

**Testimony of Kurt Soderberg
Executive Director, Western Lake Superior Sanitary District
on behalf of the
National Association of Clean Water Agencies (NACWA)**

Introduction

Good morning, Madam Chairwoman and Members of the Committee. My name is Kurt Soderberg and I am Executive Director of the Western Lake Superior Sanitary District in Duluth, Minnesota. I am testifying today on behalf of the National Association of Clean Water Agencies – NACWA. NACWA is the only organization dedicated solely to representing the interests of the Nation’s public wastewater treatment agencies. Our members are dedicated environmental stewards who work consistently to carry out the goals of the Clean Water Act as they treat and reclaim more than 18 billion gallons of wastewater each day.

I am pleased to be able to be here representing NACWA, to personally thank you and Chairman Oberstar for having this Subcommittee’s first hearing of the 110th Congress on the issue of clean water funding. Minnesotans - and the nation as a whole - are fortunate to have Chairman Oberstar leading the work of the full Committee and you, Madam Chairwoman, heading up the Subcommittee. As we prepare to commemorate the 35th anniversary of the Clean Water Act, this hearing and your and Chairman Oberstar’s records of leadership on environmental issues are both timely and fitting.

There is no doubt about the record of environmental achievement enjoyed in the 35 years since the enactment of the Clean Water Act. But despite this vital progress, we must use the Act’s 35th anniversary to ask hard questions and review with a critical eye the many new and increasingly complex 21st century challenges to our cherished water resources.

In 1972 Lake Erie had been declared dead by *Time* magazine, and the Cuyahoga River on fire became the poster child for federal action — action that took the form of an unprecedented infusion of federal grants to meet the Nation’s water quality challenges. My message to you today, is that this is not a time to pat ourselves on the back for a job well done because, unfortunately, the job is far from finished.

According to EPA, nearly 40% of the Nation’s waters remain impaired, with the majority of this impairment caused by nonpoint sources of pollution. Furthermore, an ever-expanding population, which is expected to grow by another 100 million people over the next three decades, coupled with consistently

increasing industrial output is further stressing an already aging system of treatment plants. In line with these trends, the Agency has also projected that by 2016 — less than a decade from now — the water quality gains made as a result of implementing the Clean Water Act could be erased. The image of the Cuyahoga River catching fire made what was happening to our cherished waterways tangible to the entire population. We must not allow the Anacostia River here in Congress's own backyard to become the next poster-child for a Nation's water quality in crisis. Whether it is the Anacostia, the Chesapeake Bay, the Mississippi River, the Great Lakes or California's coastal waters the point is a simple one: the federal government's failure to rejoin states and municipalities as a full-fledged long-term partner in funding the Nation's clean water infrastructure will have unacceptable consequences. Your leadership Madam Chairwoman and the foresight of this Committee's members can make such a partnership a reality again.

Funding the Clean Water Act

EPA, the Government Accounting Office, the Congressional Budget Office, and the Water Infrastructure Network (WIN) have all confirmed a clean water infrastructure funding gap of approximately \$400-500 billion over the next twenty years just to maintain the current level of treatment for the current population. NACWA, through its Clean Water Funding Task Force, has done extensive research regarding public perception on clean water funding and how best to overcome the gap. Over 91% of Americans, when made aware of this gap, overwhelmingly support *federal* legislative action to guarantee the water quality of the Nation's rivers, lakes, streams and bays. Polling data also show that the vast majority of Americans would support a dedicated revenue source for clean water infrastructure structured similarly to those that exist for highways and airports and that Americans are willing to pay out of their own pockets to do so.

Despite the consensus around the funding gap, broad public support for federal action, and years of hearings on these issues, the federal contribution to clean water investment has declined from more than 70 percent in the early 1970s, to less than 5 percent today. This trend is even more inexplicable in light of the ever-increasing costs to comply with new federal requirements and enforcement actions. On top of it all, the escalating cost and unanticipated price increases for material, experienced consultants, engineers, and utility staff are creating the "perfect storm" for wastewater utility managers at the local level.

To bring this issue "home", the needs of my District, WLSSD, and of communities across the nation, have far outgrown the funding levels provided by EPA's Clean Water State Revolving Loan Fund (SRF). Wastewater treatment systems face financial challenges today that far exceed historical investment patterns and also exceed the financial capacity of our local governments and ratepayers.

At WLSSD, our Master Planning process has allowed the District to evaluate virtually every phase of our system and, through this process, we have determined that the estimated replacement cost for our sewer pipes and treatment plant is more than \$550 million. This may be small by most NACWA-member standards, but we need to make ongoing replacements and repairs to this substantial regional asset. Our capital planning over the next ten years shows costs of nearly \$100 million – much of which will need to come from the State Revolving Loan Fund (SRF), local bonding, or federal grants, if available. We rely heavily upon bonding and the SRF, and we know that Minnesota takes maximum advantage of the SRF capitalization. Minnesota makes loans of about \$100 million annually, but still has an active list of another \$200 million in unmet needs per year. With the continued decline in funding for the SRF, Minnesota's share of the SRF program will drop from \$25.75 million in fiscal year 2004 to only \$12.62 million if approved as proposed in the Administration's FY 2007 budget. Clearly the SRF is beneficial to the WLSSD and to Minnesota, but the unmet needs are substantial and growing.

Reduced federal spending and increased federal mandates are taking their toll on utilities. The collective aging of our pipes and systems further limits our ability to meet the objectives of the Clean Water Act. Locally, our District is responding to EPA mandates to eliminate a sanitary sewer overflow problem; the solution for WLSSD and our largest customer, the City of Duluth, will cost an estimated \$125 million over the next twelve years. Much of this investment is above and beyond our normal capital plans. As a result of such costs, NACWA recommends the inclusion in upcoming SRF reauthorization legislation of the provisions of H.R. 624, which was introduced in the 109th Congress and would provide \$1.25 billion over five years in grants for sewer overflow control projects.

Even more pressing at this time are the tremendous increases we are experiencing in construction costs – whether related to steel, cement, or other construction supplies. Virtually all projects continue to come in over the engineers' original estimates. In just two weeks, NACWA members will gather for our Winter Conference, *Global Trends Impacting Water Utilities . . . The Rising Cost of Clean*, to explore just these issues. We look forward to having more Valuable information to share with you on this new and growing financial challenge.

Congress must work to provide greater overall assistance to meet the critical need to repair, replace and properly manage our clean water infrastructure. Simply stated, more money must be put on the table. NACWA supports a renewed authorization and full funding to capitalize state-administered programs through loans, loan subsidies, and grants. Previous legislative efforts have sought to authorize \$20-\$30 billion for loans and grants via the SRF program. NACWA supports these funding levels but believes it

would be remiss to authorize money without also seeking a revenue source or sources to pay for these authorizations. For this reason, NACWA strongly recommends the inclusion in any authorizing legislation of a short-term study to be completed in no more than six months to determine the appropriate combination of viable long-term, dedicated revenue sources to bridge the clean water infrastructure funding gap.

The need for viable revenue sources is even more important when considered in the context of the Administration's approach for overcoming the funding gap. This approach, referred to as the "Four Pillars" include better utility management, water conservation, full-cost pricing, and the reliance on watershed planning. While NACWA believes these practices are beneficial, they ultimately boil down to leaving utilities without support to address the clean water funding gap.

At the heart of the Four Pillar approach is full-cost pricing, which continues to be undefined. The approach, however, assumes two things. First, that municipalities are not charging customers sufficient rates for wastewater services and, second, that the federal government has no role in the clean water arena (except for regulating and enforcing against utilities, of course). The evidence, however, strongly suggests otherwise.

The annual *NACWA Index* shows that average annual residential service charges have increased over the past four years at double the rate of inflation. In Region V, where Minnesota is located, rates increased by over 13% in 2005 alone. There is a limit to how high rates can go and we are pushing the envelope every year. In the face of these statistics, the Four Pillar approach, while containing some vitally important objectives, is not really an "approach" at all but constitutes a "retreat". This is why this Committee's focus on SRF reauthorization is so critical.

NACWA's overarching interest is to guarantee environmental progress by putting more money on the table to ensure clean water in America. In the past, despite widespread and growing support, Clean Water Act infrastructure funding legislation has unfortunately stalled over issues of process. One such issue is Davis-Bacon Act prevailing wage coverage. NACWA has no objection to the inclusion of Davis-Bacon in clean water infrastructure funding legislation.

A National Institute for Utility Management

There are several other vital areas that NACWA would like to see focused on in forthcoming legislation. These include the creation of a Utility Management Institute, as well as the need for additional research and technology funds. Clean water agencies could benefit from additional training and education and the use of a greater variety of resources and tools, to improve asset management, worker training, and financial reporting. A National Institute for Utility Management would be the most effective and efficient method to deliver an enhanced set of tools to the water sector and this legislation can go far toward making such an Institute a reality.

Work has already begun on this front, with NACWA, the Water Environment Federation (WEF), and the Water Environment Research Foundation (WERF) working together to explore the establishment of such an Institute. While NACWA, WEF and WERF currently provide the water sector with a comprehensive set of utility management tools, we believe these offerings could be significantly enhanced through collaboration and a common delivery mechanism.

Public wastewater utilities must continuously plan and optimize the maintenance and replacement cost cycles for their infrastructure assets in order to minimize costs and to maximize performance. We recognize that asset management and long-term planning are an essential part of protecting our nation's water infrastructure investments. To help the nation's utilities improve the management of their assets, NACWA has published and distributed over 3,000 copies of a comprehensive asset management handbook, and, due to popular demand, is in the process of developing a new implementation guide as a complement to the handbook. NACWA also has conducted regional workshops to train hundreds of facility managers in asset management techniques.

In our view the addition of new utility management requirements as a condition to accessing SRF funds would serve only to deter potential applicants — precisely the opposite of the objective of any reauthorization legislation. This would be especially true for smaller, often rural, utilities.

Research and Technology

NACWA encourages the Committee to include a significant federal research program, with appropriate funding, under section 104 of the Clean Water Act, as well as a nationwide technology demonstration program that would provide grants for pilot projects that seek innovative approaches to achieving water quality goals.

The objective of the 1972 Clean Water Act is to restore and maintain the chemical, physical, and biological integrity of the nation's waters and to attain, wherever possible, water deemed "fishable and swimmable." With the help of past federal financial assistance, municipalities constructed wastewater treatment plants to eliminate the discharge of pollutants into navigable waters. The goals of the Act remain in effect, fueled by federally enforced mandates in the form of a growing number of stringent regulations and costly requirements. Lost in this seemingly unending cycle is that the world around us has changed significantly since 1972. From swelling and shifting populations to the introduction of emerging pollutants that have the power to change the course of nature in aquatic life, little attention or financial assistance has been paid to much-needed research to meet new and complex challenges.

There also is a lack of investment in the development of new wastewater technologies. The federal government currently supports technology research and development through EPA programs and Congressional appropriations to non-profit research foundations. Yet, none of these programs focuses specifically on infrastructure and non-traditional solutions. Innovative and alternative approaches are needed to reduce nutrient pollution, improve methods for water conservation and safe reuse, improve monitoring and data analysis, reduce nonpoint sources of water pollution, reduce municipal stormwater pollution, reduce sanitary sewer and combined sewer overflows, and develop more effective methods for treating wastewater – including "green technology", conservation easements, stream buffers and wetlands restoration.

The Need for Comprehensive Approaches

While addressing the funding aspect is a vital first step, the time is rapidly approaching to rethink the Clean Water and Safe Drinking Water Acts. As comprehensive approaches are taking grip at the municipal level, it is critical to consider new, more comprehensive federal legislative approaches that reflect the new realities of the 21st century. The 35th anniversary of the Clean Water Act offers a unique opportunity to do this and NACWA offers its help to this Subcommittee begin the long process of developing a more integrated water quality approach.

Increasingly, the traditional regulatory divide between drinking water and wastewater continues to shrink as we move toward a universal definition of water. The "silo" approach to managing drinking water, wastewater and stormwater issues separately is dissolving. Integrated approaches such as water reuse, water conservation, energy efficiency, and watershed management are already common practices and carry important weight in the infrastructure decisions of today's modern wastewater treatment system manager.

Green technologies too are becoming increasingly accessible and commonplace. “Water is water” is what we hear from many of our stakeholders, and the ramifications of such thinking are many and broad.

Conclusion

NACWA fully supports your efforts to pass and fully fund meaningful infrastructure funding legislation. We hope – and encourage you – to take this opportunity to include in your bill legislative language that would ultimately, and quickly, assist Congress with the identification of an assured source of federal funding to secure America’s investment in the nation’s wastewater infrastructure. We offer our help and support to pass new legislation into law that includes:

1. A reauthorization of the SRF with a combination of loans, loan subsidies, and grants;
2. A study of dedicated revenue sources to help ensure that funds are available over the long-term for priority clean water infrastructure projects;
3. Grant funds targeted for overflow control projects based on the provisions of H.R. 624;
4. Funds for a Utility Management Institute that can provide additional training and education as well as a greater variety of resources and tools on utility management issues over the long-term;
5. Inclusion of grants for a federal research and technology program that will focus on the use of new technologies and a nationwide demonstration program;
6. Opening the door to a comprehensive review and approach to the Nation’s clean and safe water needs and considering new legislation to address 21st century challenges.

Madam Chairwoman and Members of the Committee, thank you for your time and attention today to NACWA’s views on clean water funding for the 21st century. I would be happy to answer any questions.