NACWA
A Clear Commitment to America's Waters

Testimony of:

Jeff Theerman

Executive Director, Metropolitan St. Louis Sewer District

President, National Association of Clean Water Agencies (NACWA)
1816 Jefferson Place, NW
Washington, DC 20036
202.833.2672

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Recovery Act Transportation and Infrastructure Projects: Impacts on Local Communities and Business

Chairman Oberstar, Ranking Member Mica and Members of the Committee, thank you for the opportunity to appear before you today and for your leadership and commitment to providing increased water infrastructure funding through the *American Recovery and Reinvestment Act (ARRA)*. My name is Jeff Theerman, I am the Executive Director for the Metropolitan St. Louis Sewer District. It is a great privilege to be here to testify on the benefits to my utility and our community of the funding that Congress and the Administration provided by passing the *ARRA*. This funding has been critical to many wastewater infrastructure utilities, especially in the face of the trend toward previous declining federal funding support for public clean water utilities as well as the ongoing economic downturn that has impacted the revenue base of our agency and so many others across the country.

I also serve as the President of the National Association of Clean Water Agencies (NACWA) and it is my pleasure to be testifying on behalf of NACWA. NACWA is the only organization whose primary mission is to advocate on behalf of the nation's publicly owned wastewater treatment works (POTWs) and the communities they serve. NACWA public agency members are true environmentalists who are tasked with ensuring the Nation's waters are clean and safe and who work around the clock to fulfill the strict requirements of the Clean Water Act. NACWA's members collectively treat approximately 80% of the nation's residential, business and industrial wastewater flow. In this capacity, NACWA has provided a trusted voice, helping to inform and guide Congressional action on numerous water quality issues, including the need for a stronger federal role in funding our nation's aging water infrastructure.

I would like to begin my remarks by thanking Chairman Oberstar and the Committee for their efforts and leadership in ensuring that the stimulus bill contained $6 billion for the state revolving loan funds (SRFs) – $4 billion for the Clean Water State Revolving Loan Fund (CWSRF) and $2 billion for the Drinking Water State Revolving Loan Fund (DWSRF).

As this Committee well knows, according to the U.S. Environmental Protection Agency (EPA), the Congressional Budget Office (CBO), and the Government Accountability Office (GAO) the nation's wastewater and water infrastructure faces a daunting funding gap of approximately $500 billion over the next 20 years. EPA's most recent Clean Watersheds Needs Survey estimated $300 billion in costs for municipalities to comply with Clean Water Act requirements alone. Though this is a staggering figure, it still does not reflect the full magnitude of the funding gap to meet water quality challenges such as stormwater mitigation and future treatment needs relating to nutrient controls.

When discussions regarding a stimulus package started, NACWA was asked by this Committee to provide information regarding the shovel-readiness of clean water projects. In line with this request, NACWA surveyed its members and found that our members had over $17 billion in shovel-ready projects that would stimulate the economy and improve the nation's environment and water quality. The needs clearly were enormous and NACWA, along with other key stakeholders in the water sector, worked vigorously to support this Committee's efforts to include clean water funding as a major component of the *ARRA*.

The funding challenges are further underscored by the impacts to utilities from the most severe economic downturn since the Great Depression – impacts that are still being felt at my utility and utilities across the country. The ongoing drop in residential and commercial construction spending continues to translate into decreased revenues from water and sewer hookups, while cutbacks in production and an increase in unemployment continues to result in decreased water use and effluent discharged from factories, office parks and homes – a primary source of income for wastewater utilities. The combination of these factors and others created – and continues to create – a difficult budget scenario for wastewater utilities, delaying investment in capital projects and sometimes making these investments impossible.

Given these challenges, the funding from the *ARRA* that the Metropolitan St. Louis Sewer District received has been very helpful.

A combination of ARRA loans and grants supported a number of construction projects within our service area. Direct ARRA funding was provided for the Argonne and Upper Maline Creek projects. These projects were constructed to address antiquated sanitary sewers whose capacity problems resulted in wet weather basement backups and overflows. The ARRA funds totaled $10,980,000 and generated 250 new construction jobs to build or rehabilitate 8,800 feet of sewers, resolving both health and environmental concerns. In addition to the projects directly constructed by the District, ARRA funds allowed certain combined sewer work totaling approximately $35 million to be constructed by the Corps of Engineers on the St. Louis sewer system. The Corps of Engineers construction on these sewers created an additional 200 jobs per year over a three year period.

The District also received a considerable benefit because ARRA loans and grants were used extensively throughout the State of Missouri. This utilization coupled with historically low construction bids freed up $88 million of SRF funds for the District's Missouri River Plant expansion. These funds would have gone to other communities or been left unused. This had the impact of saving MSD $70 million over a 20 year period and creating an additional 564 jobs during the three year construction. It's important to note that these savings will then be used to accelerate additional construction projects for treatment plant disinfection improvements on the Mississippi and Missouri Rivers.

The ARRA legislation also authorized the Build America bonds. These bonds allowed the District to take advantage of lower cost financing and allowed MSD to issue $137 million of bonds with an estimated savings of $20.5 million of interest cost that can be used to fund other environmentally friendly projects. These bonds along with the general passage of the ARRA legislation helped stabilize and revitalize the mechanism for funding municipal capital projects. The provisions in the ARRA legislation were well thought out with additional incentives for economic development.

Infrastructure improvements and the jobs required to construct them are essential to the St. Louis Community. With unemployment in our region standing at 9.5% and with construction hours worked dropping to 50% of 2008 levels, ARRA funds have allowed the District to let work that is beneficial to the environment, renews our aging infrastructure and keeps our construction industry afloat. MSD will be spending billions constructing sewer infrastructure improvements over the coming decades relying heavily on private contractors to provide high quality construction services. If our economic situation leads to a serious decline of private companies in the construction community, our infrastructure investment programs will suffer from increased costs and a lack of qualified contractors.

In Missouri, we welcomed stimulus funding for the needs it addressed, the employment it continues to bring and the relief it provided for many workers who faced the stark reality of sudden and extended unemployment. To assist with the understanding the distribution of ARRA funds, NACWA recently released a report detailing state distribution trends. This report is available on the Infrastructure Funding page of NACWA's website (http://www.nacwa.org/index.php?option=com_mediadownload&filename=2010-07-14arra.pdf). And we encourage the Committee and any other interested stakeholders to review this report which provides a detailed breakdown of ARRA SRF distribution in all 50 states.

Overall, there is little doubt that the clean water investments provided by *ARRA* were a good first step in reversing years of declining federal investment in our nation's municipal clean water needs. As Congress, and this Committee, continue to discuss efforts to revive our national economy we urge you to consider additional investment in our clean water infrastructure. To the extent additional stimulus efforts become necessary, NACWA further recommends that a greater portion of such legislation's funding be directed toward our wastewater infrastructure given the clear benefit it provides to our communities, environment, and economy.

As NACWA has testified before this Committee previously, a sustainable mechanism to provide federal funding for our ailing water infrastructure is critically needed. To accomplish this, NACWA believes that a clean water trust fund is the best means of providing stable, dedicated and deficit-neutral revenue sources and would further help leverage local and state dollars for wastewater and water infrastructure projects. *The Water Protection and Reinvestment Act* (H.R. 3202) is a good starting point for this Committee's consideration of such a trust fund mechanism— and we look forward to working with this Committee on such an approach to address our critical water infrastructure needs in a responsible and sustainable way.

Additionally, it is clear that public clean water agencies like mine are looking at enormous and growing costs from a variety of requirements, including nutrient control, sewer overflow control, stormwater regulations, stricter requirements for water quality standards, and emerging contaminants, not to mention the impacts of climate change on water resources management. In short, municipalities throughout the country face a regulatory landscape where everything is a priority and economics — and to some extent even water quality benefits — are an afterthought. NACWA urges this committee to help us prioritize activity in order to maximize water quality benefits — we can start this by recommending that EPA develop a new, more integrated approach to affordability and move in the direction of true watershed planning and implementation that holds all sources of pollution — point and nonpoint — accountable for their share of the problem.

I thank this Committee for its leadership in seeking to ensure that our critical water infrastructure is a key component to federal economic recovery efforts and for the opportunity to testify today. I look forward to any questions Members of the Committee may have regarding my comments.