distribution of funds...including grants, loans, loan subsidies, and credit assistance.” 	<ul style="list-style-type: none"> If customers cannot afford the rates that would have to be charged to cover the needed investments, federal financial assistance is appropriate. However, non-federal solutions would need to be considered as well, such as public private partnerships. To minimize the drain on the Federal Treasury, solutions should be structured so customers pay as much of the full cost of the water service as they can reasonably afford. Subsidizing the rates of those who can afford to pay is wasteful and inefficient. In addition it sends the wrong price signals to consumers. Agrees there should be a mix of financial assistance tools, which the states would employ to produce long-term solutions. Grants and grant like assistance should be sparingly used to avoid wide scale dependence on government capital subsidies and assure the assistance funds will continue to revolve and be available for reuse.
Magnitude of federal financial assistance	<ul style="list-style-type: none"> Asks Congress to initially provide \$57 billion in new authorizations between 2003 and 2007. Asks Congress to establish in 2003 a formal process to recommend a long-term financing approach. 	<p>Because of the size of the needed investments, agree there is a federal role in water infrastructure. However, it is not possible to state with any confidence, without more analysis, what is unaffordable to customers and therefore what the magnitude of government support should be.</p> <ul style="list-style-type: none"> Few utilities have done detailed long-term needs projections and looked at ways of addressing these needs through rates. Analysis of the affordability of these rates to customers is also lacking.

¹ The H₂O Coalition is made up of the National Association of Water Companies, the Water and Wastewater Equipment Manufacturers Association, and the National Council for Public-Private Partnerships.

² Based on the *Water Infrastructure Now* Report

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Specific Issues		
Organizational design	Creates new State and federal bureaucracies to distribute funds, including new State Financing Authorities and a new EPA Finance Office	Existing Drinking Water and Clean Water State Revolving Fund would be expanded and improved.
Charging customers directly for full cost of utility service	Would not agree to charge full cost of service as a condition for receiving federal assistance.	Supports full cost of service rates along with help for those that cannot afford them. (see LIHEAP below)
Grants - Total percentage of funds applied to grants.	<u>Requires</u> States to distribute 35% to 75% of federal funds to utilities as grants, or grant-like assistance	Limits to 30% the total amount of the federal capitalization grant that <i>may</i> be used for combined grants and forgiveness of loans. (same % as in the DW-SRF Program) The remaining funds should be structured to revolve. <i>(The nature of revolving funds will assure assistance is not depleted over the long term and the industry does not become dependent on them.)</i>
Grants - Federal percentage per project	Allows for up to 75% of an individual project cost to be covered by federal grants.	Limits federal share of a project to 50% to assure local “buy-in” and thus encourage cost-effective projects.
Grants - terms and conditions	Vaguely requires grants to be “subject to reasonable terms and conditions”	<ul style="list-style-type: none"> • Believes utilities receiving assistance must be able to demonstrate they will remain or become viable with the assistance. • In addition, they must show that they have an adequate capital budgeting and investment process. • Will charge full cost of service.
Need Determination	When awarding grants, States “should take into account such factors as public health risk, environmental impairment, affordability or service quality.”	<ul style="list-style-type: none"> • Supports grant assistance to only those utilities that have both an economic need and an actual or potential environmental or health problem. • To demonstrate economic need, a utility must show, based on an agreed upon benchmark, that a substantial portion of their customers could not afford the rates that would have to be charged to meet the required capital investments.
Utility bill assistance for low income customers	Silent	<ul style="list-style-type: none"> • Affordability is an important social problem that must be addressed. • Supports a utility bill assistance program. (An example is the Low Income Home Energy Assistance Program (LIHEAP) to assist low-income households in paying their heating and cooling bills.) • This would allow utilities to charge full cost of service, assuring long-term self-sustainability.
Public-Private Partnerships	Only recognizes they “may address a portion of the problem.”	States and utilities should explicitly consider public-private partnerships when deciding if federal assistance is appropriate.
Funding mechanisms	Distribute Funds in a Fiscally responsible way	Agree

² Based on the *Water Infrastructure Now* Report

Issue	<i>WIN</i> Position ²	<i>H₂O Coalition</i> Position
Drinking Water/Clean Water balance	Fund each equally	Agree
Core needs eligible for assistance	<ul style="list-style-type: none"> • Drinking Water Supply Systems • Domestic wastewater management systems • Wet weather runoff control systems and management practices 	<ul style="list-style-type: none"> • Agree • Agree • Concerned about potential magnitude of needs for Combined Sewer Overflows (CSO) and Sanitary Sewer Overflows (SSO). May require different approach in providing assistance than used for water and sewer services.
Priorities for project-level investments	<ul style="list-style-type: none"> • Repair, rehabilitate, or replace treatment, collection, or distribution systems; • Attain compliance with applicable federal or state regulatory requirements; • Maintain an acceptable level of service; • Address public health or environmental emergencies; and • Address non-point source problems where such investments by local water or wastewater systems are cost effective relative to other core infrastructure solutions. 	Agrees with these priorities provided there is a significant public health or environmental risk that must be addressed and the customers of the utility cannot afford to make the capital investment on their own.
Equal Access to gov't assistance for both publicly and privately owned utilities	Recommends "that water and wastewater systems making investments in core infrastructure remain eligible for WWIFA assistance regardless of whether they are publicly or privately owned and/or operated as long as they provide water or wastewater services that are generally available to the public."	Agrees that all assistance (including the CW-SRF and DW-SRF) should be based on the need and use, not ownership, of the utility.
State funding provisions	Supports adequate state funding for state Clean Water and Safe Drinking Water administration	Agree (Concerned that as written <i>WIN NOW</i> report may represent an actual decrease in funds to states.)

2 Based on the *Water Infrastructure Now* Report