TESTIMONY
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U.S. WATER ALLIANCE
SUBCOMMITTEE ON INTERIOR, ENVIRONMENT, AND RELATED AGENCIES
HOUSE APPROPRIATIONSCOMMITTEE
HEARING ON WATER INFRASTRUCTURE FUNDING
B-308 RAYBURN HOUSE OFFICE BUILDING
MARCH 13, 2013

Mr. Chairman, Ranking Member Moran, and Members of the Subcommittee, thank you for the opportunity to testify on one of the most urgent issues facing America's water future: sustainable funding for infrastructure systems to support our country's most precious liquid asset.

I'm Ben Grumbles, President of the U.S. Water Alliance (Alliance), a nonprofit educational 501(c)(3) organization, committed to uniting people and policy for water sustainability. Since its creation in 2008, the Alliance has focused on bringing together the many distinct segments of the nation's water community to increase awareness of the challenge and build support for more integrated, holistic watershed-based strategies. On financing, the Alliance believes we urgently need water innovation and collaboration, not only to sharpen and polish existing tools, but also to forge new tools for communities and ecosystems.

U.S. WATER ALLIANCE

The Alliance is committed to uniting different sectors, and leaders within sectors, to change the way America views, values, and manages water--from quantity to quality, above and below ground. We emphasize the importance and value of each aspect of the water cycle and promote a more integrated, sustainable management of water and watersheds (a concept we call "one water" management). We focus on changing some of the old paradigms, such as only hard and gray infrastructure to a mixture of hard and gray with soft and green, and shifting perception of water from invisible to invaluable.

We have a 35 member Board of Directors that is rich in professional and geographic diversity, experience, and leadership representing public and private water and wastewater organizations and utilities, state water and energy regulators, conservation, environmental, agricultural organizations, and academia. Dick Champion, the Director of the Independence Water Pollution Control Department (MO) chairs the board and Howard Neukrug, Commissioner of Philadelphia Water Department is vice-chair.

One of our most important steps was to design and create the U.S. Water Prize, a high-profile annual awards program and ceremony to honor America's leaders in the public, private, and nongovernmental sectors. Recognition programs that promote innovation, integration, and education help all of us in the water community. The support is growing and so is the variety of winners, from large city utilities to interstate source water protection collaborators, to educational nonprofits and businesses. On February 26, the Alliance announced its 2013 winners and two have a direct bearing on today's hearing: Onondaga County NY and The Freshwater Trust. Onondaga County's "Save the Rain" program uses green infrastructure rather than a more costly ($100 million estimated) gray infrastructure project to reduce sewer overflows and The Freshwater Trust, located in Oregon but working throughout the country,

uses market-based strategies to help wastewater facilities and power plants protect stream and rivers in more efficient and cost effective ways.

The Alliance also created an Urban Water Sustainability Council to promote innovation and train future leaders. The Council, which Kevin Shafer of Milwaukee Metropolitan Sewerage District chairs, shapes our policies on urban water, climate, and energy. Our annual leadership conference in the Fall brings together hundreds of sustainability champions and green city advocates. Spotlight communities bring cross-disciplinary, multi-sector teams to discuss their achievements, issues, and opportunities. We've had three extremely successful conferences, in Philadelphia, Milwaukee, and Cincinnati. Our fourth will be in Los Angeles, September 23-26, 2013. At each, leaders discuss aspects of urban water sustainability involving green infrastructure, resource recovery, and integrated planning.

The Alliance has also launched a Business Advisory Council, a unique collection of private sector water, environmental engineering and consulting organizations. Brent Fewell of United Water chairs the Council. We've gathered suggestions on ways to spur innovation in technology and regulation, advance public-private partnerships, and underscore, like never before, the value of water through communications strategies and pricing dialogues. We're coordinating with EPA on its Value of Water study to offer perspectives from public and private sector experts. Most recently, on March 4, 2013, the Business Advisory Council teamed up with the Water and Wastewater Equipment Manufacturers Association to host a robust roundtable discussion on how to accelerate the deployment of innovative water and wastewater technologies and approaches. EPA was a very active and supportive participant.

The Alliance held 3 *National Dialogues*, involving over 150 people, and issued follow-up reports: *Need for an Integrated National Water Policy* (2009), *What's Water Worth?* (2009), and *One Water Management* (2010). As a result of the Dialogues and reports, and a follow-up meeting in January 2011, we issued a National Water Policy Framework, including core principles for Water Sustainability: Valuing, Monitoring, Integrating and Collaborating, and Innovating (finance, technology, and regulation).

Consistent with our framework for water sustainability, over the last two years we have facilitated workshops and issued reports on pressing topics, such as: utility management in an era of climate change adaptation, changing the infrastructure paradigm from “gray to green”, and the treatment paradigm from “pipe and discharge” to “recover and reuse” . With support from the Turner Foundation, we issued the 2011 report, “Barriers and Gateways to Green Infrastructure”. Based on interviews and questionnaire responses from over 225 governmental, NGO, and private sector experts from around the country, the Alliance report describes in some detail potential technical, legal, fiscal, and cultural/institutional barriers to greening and naturalizing approaches to stormwater and other wet weather flows. In 2011, the Alliance's Urban Water Sustainability Council also teamed up with American Rivers, a leader in the green infrastructure movement, to issue a statement of principles to drive federal green infrastructure policies and strategies.

The Alliance strives to advance a “one water” perspective and a “one water management” strategy. Since its 2010 national report, the Alliance has been promoting integrated watershed management in all of its publications, forums, and actions. This has led to partnerships with the Water Environment Research Foundation, the Water Research Foundation, the WateReuse Association, WateReuse Research Foundation, National Association of Clean Water Agencies, Ground Water Protection Council, Alliance for Water Efficiency, Western States Water Council, the American Public Works Association, the National

Association of Flood and Stormwater Management Agencies, the Irrigation Association, the National Water Resources Association, and many others. The "One Water Management" Network meeting on February 10, 2012, supported by Water Environment Research Foundation, convened over 60 leaders from federal, state, local and non-governmental organizations to improve understanding and coordination in prioritizing research and implementing integrated water management.

Two examples of our work in “one water management” involving quality and quantity issues are hydraulic fracturing and water softeners. The Alliance has hosted or moderated six national webinars on shale gas drilling and fracturing. Our approach is to lay out fresh facts and critical policy choices so that decision-makers can best understand the energy-water nexus and adopt watershed-based strategies. We’ve also facilitated discussions among utilities, environmental nonprofit organizations, and EPA on water softeners, salt loadings, and the potential to save water and energy with a new WaterSense certification and label for water efficient devices.

WATER FUNDING AND FINANCE PRINCIPLES

Mr. Chairman, as you and your colleagues debate specific funding programs and levels, and financing strategies, the Alliance urges you to embrace the following core principles related to valuing, partnering, and greening for sustainability:

1. Valuing Water to Support People and Systems

“Sustainability” must include viable funding strategies to deal with the problem and the price of water lies at the heart of the problem. One of the Alliance's earliest actions was to hold a *National Dialogue* to discuss the urgent but frequently ignored question: "What's Water Worth?" A copy of our 2010 report is available online.

Water pricing is both a science and an art. There's a lot we can do, in our respective roles and capacities, to help communities and agencies develop sustainable ratemaking strategies that move in the direction of "full cost" or “true value” pricing (i.e., rates that more closely reflect the value of service provided), without abandoning the social safety net for those who can't afford to pay. Congress can help agencies and thought leaders to develop the science of ecosystem services and infrastructure life cycle analysis and the art of building public support for reasonable and necessary rate, fee, and tax increases.

The Committee should know about two recent efforts that may ultimately help make your job easier and our water infrastructure more sustainable. One is the coalition of six private and six public sector companies and associations/alliances to launch a concerted national campaign on the value of water. The Alliance is a member, along with organizations represented on this panel and we hope to inspire thought-leaders, rate payers, and citizens to pay more attention to water and invest more in its sustainability. The other is a recent report by the Alliance for Water Efficiency, *Declining Water Sales and Utility Revenues: A Framework for Understanding and Adapting* (August 2012 – www.a4we.org). The report, based on a summit of leaders in water utilities, conservation organizations, and universities tackles the problem dubbed the “conservation conundrum” and suggests tools and strategies to ensure water conservation can benefit, not penalize, utilities and communities.

2. Partnering Between Public and Private

Policymakers need to continue to probe the barriers and boundaries to public-private partnerships and look for ways to increase collaboration. Legislation, executive orders, and federal agency policies, if done properly, can help promote local choice to increase the range of partnerships for designing, building, operating and financing public water systems. We're also finding private sector technologies, ranging from nutrient recovery to biogas generation, to real-time monitoring and data management systems, continue to provide the solutions public entities depend on. There must be a willingness to consider appropriate private sector involvement, particularly with declining public funds and increasing rates. Otherwise, community systems run the risk of suffering what I like to call "the Public Rust Doctrine"--refusing to explore private-public partnerships to prevent public-purpose systems from rusting and decaying.

Many national and local leaders are looking for the opportunity to infuse public service with private enterprise and tap the financial resources and expertise of the private sector to move public water service forward for our nation's communities. Figures have come out that nearly $180 billion of private capital and infrastructure funds are looking to invest their money in American (or Chinese) infrastructure. We need to consider these opportunities without losing sight of the public's need for trust and accountability when it comes to water.

This Administration and Congress are looking to expand opportunities for public-private partnerships. To this end, most segments of the water industry have rallied around a long-standing proposal to remove the state volume cap on private activity bonds to facilitate private investment and public-private partnerships.

Examples of innovative, private sector financing are growing, and often in response to some of the most pressing issues. NRDC's February 2012 report, "Financing Stormwater Retrofits in Philadelphia and Beyond," includes an excellent description of promising techniques to meeting the stormwater challenge through market-based approaches involving fees, offsite mitigation and credit programs. The NRDC estimates a potential market for third-party investments in stormwater retrofits in Philadelphia on the order of $376 million. To quote from the report: "Given the substantial gaps nationwide between water infrastructure funding needs and available local, state, and federal funds, cities all around the country will increasingly seek to leverage private financing."

Other cities such as Washington, D.C. are also generating funds and using credit systems through parcel-based stormwater fees, and in doing so, are rewarding investments in retrofits. The report also describes a number of project finance mechanisms in the energy efficiency sector (such as Property Assessed Clean Energy--PACE--programs) that could be used to meet the financing needs of property owners seeking to install stormwater retrofits.

3. Greening Infrastructure and Recovering Resources

The Alliance puts a priority on helping communities embrace green infrastructure strategies. I encourage Members to read our 2011 "Barriers and Gateways to Green Infrastructure" report, available online at www.uswateralliance.org. It reveals that a prime motivator of communities in meshing more green infrastructure with gray infrastructure is to save money and energy. Your hearing focus is on financing, but it bears repeating what you already know: Efficient use of green infrastructure systems can avoid more costly end-of-pipe, concrete, basin-based and tunnel-driven solutions. We know hard and gray infrastructure has been at the heart of much of America's progress in meeting Clean Water Act and Safe Drinking

Water Act goals and requirements. We also know the data is coming in that communities can manage stormwater and prevent overflows, improve air quality, reduce the "urban heat island effect," and enhance livability through innovative approaches that integrate more green infrastructure with existing gray infrastructure. Our Urban Water Sustainability Council is documenting case studies and developing common practices to help reduce the demand on infrastructure and improve water quality.

One of the most recent examples of green infrastructure and resource recovery process is in New York City. NYC-DEP, a founding member of the Alliance and winner of our 2011 U.S. Water Prize, has launched a massive effort for greener solutions to controlling overflows. On March 13, 2012, the City announced plans to commit $2.4 billion in public and private money over the next 18 Years. It's an effort that's been playing out in other cities, such as Philadelphia, Los Angeles, Milwaukee, and San Francisco--also winners of our U.S. Water Prize.

Residents of the National Capital area and Members of Congress are probably familiar with two other excellent examples of wastewater utilities becoming green factories: DC Water's Blue Plains facility and East Bay Municipal Utility District's facilities. Both operations are transforming their wastewater "treatment and discharge" plants in "centers of re-generation," capable of beneficial recovery and reuse of energy, water, nutrients, and biosolids.

All of these examples fueled the Alliance's Urban Water Sustainability Council to adopt "Resource Recovery Principles" see attached and go to website www.uswateralliance.org. By recovering and beneficially reusing energy, heat, nutrients, wastewater and biosolids, these community water, energy, and nutrient facilities have the capacity to save ratepayer dollars and boost the economy.

4. Connecting Infrastructure, Watersheds, and Sustainability

Consistent with our "one water management" philosophy, the Alliance believes local and regional water and wastewater infrastructure projects should benefit from early and integrated planning efforts before funding and construction decisions are made. Integrated planning and collaborative review can help to reduce the risk that environmentally or fiscally unsustainable projects move forward. Such planning and prioritizing can also help ensure the most important projects for protecting public health and the environment move forward first. EPA's recent memos, framework, and meetings on wet-weather flows under the Clean Water Act are promising. It's important to update the Agency's financial capability analysis under the Act and to have the Water and Enforcement Office working together to provide consistency, predictability, and finances to communicate with multiple needs.

COMMENTS ON FEDERAL FUNDING TOOLS AND STRATEGIES

The Alliance has not adopted specific positions on pending bills or legislative proposals. We have adopted a set of Green Infrastructure Principles, available on our website, www.uswateralliance.org, and hope the following general comments and suggestions will be of use to the Subcommittee.

Existing SRFs

We urge Congress to continue supporting the Clean Water Act and Safe Drinking Water Act regulatory and funding programs. We also recognize federal capitalization grants for the

highly-successful CWA State Revolving Fund (SRF) and Safe Drinking Water Act State Revolving Fund (SRF) are under increasing pressure from fiscal constraints and competing priorities. While not taking a specific position on current and proposed funding levels, we do believe four important aspects of SRF programs should be embraced as Congress contemplates future revisions and additional funding tools:

1. Flexibility. As Administrations request less capital grant funding and as state programs mature and revolve more fully, it is important to keep looking for ways to broaden project eligibility and administrative flexibility. States can do more with less only if cross-cutting requirements and procedural constraints don't prevent them from doing so in the first place. Land acquisition, an explicitly eligible activity for funding under DW SRF source water protection provisions, holds great potential for DW SRF and nonpoint source pollution control projects. The Alliance is a strong advocate for green infrastructure and energy and water efficiency funding. We also recognize that set-asides, though not needed permanently, have an important role in catalyzing change toward more sustainable water management practices. The Council of Infrastructure Financing Authorities represents public infrastructure financing agencies and has valuable perspectives on what works and what doesn't work among its members from 48 states.

2. Transferability. The 1996 Amendments to the SDWA included a first-ever authority to transfer a percentage of funds between the newly-established SRF and the CW SRF. State managers need this type of transferability authority to continue. This is also an important provision as water reuse projects grow in number and SDWA and CWA policy makers look for models to use in seizing upon municipal wastewater reuse opportunities.

3. Repayment Terms. The CWA SRF loan repayment period should be extended from 20 to up to 30 years, on par with the SDWA SRF repayment period.

4. Equitable Allocation. Congress and EPA should ensure allotment formulas under the CWA and SDWA are fair and based on up-to-date information. As a former state official, I know first-hand the results of allotment formulas that are based on outdated needs and population numbers from the 1970s.

Private Activity Bond legislation

1. Congress should continue to work on sending the President bipartisan legislation to expand opportunities for private sector investment in public works.

2. From the 112th Congress, H.R. 1802 and S. 939 would have amended the Internal Revenue Code to remove the state volume cap on the use of private activity bonds for water and sewer projects. This legislation has the potential to increase access to private sector funding for public water and wastewater projects, while leaving the choice to communities on how to design, build, operate, own, and finance.

"WIFIA" legislation

Last Congress, the American Water Works Association, Water Environment Federation, the Association of Metropolitan Water Agencies, and others championed a legislative effort to establish additional mechanisms for capital financing of large projects. The legislation was introduced and hearings were held. This year, important efforts continue. On February 14, 2013, Senator Jeff Merkley introduced S. 335, the Water Infrastructure Finance and Innovation Act of 213. The legislation includes accurate and compelling Congressional findings. It also

states that the new loan/loan guarantee program is administered by EPA rather than Treasury, is limited to larger projects of $20 million or more, and can be used for a wide variety of projects, including land acquisition, source water protection, storm water management and control, energy and water efficiency, and alternative source water development such as reuse. The Alliance believes these types of projects are important now and will only grow in importance over time.

We add one extremely important caveat, however, which the Committee understands well given the dynamics of government agencies, budgets, and politics: It's critical to ensure what's intended as a supplemental tool doesn't become the one and only tool or in some way undermine the success of the SRFs. That's a concern many of us have.

H.R. 3145 (from 112th Congress)

We appreciate the efforts of Reps. Bishop, Rahall, LaTourette, and Petri last Congress to introduce comprehensive legislation, H.R. 3145, the Water Quality Protection and Job Creation Act of 2011, to provide water quality financing through an array of existing and potentially new programs. We believe these efforts are an important part of the broader discussion on how best to proceed.

The Alliance members also know dedicated, sustainable funding is needed for water infrastructure. Our Urban Water Sustainability Council, in particular, understands the math of the gap and the urgency of having a steady stream of reliable and well-managed funding. Sustainability leaders also know it's a problem beyond their local borders, threatening to become a national crisis on the verge of a catastrophe. That's why it's important to continue discussions on whether and how a national trust fund should be established, financed, and operated. My own personal view, based on experiences in Congress, EPA, and State government is that we need a national strategy to increase funding from users and beneficiaries in the private sector, with revenues dedicated to water infrastructure solutions tailored to local and regional conditions. Also, a national effort cannot supplant local governmental and private-sector attempts to finance, maintain, and sustain local infrastructure.

Conclusion

Mr. Chairman and Ranking Member Moran, the water infrastructure challenge requires all of us to work together to embrace change and foster local strategies that protect public health and the environment and boost the economy. By using "all of the above" tools, and creating some new ones, we can improve the way America views, values, manages, and funds water systems. The U.S. Water Alliance supports your efforts and those of others to find common ground and to sustain our water life-support systems above and below ground.