

Written Testimony by

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before the

House Subcommittee on Interior, Environment, and Related Agencies

addressing

Fiscal 2009 Appropriations: Interior and Environment

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Chairman Dicks, Ranking Member Tiahrt, and Honorable Members of the Subcommittee, my name is Terry Dillon. I am the owner of Atlas Excavating Inc. in West Lafayette, Indiana. We have 150 employees who work on sewer and water construction and highway and road reconstruction projects throughout the state.

I appreciate the opportunity to participate in this hearing on behalf of the National Utility Contractors Association (NUCA), which supports the inclusion of \$1.35 billion for the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (SRF) program in the FY 2009 Interior/Environment appropriations measure.

NUCA is a family of more than 1,750 companies from across the nation that build, repair and maintain underground water, wastewater, gas, electric, and telecommunications systems. NUCA also serves as chair of the Clean Water Council (CWC), a coalition of some 34 national organizations representing underground construction contractors, design professionals, manufacturers and suppliers, labor representatives and others committed to ensuring a high quality of life through sound environmental infrastructure. These industries work collectively to improve critical underground systems that unquestionably enhance America's quality of life. For your reference, a list of CWC members is attached to this testimony.

AMERICA'S DECAYING ENVIRONMENTAL INFRASTRUCTURE

NUCA is grateful the opportunity to appear before the subcommittee to report on the state of America's water and wastewater infrastructure and the financial resources needed to begin addressing the overwhelming needs facing that infrastructure. The association's testimony represents the unique perspective of those who work on our underground infrastructure systems and see firsthand what happens when they fail. What is out of sight and out of mind to most people is clearly visible to NUCA members every day.

In brief, the view from the trenches isn't pretty. We routinely uncover rotting pipes with gaping holes that spill raw sewage into the surrounding ground of residential neighborhoods. This leakage can go undetected for months, even years in some cases. To make matters worse, these conditions are often within yards of waterways where we fish, beaches where we swim, and playgrounds where our children play.

The need for increased funding for water and wastewater infrastructure projects is clear. Existing water and wastewater infrastructure continues to age and the number of incidents of water and sewer system failures continues to rise. Federal capital investment is being sustained, but is grossly inadequate to meet the growing needs. This financial gap will only get worse unless a firm commitment is made and increased federal resources are provided to needy communities. Moreover, the current lack of adequate funding unintentionally widens the investment gap by sending the implicit message that our nation's environmental infrastructure is not a national priority.

Let's look at some statistics.

In 2002, the EPA's *Clean Water and Drinking Water Infrastructure Gap Analysis* forecasted a \$534 billion gap between current investment and projected needs over 20 years for water and wastewater infrastructure if federal funding was not increased. To someone like me, who works in the industry, that distressing report forecasted environmental disaster if action wasn't taken...and that was six years ago.

The EPA's 2004 *Clean Watersheds Needs Survey* painted another bleak picture of America's wastewater infrastructure, documenting nationwide needs at \$202.5 billion for publicly-owned wastewater collections, treatment facilities and eligible activities to control pollution from storm water and nonpoint sources. It is important to note that this was not a projection over time or dependent on future funding levels. The \$202.5 billion reflected documented wastewater needs in 2004.

The American Society of Civil Engineers (ASCE), an active member of the CWC, evaluates the nation's infrastructure and reports on the status of it every few years. For the past several years, America's wastewater infrastructure has been graded a "D minus" in the ASCE's *Report Card for America's Infrastructure*. Clearly, there is a consensus among both government and industry professionals that the state of this infrastructure is quickly going from bad to worse. Meanwhile, the federal resources needed to fix it are plummeting every year.

As representatives of NUCA before me have testified, aging wastewater infrastructure is failing in every state. Each year, sewers back up in basements 400,000 times and municipal sanitary sewers overflow 75,000 times, dumping up to 10 billion gallons of sewage (and with it potentially deadly pathogens) into the nation's streets, waterways, and beaches. Water and sewer systems built generations ago that had projected use periods of 30, 50, and even 100 years are all reaching their useful life concurrently. Scores of American cities are under consent decrees with the EPA to fix their combined sewer overflow problems or face millions of dollars in fines.

Public awareness of the water infrastructure crisis is deplorable. While the media jumps at the chance to cover any oil or other hazardous liquid pipeline spill, even large sewer overflows or other sources of sewer discharges do not make the national news. However, when comparing the amount of hazardous liquid releases with the amount of untreated wastewater that is dumped into America's waters, there really is no comparison.

For example, the Pipeline and Hazardous Materials Safety Administration indicates that the annual average of hazardous liquid pipeline spills is 117 accidents for a release of approximately 57,000 barrels, or about 2,394,000 gallons of hazardous liquid released. Those statistics reflect *all* spills, not just those that have an impact on America's waters. Oil pipeline industry data shows that between 1999 and 2006 there were 485 oil pipeline spills that had at least some water impact. Those numbers pale in comparison with an annual average of 118,000 incidents of combined sewer and sanitary sewer overflows that dump as much of 950 billion gallons of raw sewage into our lakes, rivers and streams.

As troubling as those numbers are, they do not include the substantial amounts of raw sewage that is legally discharged by American municipalities because their facilities cannot sustain the wastewater that must be treated—in large part because of the lack of financial resources to build and rebuild the infrastructure to do the job.

All this, and the concerns seem to be with the oil and other hazardous liquids? We respectfully suggest that such concerns are misplaced. We are knowingly failing to refurbish and install vital water and wastewater infrastructure in a meaningful way that maintains public safety, despite the fact that we have the resources to fix the problem and public opinion on our side. It's time for Congress to act before our water supply is irreversibly contaminated, before sewer moratoriums shut down our communities, and before your constituents' sewer rates go through the roof.

NUCA and the CWC have taken the lead for years in advancing a host of legislative efforts to begin to address the skyrocketing water/wastewater infrastructure needs facing our nation. Our focus in recent

years has been on increasing annual appropriations for the SRF programs and on reauthorizing them at significantly higher funding levels.

Last year, the House passed the Water Quality Financing Act (HR 720), which would authorize \$14 billion for the Clean Water SRF over four years. While the Senate has yet to act on its version of a reauthorization bill, immediate resources in FY09 appropriations are needed to begin to address the looming environmental crisis. Traditional annual funding of \$1.35 billion for the Clean Water SRF has been significantly cut in recent years, and the program is facing a \$555 million appropriation level in FY2009, reflecting more than a 50 percent cut at a time when the nation simply cannot afford it.

BACKGROUND OF THE SRF FINANCING PROGRAM

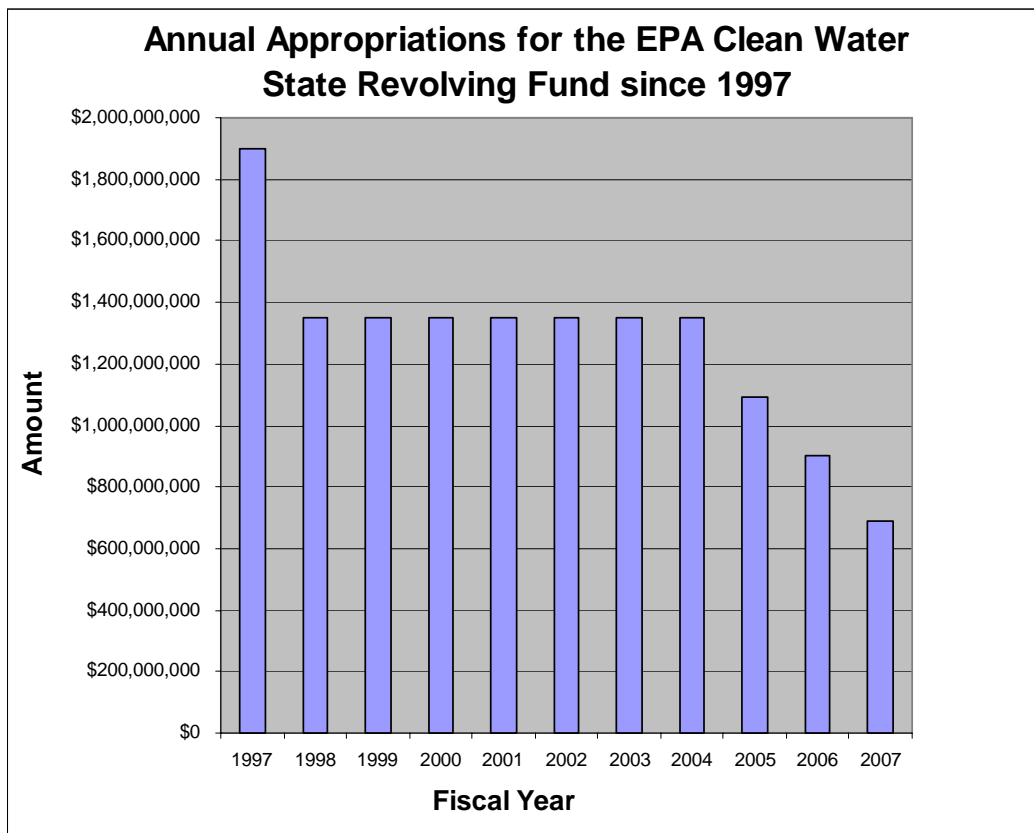
The 1987 amendments to the Clean Water Act (CWA) fundamentally changed the way the federal government provides financial assistance for water pollution control facilities by replacing the construction grants program with the Clean Water State Revolving Fund (SRF) program. Controlled and operated by the states, the SRF program provides loans and other financial assistance for water pollution control projects. The Drinking Water SRF was subsequently implemented for similar projects relating to infrastructure improvements for drinking water systems.

In general, SRF loans work in perpetuity over time, providing necessary resources for public projects that promote public health, protect the environment, create scores of high-paying American jobs, expand the local tax base and enhance our overall quality of life. The revolving nature of the program has made it an extremely successful federal financing program, and has been the primary reason for its continued funding through annual appropriations, despite the fact that SRF authorization expired in 1994. Nationally, interest rates for SRF loans average at approximately 2.5 percent compared with substantially higher market rates, and provide flexible repayment terms up to 20 years.

Revolving fund programs work in perpetuity. The Clean Water SRF, for example, has leveraged approximately \$28.3 billion in federal grants into more than \$63 billion in revolving loans to communities. These loans are then repaid at low interest and redistributed for other priority wastewater projects within the state. The Drinking Water SRF has provided more than \$11 billion to communities for drinking water projects and state and local activities. These projects are needed to maintain compliance with health-based standards, such as installation and replacement of failing treatment and distribution systems. The SRF programs have been hailed as the most successful federally sponsored infrastructure financing program ever.

The Clean Water SRF provides a perpetual source of funding to build and improve wastewater treatment plants; control agricultural, rural, and urban runoff; improve estuaries; control wet weather overflows; and restore Brownfield sites. Recognizing its remarkable success in turning federal capitalization grants into revolving loans, the SRF program is by all accounts an efficient, fiscally sound, and environmentally successful partnership that enhances public health, creates thousands of jobs, and improves the quality of life for communities across America.

Although the Clean Water SRF program originated in 1987, its authorization lapsed in 1994. Congress is to be commended for recognizing the effectiveness of the SRF by continuing to appropriate funding to the program. However, Congress must reverse the harmful direction that annual funding has taken in recent years. When authorization expired in 1994, appropriations were just over \$2 billion. That funding level dropped in 1998 to \$1.35 billion, where it remained until 2004 when cuts in appropriations began in earnest. At this point, immediate funding increases must be provided to begin to close the funding gap.



The above illustration shows the direction federal funding has taken in recent years. To make matters worse, the Bush Administration's plan for addressing a \$202.5 billion problem is to cut the federal resources to address it until 2011, at which time the administration's budget plan proposes to terminate all federal water infrastructure funding. While the current White House has been a major source of the problem, Congress can and must take action to resolve it, and the time is now.

OVERLOOKED ECONOMIC BENEFITS OF INFRASTRUCTURE REHABILITATION PROJECTS

Although SRF projects are recognized for their success in enhancing public health and environmental protection, the *economic* benefits that result from this work is often overlooked. Clean water projects help maintain a strong economic foundation by creating jobs, expanding the local tax base and ensuring that safe, clean lakes, streams and shorelines will be available for our children, grandchildren and generations to come.

Clean water goes hand-in-hand with a healthy economy. According to the American Public Works Association, more than 40,000 jobs are created with every \$1 billion invested in funding for this infrastructure. These are quality, high-paying jobs in both the short and long term. Importantly, the job creation and increased economic activity that comes with it enhances local economies and opportunities for disadvantaged communities to revitalize and empower themselves.

It is important to highlight three important types of economic impacts that are associated with water and wastewater infrastructure projects. There are:

- direct impacts through job creation and the purchase of materials and supplies related to the operation of the project;

- indirect impacts through jobs and the purchase of materials and supplies by vendors indirectly related to the operation of the project; and
- induced impacts, which are supported by the spending and re-spending of the income earned by workers. (Induced economic impact is often referred to as the “multiplier effect.”)

Another essential point is that the jobs offered in this industry are good, high-paying jobs that are provided right here in America. These are not jobs that can be shipped overseas.

One need look no further than the stakeholders represented in the Clean Water Council to see the direct and indirect jobs that are created with SRF funding. Contractors and subcontractors, engineers, suppliers and manufacturers, as well as countless construction laborers, all benefit from work that impacts virtually all sectors of our society. And, the economic benefits resulting from these projects don't stop with the construction industry. Clean water enhances individual productivity through reduced sickness and missed work opportunities, as well as increases community productivity through the influx of new residents and businesses resulting from revitalized neighborhoods.

In times of economic difficulty, the funding of construction projects provides effective ways to stimulate growth and development. Economic benefits ripple through local economies from manufacturers to distributors to construction laborers. Infrastructure spending is a sound federal investment.

CONCLUSION

Insightful lawmakers have referred to utility contractors as “true environmentalists” because we are the ones getting our boots dirty installing and repairing the infrastructure that helps make our lakes and rivers safe for public use. And while I understand that your committee is under tremendous pressure to keep federal spending in check, I urge you to boost the federal capitalization of this program for the reasons I have described above.

As bad as the water infrastructure problems are across America, this subcommittee is uniquely positioned to make a change for the better. The fate of America's water quality is in your hands. The successful Clean Water SRF program plays a key role in enhancing public health and safety, protecting the environment, and maintaining a strong economic base. When considering the “big picture,” it protects the overall quality of life. Whether preparing a meal, taking a shower, or simply taking a drink of water on a hot day, all Americans benefit from the SRF.

There is no shortage of opinions regarding what long-term solutions should be evaluated to address the staggering needs facing our environmental infrastructure. NUCA believes that any and all viable funding sources should be on the table for consideration. However, the first order of business should be to up the federal ante in terms of SRF appropriations.

Thank you for the opportunity to submit testimony for the record.