

# Bond Case Briefs

*Municipal Finance Law Since 1971*

---

## Finding the Money for Water Infrastructure.

**A new federal loan program, patterned after a successful one for transportation, has a lot of potential for badly needed water projects.**

Enhancing the nation's water infrastructure remains a challenge for public officials as they balance the need for improvements against constrained budgets. The recently enacted federal Water Resources Reform and Development Act has the potential to advance the nation's water infrastructure by streamlining approvals for environmental reviews of projects, creating a pilot program to explore the use of public-private partnerships by the U.S. Army Corps of Engineers, and making it easier to leverage private-sector investments to augment public funding.

As officials contemplate how they will finance water infrastructure improvements, one provision in the law, the newly created Water Infrastructure Finance and Innovation Act (WIFIA) loan program, is of particular interest.

Co-administered by the Environmental Protection Agency (EPA) and the Army Corps, WIFIA will provide secured loans and loan guarantees to both government and non-government entities for up to 49 percent of eligible project costs. WIFIA is patterned after a highly successful federal loan program for transportation projects called the Transportation Infrastructure Finance and Innovation Act (TIFIA), which has provided \$17 billion in federal credit assistance and spurred approximately \$64 billion in total project investment since its inception in 1998.

I believe state and local government agencies, drawing on the lessons from TIFIA, could employ WIFIA to take the first small steps toward addressing badly needed water infrastructure improvements.

There are important details to consider. Projects financed through WIFIA must exceed \$20 million in total cost and must be deemed creditworthy by EPA or the Army Corps. In addition, the projects must be rated as investment-grade by at least one rating agency. Like TIFIA loans, interest rates under WIFIA are tied to U.S. Treasury bond rates, and maximum loan repayment periods of 35 years and a five-year repayment deferral after substantial completion are allowed. This pricing approach and the repayment flexibility are major reasons for the success of the TIFIA program.

The total five-year appropriation for WIFIA is \$350 million, equally split between EPA and the Army Corps, beginning with \$40 million in 2015. This represents the credit subsidy available for qualified projects, not the total amount of financing available. The credit risk of each WIFIA loan application will be "scored" by the Office of Management and Budget, and these credit-subsidy amounts will then be paid out of the authorized funding available.

While WIFIA provides a welcome additional source of financing for water projects, a number of challenges remain. The administrative roles of EPA and the Army Corps and their respective application procedures have yet to be fully fleshed out. Coordination between the agencies might also be challenging, and with limited funding for program administration, prospective borrowers should anticipate a slow process initially as the two agencies ramp up their activities. Of greatest concern is the modest level of program funding, which will not have a material effect on the

enormous investment backlog in the water sector.

Public officials should draw on the lessons learned from TIFIA's evolution and be prepared initially to face administrative and procedural challenges while EPA and the Army Corps develop internal capabilities and implementation procedures. Understanding and anticipating federal requirements will be critical to securing WIFIA commitments, and prospective borrowers will need to be patient.

Another lesson from TIFIA is that successful WIFIA project financings could dramatically increase market demand for credit assistance and might lead to increased political support for the program. As TIFIA-financed projects began to positively impact the market, Congress ramped up funding and adopted changes to help the Department of Transportation streamline the program. Initial WIFIA successes will be critical to the program's long-term viability.

The potential impact of WIFIA on the U.S. water and wastewater market is being closely tracked by the industry, and public officials will likely begin to see increasing interest from private operators and investors. Public water utility officials would be wise to not only become familiar with WIFIA but to study the nuances of TIFIA and how it became the program it is today.

GOVERNING.COM

BY ED CROOKS | JULY 21, 2014

Copyright © 2026 Bond Case Briefs | [bondcasebriefs.com](http://bondcasebriefs.com)