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Senate Panel Passes Water Bill That Would Rework Lending Program.

Provisions involving the Water Infrastructure Finance and Innovation Act have drawn backlash from some utility groups.

WASHINGTON — Water infrastructure legislation a Senate committee approved Tuesday would make changes opposed by some major utility groups to low-cost lending programs for water and sewer projects.

The American Water Works Association, which says it represents almost 4,000 utilities that supply about 80 percent of the country's drinking water, withdrew its support for the bill over changes that involve the Water Infrastructure Finance and Innovation Act, or WIFIA.

Tommy Holmes, the group's legislative affairs director, described the provisions as "a virus being injected into the WIFIA program" with the long-term aim of killing it.

But both Democratic and Republican lawmakers support the WIFIA-related provisions, which also have strong backing from the National Rural Water Association.

Sen. John Barrasso, the Wyoming Republican who chairs the panel that passed the bill, said the language would "help smaller rural communities" complete waterworks upgrades.

The Senate Environment and Public Works Committee voted 21-0 to approve the Water Resources Development Act, or WRDA, legislation it passed on Tuesday.

Apart from the the squabble over WIFIA, the bill enjoys bipartisan support and has the backing of groups ranging from the National Association of Counties to the National Audubon Society.

WRDA bills typically come up in Congress every two years and deal primarily with policy for the Army Corps of Engineers, an agency that oversees infrastructure like locks, dams and levees.

But the Senate bill also has sections that deal with drinking water, sewer utilities and the Environmental Protection Agency.

Lawmakers on the House Transportation and Infrastructure Committee are taking a different approach. The WRDA bill they released last week focuses tightly on Army Corps.

"I'm committed to getting a major infrastructure piece of legislation to the president's desk," Barrasso said when asked about the differences between the bills after Tuesday's hearing.

"We're looking forward to working with the House," he added.

The version of the bill the Senate committee approved includes language that would effectively extend WIFIA lending terms to another set of waterworks programs known as the drinking water and clean water state revolving funds.

With the revolving funds, EPA awards “capitalization grants” to states. States contribute a 20 percent match, and then use the money to provide low-cost loans and other financing assistance for drinking water and wastewater projects. The funds are one of the primary ways the federal government provides support for local water infrastructure across the U.S.

WIFIA was created in 2014. It currently allows the federal government to lend directly for water projects at interest rates that mirror the generally low rate for U.S. Treasury debt.

The program targets larger projects, with cost thresholds of at least $5 million in communities with 25,000 people or less and at least $20 million in bigger places.

Critics of WIFIA frequently complain that it has left small and rural communities boxed out.

This idea of blending WIFIA with the revolving funds was proposed in a bill that Sens. John Boozman, an Arkansas Republican, and Cory Booker, a New Jersey Democrat, introduced in the Senate in January. An identical bipartisan bill was also introduced then in the House.

The legislation would enable states to offer revolving fund loans, with Treasury interest rates, for water and wastewater projects that they’ve determined to be priorities.

In some cases, the bill would allow for interest rates that are even lower than the Treasury rate. It would also allow for loans to cover up to 100 percent of project costs, in contrast to a 49 percent cap that is imposed under the traditional WIFIA program.

“I’m proud to support this innovative provision,” Booker said Tuesday.

When the possibility emerged that the WIFIA-related provisions could end up in the Senate WRDA bill, the American Water Works Association, the Association of Metropolitan Water Agencies and the Water Environment Federation sent a seven-page letter to the Environment and Public Works Committee outlining in detail why they were opposed, as Route Fifty reported earlier this month.

One of their main arguments against the legislative proposal is that it would undercut the ability of the WIFIA program to “leverage” limited federal dollars for major projects.

“Communities that wish to finance large-scale water and wastewater projects would be unable to take advantage of any of the funding made available,” the groups wrote.

Holmes, with the American Water Works Association, said some boosters of the revolving fund-WIFIA concept fought against the creation of WIFIA, and have opposed appropriations for the program since then.

But Mike Keegan, who lobbies for the National Rural Water Association, applauded the WIFIA measures in the Senate bill. “This simply increases the fairness of WIFIA,” he said. “Large communities can still compete.”

Keegan highlighted language meant to direct funding to places with greatest “need,” which he said the current WIFIA program does not do.

“This created an unfair playing field for federal funding, allowing federal funds to be used by less needy projects at the expense to the more needy,” he said.

WRDA bills are not spending measures. But the Senate bill would authorize lawmakers to appropriate $100 million annually for fiscal years 2019 and 2020 to support the types of revolving

fund-WIFIA loans that the legislation proposes.

Although the EPA and the Army Corps have the authority to establish WIFIA programs only EPA has one up and running. The agency awarded its first WIFIA loan last month—up to $134.5 million for a Seattle-area stormwater and wastewater facility.

Estimates by states and the EPA show that needed investments in U.S. water and wastewater infrastructure will total $744 billion over a 20-year period.

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