

**PRESIDENT**

**Donnie R. Wheeler**  
General Manager  
Hampton Roads  
Sanitation District  
Virginia Beach, VA

**VICE PRESIDENT**

**Dick Champion, Jr.**  
Director  
Independence Water Pollution  
Control Department  
Independence, MO

**TREASURER**

**Christopher M. Westhoff**  
Assistant City Attorney  
Public Works General Counsel  
City of Los Angeles  
Los Angeles, CA

**SECRETARY**

**Marian Orfeo**  
Director of Planning  
& Coordination  
Massachusetts Water  
Resources Authority  
Boston, MA

**EXECUTIVE DIRECTOR**

**Ken Kirk**

July 13, 2005

The Honorable John J. Duncan, Jr.  
Chairman, Subcommittee on Water Resources & Environment  
Committee on Transportation and Infrastructure  
U.S. House of Representatives  
B-376 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Duncan:

On behalf of the hundreds of publicly owned clean water agencies who provide daily service to the majority of the sewered population in the United States, the National Association of Clean Water Agencies (NACWA) thanks you for convening the June 8 hearing on *Financing Water Infrastructure Projects*. We are deeply appreciative of your continuing commitment to clean and safe water for all Americans.

During the hearing, one of the witnesses raised the issue of a water tax as a potential revenue source to fund a future clean water trust fund. NACWA retained the services over the past year of the PA Consulting Group's Ken Rubin, also a witness at the hearing, to perform economic analyses on a variety of revenue source options including a water tax. PA's analysis revealed that a national water tax is not a viable source of funding for a trust fund.

The review looked at assessing a tax on residential, commercial, and industrial water use, which would raise revenue from a very broad and diverse base of water consumers. The analysis was conducted using estimated water production from approximately 150,000 public and private water utilities of all sizes, collectively serving about 292 million people, all of which would be taxed at a single rate of approximately 10 percent. This option proved unfavorable on several grounds, the most important of which is that local utilities already are raising rates in an effort to fund needed capital investments in plants and distribution and collection systems. Ultimately, these local revenue sources can address only a portion of the \$12 billion a year shortfall in capital funding needs for wastewater infrastructure. Financing the entire gap with utility rate increases would result in a doubling or tripling of rates on average across the nation. Small, rural and low-income communities would be hit the hardest with much greater increases, since costs are high in small, dispersed systems. In addition, some 60 percent of the U.S. population has experienced no increase, or a loss, in real household income over the past 20 years, so for the majority of U.S. families, sharp increases in rates would have significant economic impacts.

July 13, 2005

Page 2 of 2

As a result, collecting water use taxes from this same population would only exacerbate the very problem that a clean water trust fund is designed to solve. A water tax also is unfavorable as a credible revenue source because about 10 percent of the U.S. population does not obtain their drinking water from utilities and would not pay the new tax. It also would appear inefficient since revenues would be collected locally, remitted to the U.S. Treasury, and returned as grants to local governments.

NACWA believes that a broad consensus on a potential revenue source for a trust fund emerged at the June 8 hearing. The witnesses, including NACWA, were in agreement that a fair and equitable revenue source should be broad-based and should demonstrate achievable clean water benefits. The June 8 hearing on the clean water trust fund concept represented a significant step forward in identifying a stable, sustainable, long-term source of funding to address the country's wastewater infrastructure needs and ensure long-term clean water progress.

Thank you, again, for your continuing work toward finding a solution to the clean water infrastructure funding gap. If we can provide you with additional information, please contact me at 202/833-2672.

Sincerely,

A handwritten signature in black ink, appearing to read "K Kirk", written over a thin red horizontal line.

Ken Kirk

Executive Director