



February 2, 2023

The Honorable Joseph R. Biden
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: Fiscal Year 2024 Budget for the Clean Water and Drinking Water State Revolving Funds

Dear President Biden:

The undersigned organizations urge you to fully fund the Clean Water and Drinking Water State Revolving Funds (SRFs) at \$3 billion, each, in your Fiscal Year 2024 Budget.

To meet the need for affordable financing for water infrastructure that protects public health and the environment, the bipartisan Infrastructure Investment and Jobs Act of 2021 (BIL) appropriated \$23.416 billion over five years in historic supplemental funding to Clean Water and Drinking Water State Revolving Funds (SRFs) and authorized Congress to increase annual appropriations to \$2.4 billion in 2022, \$2.75 billion in 2023, and \$3 billion in 2024 for each SRF.

Unfortunately, the 2022 appropriation for the SRFs remained the same as before the BIL – \$1,638,826,000 for the Clean Water SRF and \$1,126,088,000 for the Drinking Water SRF. Moreover, for the first time, the 2022 capitalization grant was used to pay for \$838 million in congressional earmarks, resulting in significant cuts to funding for state water infrastructure projects.

In 2023, Congress, again, continued to fund the SRFs at pre-BIL levels and used the capitalization grant to pay for even more congressional earmarks. This year, more than half of the appropriation – \$1.46 billion – was diverted to congressional earmarks, leaving SRFs unable to fund hundreds of water infrastructure projects that have been selected and prioritized by states.

Because of congressional earmarks over the last two years, annual funding for Clean Water SRF state projects has been cut by 40% and annual funding for Drinking Water SRF state projects has been cut by 45%. These drastic cuts to annual appropriations have significantly undermined the transformational opportunity offered by the historic supplemental funding in the BIL.

Your Fiscal Year 2024 budget is an opportunity to break this cycle. We urge you to seek the full authorization – \$3 billion each – for the Clean Water and Drinking Water SRFs next year.

SRFs offer subsidized loans at discounted interest rates (below market) to communities and utilities for water infrastructure projects that protect public health and the environment. For example, a utility will pay nearly \$4.2 million in interest on a \$10 million, 20-year bond at today's interest rate of 3.65%. On an SRF subsidized loan with the same terms and a subsidized interest rate of 1%, a utility will pay just over \$1 million in interest, reducing the total cost of the project by \$3.2 million or more than 20%. Unlike private financing options, the SRFs can also pay down the loan in the form of principal forgiveness or grants.

Fully funding the SRFs will benefit communities of all sizes across the country. Since the SRFs were established, 70% of their subsidized loans have been provided to communities with a population of less than 10,000. Many of these small communities are rural and don't have enough ratepayers to afford needed water infrastructure. Small communities are also less likely to qualify for a municipal bond or other financing, and those that can qualify are more likely to pay higher interest rates. Without SRF subsidized loans, small communities would have few, if any, viable financial options to repair their aging water infrastructure and protect the public health of their citizens.

Communities with populations over 10,000 have also benefited from SRF subsidized loans. Since the programs were established, these communities have received 77% of the funds for clean water projects and 66% of the funds for drinking water projects – more than \$150 billion. SRF subsidized loans help utilities mitigate the rising cost of construction while investing in water infrastructure projects to meet more stringent water quality standards, improve operations, reduce energy consumption, increase conservation, and strengthen resiliency. Without the SRF subsidized loans, medium and large communities would likely face higher interest rates, which are passed onto households in higher water bills, exacerbating the financial burden on low-income households.

Today's funding decisions impact future generations. Annual federal funding for the SRFs is used to build water infrastructure *now* as well as to build a permanent, recurring source of funding for *future* water infrastructure. Every dollar in federal funding for SRF subsidized loans will be invested over and over because loan repayments provide a reliable, recycled source of revenue to pay for water infrastructure projects in perpetuity. Less federal funding today forever reduces revolving funds needed to pay for water infrastructure projects in the future, leaving our children and grandchildren to bear a greater financial burden for water infrastructure.

Mr. President, fully funding the Clean Water and Drinking Water SRF in your 2024 budget is the first step to keeping the promise of safe drinking water and clean water to the American people. Please set an example for Congress by funding both SRFs to the authorized amount in federal law, \$3 billion each, in your 2024 budget.

Thank you for your consideration.

Sincerely,

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- Association of Clean Water Administrators ([ACWA](#)), Julia Anastasio, janastasio@acwa-us.org
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