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Rising Interest Rates Present Opportunity for WIFIA and US Water Utilities: Fitch

Fitch Ratings-New York/San Francisco-25 April 2022: A rising interest rate environment could prove a boon for the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) program, according to a new Fitch Ratings report. The WIFIA loan program has been hugely successful for U.S. water utilities but is currently oversubscribed.

The size of the WIFIA program has increased by 2.5x since its inception. Congressional appropriations in fiscal 2022 would support an estimated \$6.4 billion in WIFIA loans, funding about \$13 billion in total project costs. According to Director Shannon Groff, the potential growth in loans occurs at an opportune time as interest rates and costs of borrowing in the public markets are increasing.

“WIFIA loans could play a significant role in addressing the over \$743 billion the EPA estimates is needed for water infrastructure improvements over the next 20 years,” said Groff.

Many of the projects that have applied for WIFIA loans have come from states identified as having the most significant capital needs in nominal terms. These states have some of the largest populations, among them California (\$51 billion in capital needs for water and \$20.1 billion for wastewater), New York (\$22.8 billion; \$28.7 billion), Florida (\$21.9 billion; \$15.8 billion), and Illinois (\$20.9 billion; \$6.5 billion).

Texas, one of the most highly populated states in the country, has not been active in applying for WIFIA loans. Despite the EPA identifying \$45 billion in water investments and \$9.2 billion in wastewater, Texas utilities have not closed any loans thus far and have only submitted two letters of interest.

‘WIFIA - Sustained Strong Demand’ is available at ‘www.fitchratings.com’.

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