



*Suggested Modifications to S. 1961
"The Water Investment Act of 2002"*

1) We recommend amendment of the bill's stated "purposes" to enhance its focus on core infrastructure needs by adding the following purpose:

- **"To recognize the national, environmental and public health importance of maintaining our nation's drinking water and wastewater infrastructure."**

2) As written, the bill allows up to 45 percent of SRF dollars to be directed toward disadvantaged communities, low-income individuals in some communities, and asset management work in all communities.

We recommend that in the alternative, the states must use 30 percent of SRF dollars for grants or additional subsidization (including forgiveness of principal and negative interest loans) for projects that, in the State's discretion, are deemed priorities due to factors such as public health risk, environmental impairment, disadvantaged communities, affordability, or service quality.

This amendment would bring an important grant component back to the SRF program, but give states important discretion to use such grants where they are most needed and will achieve the most benefits.

In addition, the Clean Water Act presently does not allow utilities to charge non-uniform service rates. Accordingly, to provide utilities additional flexibility to assist low-income and disadvantaged ratepayers, we recommend that the Clean Water Act be amended to provide utilities with the authority to adopt user charges that offer rate relief to disadvantaged ratepayers within the service area.

3) As written, the bill allows only disadvantaged communities to take advantage of a 30-year SRF repayment schedule.

- **To enhance the Clean Water SRF's flexibility, we recommend amending the bill to allow all communities to receive a 30-year repayment schedule.**

4) As written, the bill's provisions will not streamline state funding procedures consistent with the bill's stated purposes.

- **We recommend that Section 602(b) of the Clean Water Act be amended to delete some of the outdated references in subsection 6. These references require treatment works to demonstrate in their SRF applications that they have considered a number of topics, all of which were carryovers from the now defunct grant program.**
- **These deletions, however, will be counterbalanced adding references to several new certifications that S. 1961, as amended, would require SRF applicants to make. See recommendation 5, below.**

5) As written, the bill makes asset management a prerequisite for SRF funds and introduces an inappropriate federal and state role in the setting of local wastewater rates, utility partnerships, and land use planning.

Accordingly, we recommend that the bill be amended to require SRF applicants to certify as part of their application for funding that they:

- **have or will have adequate technical, managerial, and financial capacity, including an asset management plan;**
- **have considered consolidating management, operations, or ownership functions, public-private partnerships, and environmentally sensitive technologies; and**
- **have a plan to achieve a rate structure that reflects to the extent practicable the cost of service provided and addresses capital replacement funds.**

6) As written, the bill creates a \$20,000,000 per year, five-year demonstration program for water quality enhancement and management. The program is limited to 10 projects per year.

- **We recommend not limiting the number of projects eligible for this program and increasing the program's authorization to \$100,000,000 per year for five years.**

7) As written, the bill requests a National Academy of Sciences (NAS) study on rates, affordability, and disadvantaged populations.

- **We recommend the NAS study be refocused to evaluate, among other things, options for creating a long-term, sustainable, and reliable source of federal funding for clean and safe water.**