**Summary of CIFA 2013 Federal Policy Conference**

**May 20-21, 2103**

*The Council of Infrastructure Financing Authorities (CIFA) conducted its 2013 Federal Policy Conference on May 20-21 in Washington DC. ASDWA staff attended and developed the following summary:*

**Peter Grevatt, Office of Ground Water and Drinking Water**: After the President’s Welcome by Lori Beary of the Iowa Finance Authority, EPA’s Director of the Office of Ground Water and Drinking Water, Peter Grevatt, spoke about the key challenges facing state financing programs today, including:

* the need to manage funding to achieve maximum use and avoid escalating unliquidated obligations;
* the need to better enhance coordination between state drinking water SRF and state infrastructure finance authorities in the efficient use of set-asides;
* the need to ensure greater accuracy in Intended Use Plans (IUPs) to reflect both the highest public health priority and projects ready to proceed; and
* the need to continue to ensure the financial integrity of the SRF program.

**Mark Vitner, Managing Director and Senior Economist at Wells Fargo Securities**, then offered an economic outlook. He noted that policy uncertainty (i.e., inability of Congress and the Administration to agree on a coherent long term plan) has cast a cloud over economic recovery. He suggested that a four year economic recovery period is slower than average and that there have been no median household income increases in the last five years, despite healthy increases in the stock market. He noted that one of the drags on the economy is a lack of qualified workers in needed fields and suggested the need for a greater focus on education. Nonetheless, he remained optimistic about the long term prospects for our country,

**The Assistant Administrator for Water and Environmental Programs in Rural Development at USDA, Jackie Ponti-Lazaruk**, briefly outlined the breadth of Rural Development’s reach that includes water, electric, phones, housing, and rural business development and pointed to the need for sustainability. She defined sustainability as reliable infrastructure, combined with planning and performance expectations; training and technical assistance; and a qualified workforce. To support sustainability in the water arena, Rural Development has, among other initiatives:

* Collaborated with EPA to develop “Workshop in a Box” – to explain what it means to be sustainable and how to get there for small communities;
* Continued to work on a PER (project engineering request) streamlining project review by standardizing engineering and budget information for all funding requests. Recently a PER template has been developed and is moving toward an automated format;
* Continued to offer SEARCH grants (Special Evaluation Assistance for Rural Communities and Households) which provide up to $30,000 in funds that a small, rural community can use for pre-engineering work in anticipation of a loan application; and
* Begun discussions to consider the feasibility of a new requirement for loan applicants to have completed some form of Board or Operator training as a condition of funding.

**Michael Deane, Executive Director of the National Association of Water Companies**, spoke of a new campaign, “Water is Your Business,” in partnership with the US Chamber of Commerce to make the business case for sustainable water rates to support the economic vitality of a community. The campaign looks at the need for repair and rehabilitation in terms of economic value and return on investment. The campaign website <http://waterisyourbusiness.org/> provides more detailed information about this initiative as well as how to engage community and business leaders in conversations about water infrastructure.

**Michael Decker, Senior Managing Director for SIFMA** (Security Industries and Financial Markets Association) indicated that tax-exempt municipal bonds are under threat from a variety of quarters. In the context of broader tax reform, future changes are likely, including some curtailment of their exemption status and a focus on lower rates with fewer preferences. If the costs of municipal bonds go up and they become less attractive to investors, state and local governments will ultimately pay more to borrow.

**Andrew Sawyers, newly named Director of EPA’s Office of Wastewater Management** listed the following challenges to CWSRF programs:

* the need to leverage SRF loans;
* the need to ensure sustainable small systems, capable of repaying loans;
* the need for “right-sizing” of projects;
* the need to focus on the array of wet weather project challenges;
* the need to ensure that funded projects are all hazards resilient’; and
* the need for good upfront project planning

**SRF Markets Panel:**

* **Jennifer Wasinger, Oklahoma Water Resources Borard**: The state developed (based on a satisfaction survey and other feedback) and deployed a comprehensive marketing strategy consisting of letters from the state SRF program prospective borrowers, press releases touting the successes of the program, and other techniques. At the core of the strategy are building relationships and fostering trust. Part of the state’s plans involves “bypass” provisions to be able to turn to ready-to-proceed projects.
* **Matt Driscoll, New York State Environmental Facilities Corporation**: The state SRF program includes a sophisticated leveraging program. The program includes an active and effective marketing campaign that focuses on visible (to the public) and attention-garnering green projects in order to build overall support for the entirety of the program. The program also employs bypass procedures (analogous to Oklahoma’s) and offers to grants to applicants prepare projects.

**Climate Change Panel:**

* **Karen Metchis of EPA’s Office of Wastewater Management** provided an overview of lessons learned from examining the ways that six communities across the country responded to extreme weather events over the past few years. Those lessons learned are accessible at the following NOAA web site: <http://jmp.nu/extremecasestudies>
* **Sharlene Leurig of CERES** noted that climate change creates credit vulnerability on the part of the infrastructure loan borrower and thus it behooves borrowers to be as climate change resilient as possible.
* **Peter Shanaghan of EPA’s Office of Wastewater Management** noted that the drivers, on the part of water and wastewater utilities for climate change resiliency are the same as those that warrant all hazards preparedness, in a security context. Drinking water set-asides may be used to assist drinking water utilities in this regard.

Kicking off Day 2 of the Forum, participants heard from a “Capitol Hill Outlook” panel that consisted of Jon Pawlow (Majority) and Ryan Seiger (Minority) staff from the House Transportation & Infrastructure Committee and Craig Sundstrom of the National Governors’ Association.

**Pawlow** noted that there’s a new push in the Committee to find more opportunities for bipartisan legislation – and the Water Resource Development Act (WRDA) may serve as a good beginning. No decision has been made, as yet, as to whether to include a WIFIA component in the likely House bill. Regardless, Pawlow stated that he wants to continue to brainstorm with state-based organizations (ASDWA, ACWA, ECOS, CIFA) to find ways to minimize state concerns. Pawlow also said that the Committee is considering drafting a possible SRF reauthorization bill but that the reality associated with budget constraints and deficit reduction may preclude success -- especially if the effort is perceived as calling for “new money.” Finally, he noted Committee interest in examining the issue of regulatory accountability.

**Seiger** explained that Ranking Minority Member, Tim Bishop (NY), has already introduced an infrastructure funding bill that includes both WIFIA and trust fund titles along with reauthorization of the CWSRF. He suggested that the Senate WIFIA language could put appropriators in a box that leaves few positive choices – support the WIFIA approach that could be detrimental to the CWSRF but would be perceived as a less expensive alternative to SRF reauthorization or support the more traditional reauthorization approach that would likely be rejected because of the “new money” argument and does not respond to the large utilities call for dedicated funding.

**Sundstrom** said that the National Governors’ Association is generally supportive of the “idea” of a WIFIA but is well aware of the concerns expressed by smaller and more rural states about potential adverse impacts on the SRFs by standing up a new program primarily designed to help large systems.. Within the Natural Resources Committee at NGA, priority issues have been identified as extreme weather impacts and continued support for the drinking water and clean water SRFs. He went on to note that the Governors have identified four principles for deficit reduction:

* Any such effort should produce savings for both Federal and state governments;
* Reduction impact burdens must not be borne by states alone;
* States need flexibility to prioritize and implement projects
* There can be no requirements for reduction imposed as a condition of project funding.

**Iowa Experience in Addressing Nonpoint Source Pollution:** Lori Beary of the Iowa Finance Authority and Patti Cale-Finigan of the Iowa Department of Natural Resources explained an innovative, collaborative, and successful approach they had taken to fostering non-point source pollution controls by offering CWSRF loans for various conservation practices designed to mitigate nonpoint source pollution. The local conservation districts were the delivery mechanisms for this assistance.

**Jim Horne from EPA’s Office of Wastewater Management** spoke about the concept of sustainability as shared between the drinking water and wastewater communities. He defined sustainability holistically -- comprised of infrastructure plus systems plus communities. One of the key benefits of sustainability is recognition of the impact of water on economic growth of a community. Sustainability tools include:

* A sustainable practices roadmap being built around the 10 attributes of effective utility management;
* A sustainable framework for small systems to be accompanied by a guidance document; and
* Guidelines for small system infrastructure decision-making.

**Kelly Tucker**, also from EPA OWM, spoke about nontraditional eligibilities in the CWSRF – those not specifically water quality-related but that do support water quality goals such as water reuse and water-energy nexus projects. There is a state-EPA workgroup looking at these and other related issues. She anticipates a draft set of recommendations to be available in November 2013.

**The final panel looked at the Continuing ULO Challenge. Aubrey White with the Alabama Department of Environmental Management** suggested that ULOs began to be noticed with the short deadlines attached to the ARRA funds. He went on to say that the concerns have escalated due to budget shortfalls. He also noted that there are two chronic problem areas:

* There are still states that tie projects to specific grants
* Some states use selected grants and additional subsidies rather than follow the first in-first out principle.

**Lauren Kaltman, New Jersey Environmental Infrastructure Trus**t, explained that her state created a trust fund that is used to help systems become ready to proceed at which point the project becomes a term loan under the SRFs. The goal is to have projects completed by the end of the term loan. The SRF program within NJ Department of Environmental Protection now meets regularly with the Environmental Trust.

**Chuck Job from EPA’s Office of Ground Water and Drinking Water** spoke about the challenges of ULOs within the drinking water program. As of May 2013, there are $1.9 billion in ULOs – a slight decrease from $2.1 billion over the previous year. However, when the 2013 grants are awarded, that figure is likely to rise to $2.3-2.7 billion. He states that such a figure represents, in effect, public health protection not yet purchased (but which urgently needs to be). Job went on to say that there are15 states with ULOs of less than 5% but that 15 other states have ULOs of 15-31%.. Those states represent 65% of the total outstanding ULO dollars. Job concluded by saying that this is a real, measurable, and permanent loss to the DWSRF. We need to be creative to find ways to move toward a new ULO “low.”