

Testimony by Mr. Todd Ambs
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on behalf of the
Council of Great Lakes Governors
before the
U.S. House Committee on Transportation & Infrastructure,
Subcommittee on Water Resources & Environment

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Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today to discuss our nation's wastewater infrastructure funding. My name is Todd Ambs and I am the Water Division Administrator for the Wisconsin Department of Natural Resources. I am testifying today on behalf of the Council of Great Lakes Governors and the Council Chair, Wisconsin Governor Jim Doyle. The Great Lakes Governors continue to work closely with our region's Mayors through the Great Lakes—St. Lawrence Cities Initiative in advancing our shared agenda to protect and restore the Great Lakes.

Underinvestment in wastewater infrastructure is a huge and growing problem for our nation's health and environment. For this reason, Governors have made increased investment a high priority in our States and it is encouraging that this issue is also becoming a higher priority for our federal partners in Congress. I applaud the leadership of Chairman Oberstar for calling this important hearing and commend him and others who have repeatedly advocated for an enhanced federal investment in meeting our shared wastewater investment goals.

One of the major threats to human health across the nation, as well as in the Great Lakes and their tributaries, comes from combined sewer overflows (CSOs), which discharge

untreated sewage during heavy rainfalls. Costly as they are, CSOs are only one of the water infrastructure challenges faced by local communities. From aging wastewater treatment plants to failing on-lot septic systems, the most advanced nation in the world is struggling to manage its sewage. Thirty-five years ago, Congress passed the Clean Water Act. Following passage of that law, the Federal Government provided over \$84 billion in construction grants and State revolving fund capitalization grants so that municipalities all across our nation could build modern sewage treatment systems. Today, that investment is applauded as one of the key reasons for the significant improvement in the health of our nation's waterways, although much remains to be done.

We find ourselves at a crossroad as that same infrastructure that we built thirty years ago falls into disrepair and other challenges threaten our waters. America deserves better than to slip back to a time when rivers caught fire and unsanitary conditions remind us of the disease-ridden days of long ago. Increased funding for the Clean Water State Revolving Loan Funds (SRF) that finance wastewater projects would be a good step toward meeting our infrastructure needs. Unfortunately, these funds have been cut in recent years and, the President's most recent budget called for further cuts. We welcome the opportunity to work with you to reverse this trend.

Clearly, the lack of adequate investment in wastewater infrastructure is a national problem. U.S. EPA's gap analysis has showed a \$388 billion shortfall between current levels of spending and the projected need for water infrastructure investment over the next 20 years. This need cannot be met without the increased participation of the federal government.

The Great Lakes

The magnitude of the problems created by CSOs and SSOs (sanitary sewer overflows) in our region comes to light when one considers that the Great Lakes constitute the largest surface freshwater system in the world. More than 35 million Americans receive the benefits of drinking water, food, a place to work and live, and transportation from the Great Lakes.

Sewer overflows in the Great Lakes region also jeopardize our national economy which depends in many important respects on the Great Lakes. The Great Lakes States account for 30 percent of the total US Gross Domestic Product. The Great Lakes are a key national transportation network. U.S.-flag vessels annually ship over 125 million tons of cargo between Great Lakes ports. Fishing, boating, hunting and wildlife-watching generate almost \$53 billion in annual revenues in the Great Lakes region. One-third of all the boats registered in the United States are in the Great Lakes States and boating alone supports over 250,000 jobs.

Unfortunately, and despite significant and ongoing investments by all levels of government, the Great Lakes remain degraded and continue to be threatened by shortsightedness and our failure to make needed investments. The estimated volume of combined sewer overflow (CSO) discharges in the U.S. is 850 billion gallons per year, with most of these CSOs located in the Great Lakes and Northeast regions. And, these threats promise to increase in the future. If continued unabated, any action we take in the future to restore the Great Lakes or any other waterway may prove futile and may be undermined by the continued discharge of improperly treated wastewater from aging facilities—facilities that cannot be upgraded because the funding is not there. In addition, the potential failure of aging wastewater systems around the region would only exacerbate the crisis.

The Great Lakes Regional Collaboration

In 2004, President Bush issued an Executive Order that led to the launch of the Great Lakes Regional Collaboration. The goal of this Collaboration was to develop a strategy to protect and restore the Great Lakes. The Collaboration used restoration and protection priorities developed by the Governors as its organizing principle.

Over approximately one year, the Great Lakes Governors joined with representatives of the Administration, Congress, Mayors and Tribes to develop the Great Lakes Protection and Restoration Strategy. Over 1500 representatives of a wide cross-section of

governmental and non-governmental stakeholder groups participated in creating this Strategy, resulting in its broad-based support.

The largest-cost element of the Strategy is investment in wastewater infrastructure, estimated at \$13.5 billion over five years. In order to address this and other needed investments, the Great Lakes Governors are already committing significant resources. As you may know, the 2003 report by the Government Accountability Office documented the fact that State and local spending on Great Lakes programs far exceeds the investment by the federal government.

Unfortunately, significant challenges remain to achieving our broader objectives. Funding is a consistent obstacle and we recognize that securing investments of the magnitude called for in the Strategy challenges all of us at all levels of government. Nevertheless, the Governors are committed to continuing to work with our region's Mayors, Members of Congress, Tribal leaders and others toward our shared goal of securing large-scale, long-term and stable federal funding to implement the Strategy's recommendations. We are seeking federal funding as a supplement to the State, local and Tribal investment already taking place. While we remain committed to doing our share, we cannot accomplish many urgently needed restoration goals without more federal participation. As the Strategy's recommendations illustrate, some needs can only be addressed through the commitment of large-scale, long-term funding.

Wastewater Infrastructure in the Great Lakes Region

Our States have recognized that we cannot wait to make needed investments in wastewater infrastructure. Lack of federal support for the SRF program has created huge challenges but, nevertheless, the States have marshaled significant resources and provided leadership to overcome this challenge. For example, in Michigan the passage of Proposal 2 on Michigan's November 2002 State-wide ballot brought about the establishment of the Great Lakes Water Quality Bond Fund. The ballot question authorizes the State to sell up to \$1 billion in general obligation bonds to finance water

quality improvement projects in Michigan. More than 60% of the ballots cast voted to approve Proposal 2.

It became clear that decreasing levels of federal appropriations to the SRF would leave Michigan unable to meet well established wastewater infrastructure needs, much of which would deal with sanitary and combined sewer overflow problems. This realization resulted in overwhelming support for the ballot initiative from a wide range of interests. Michigan's CWSRF has been aggressively leveraged, and since 1989 has tendered nearly \$2.4 billion in assistance. Assuming static levels of Federal capitalization, Michigan is able to tender only about \$210 million/year in new loan commitments, far below what is needed to address documented needs.

Assets of the Great Lakes Water Quality Bond Fund can be used for three distinct purposes. Ninety percent (\$900 million) is available for supplemental capitalization of the CWSRF. Six percent (\$60 million) can be used to capitalize another revolving loan fund, the Strategic Water Quality Initiatives Fund, which funds specific types of water pollution control efforts that cannot qualify for assistance from the CWSRF. The remaining four percent (\$40 million) has been awarded in the form of grant assistance to local units of government to complete project planning and design, application prerequisites to access loan funds from the CWSRF for project construction.

In New York, using a leveraged finance model, New York's Environmental Facilities Corporation (NYS EFC) has leveraged roughly \$2.6 billion in federal Clean Water grant funds into over \$11.76 billion in direct project financing. The level of federal funding, especially related to Clean Water Fund capitalization grant reductions, has limited the availability of SRF funds available for important clean water and drinking water projects throughout New York.

In FFY 2007, NYS EFC intends to finance an additional \$464 million in projects ranging from CSO abatement in New York City's East River, to Onondaga Lake Improvements in Syracuse, to greatly needed sewer upgrades in Erie County. Although this is a significant

investment in New York's aging waste water infrastructure, the demand from communities throughout New York by far exceed their supply of resources. Both the Drinking Water and Clean Water Intended Use Plans now contain funding lines that illustrate to prospective borrowers whether or not they will receive funding in the current fiscal year. Recent funding cuts have created a scenario where New York now has more applicants below the funding line than above. Without the low cost funding provided through the SRF program, many communities simply opt to delay or cancel important projects intended to protect our environment.

To date, Wisconsin has received over \$637 million in capitalization grants from EPA. In order to meet the need for wastewater funding the State has contributed approximately an additional \$600 million. By leveraging these funds, Wisconsin's Clean Water Fund loan program has provided over 600 low-interest rate loans totaling approximately \$2.4 billion since 1991.

For the next two years, Wisconsin has identified about \$950 million in infrastructure needs for the entire State. During that same time, the State expects to receive about \$18.5 million in federal capitalization grants, if funding is not increased.

The State Revolving Loan Fund and the Opportunity for the Great Lakes

As the USEPA noted in their May 1999 report, "The CWSRF program is a powerful partnership between EPA and the states. It allows states the flexibility to provide funding for projects that will address their highest-priority water quality needs....The program allows federal, state, and local agencies to leverage limited dollars. Because of the funds' revolving nature, the federal investment can result in the construction of up to four times as many projects over a 20-year period as a onetime grant." What was true eight years ago remains true today.

As of 2004, the return on the Federal investment has been 1.97 times. States had made more than 14,225 loans totaling \$43 billion and there have been no defaults on those

agreements. As can be clearly seen, the SRF program continues to be a critical tool for addressing this major water contamination crisis.

Toward an Enhanced State-Federal Partnership

A consensus is emerging on the urgent need to better use the SRF program to overcome our recent legacy of wastewater underinvestment. The Great Lakes Governors have collectively asked Congress over the past three years to fully fund the SRF program. The National Governors Association has echoed this call, most recently in their May 2006 letter) to Congress. The Great Lakes Mayors have been steadfast in their support and Members of Congress, including Congressman Oberstar and many others, have provided tremendous leadership toward our shared objectives.

If full funding is obtained, it will enable our States to jumpstart wastewater investment—expected outcomes are significant. In closing, Mr. Chairman and members of the committee, our pledge to you is that we will continue to work with you to ensure that the investments we ask Congress to make in our nation’s wastewater infrastructure, and in the Great Lakes, are put to good use. We have a responsibility to our citizens, our children and grandchildren.

Thank you, Mr. Chairman.