

January 27, 2021

U.S. House of Representatives
Washington, DC 20515

Dear New Jersey Congressional Delegation,

We, the undersigned, are members of Jersey Water Works, a diverse statewide collaborative of over 600 people from labor, community and environmental organizations, water and sewer utilities, all levels of government, and communities impacted by environmental injustice. We share your concerns about the condition of the state's water infrastructure, as many New Jersey communities confront multiple challenges, including aging infrastructure, lead in drinking water, polluted waterways, combined sewer overflows, climate change, and chronic flooding.

The combined cost of these needs far exceeds state and local resources and adds another burden on residents who are struggling to afford existing costs, especially given the income loss for many caused by COVID-19. These issues are statewide but especially acute in environmental justice communities—those that are home to low-income populations and communities of color. A targeted expansion of federal infrastructure funding would protect public health and strengthen communities while also providing a significant economic stimulus, which is vital during the ongoing pandemic.

A federal infrastructure investment can help ensure safe, healthy, and affordable water in New Jersey and across the country. These funds can be used to bolster the state's Drinking Water and Clean Water State Revolving Funds, support local efforts to replace lead service lines, improve affordability of water and sewer service for low-income residents, and make our state more resilient to natural hazards.

We urge you to support and share the following provisions with your colleagues in Congress. (More detail and background information on the above initiatives can be found in the attached pages):

- **Increase the Drinking Water and Clean Water State Revolving Funds (SRF)** to \$14 billion and \$13 billion, respectively, over five years, as in the Senate's bi-partisan America's Water Infrastructure Act (AWIA) of 2020 and the Drinking Water Infrastructure Act (DWIA) of 2020, as well as revising limits on additional subsidization (aka "principal forgiveness"). Given the number of critical projects that are backlogged, this recommendation should be viewed as a starting point for consideration, as a collective need totaling upwards of \$100 billion over five years could be justified.
- Support for amendment 829 to the Moving Forward Act, which authorized \$22.5 billion over five years (i.e., \$4.4 billion annually) to **replace lead service lines (LSLs)**.
- **Create a federal low-income water and wastewater assistance program** to provide

financial and water efficiency assistance to low-income customers, as suggested by the EPA's National Drinking Water Advisory Council's Affordability Work Group in 2009.

- **Advance climate solutions** in the Blueprint to Rebuild America's Infrastructure as well as America's Water Infrastructure Act (AWIA) of 2020 and the Drinking Water Infrastructure Act (DWIA) of 2020, that include solutions for small, financially disadvantaged, and rural communities.
- **Develop a new COVID-19 recovery package that targets significant new investments in community development programs** to address long-standing and unjust environmental, health, and economic burdens, specifically Community Development Financial Institutions, Community Development Block Grants, the Environmental Protection Agency's Brownfields Program, expanded funding for federally qualified health centers, and Environmental Justice Small Grants Program.

With your leadership, we will ensure that all Americans have access to safe, affordable drinking water, flood- and sewage-free streets, and healthy waterways. For more information, please contact Paula Figueroa Vega at pfigueroa@njfuture.org.

Sincerely,

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Detail and Background Information

Drinking Water and Clean Water State Revolving Funds

As part of a powerful federal-state partnership, New Jersey's State Revolving Funds (SRF) for drinking water and clean water provide financial assistance through low interest loans for capital improvements at water and wastewater systems. Congress appropriates an annual grant that is matched by the states (20%) and loan repayments are used to advance additional projects. For example, Congress' \$20 billion inception-to-date appropriation to the Drinking Water State Revolving Fund (DWSRF) has leveraged \$41 billion in total national spending.

However, while the program structure is sound, the nominal level of federal investment today is no more than, and in some cases less than, what was provided in certain years in the 1990's. (E.g., the \$1.5 billion appropriated in fiscal year 2019 for the Clean Water State Revolving Fund (CWSRF) is actually less than the \$1.9 billion provided in fiscal year 1991.) The investment is significantly less when inflation is taken into account.

As noted in the chart below, when judged as a percentage of total investment, the federal share of water infrastructure investment over the past 40 years has dropped precipitously while aid for transportation has been maintained or increased.

Federal Share of Spending by Type of Infrastructure

	1977	1986	2007	2017
<i>Water Resources</i>	15%	12%	10%	10%
<i>Water Utilities</i>	20%	12%	6%	4%
<i>Highways</i>	31%	44%	47%	47%
<i>Mass Transit</i>	19%	13%	14%	17%

Source: Congressional Budget Office, 2018

This trend occurred despite strong public support for water needs. According to a 2020 survey conducted by the Value of Water Campaign, 84% of Americans support (and 47% strongly support) increased federal investment to improve water infrastructure. That sentiment was also bipartisan (i.e., 94% support among Democrats, 77% among Republicans and independents).

As federal investment waned, fiscally-distressed water systems struggled to keep pace with repairs on aging infrastructure. Many of NJ's water systems were constructed over 50 years ago (in several cases, over 150 years ago) and numerous wastewater systems were constructed in the first half of the 20th century. There are now ample warning signs of deterioration:

- Between 2012 and 2018, the rate of water main breaks nationally increased 27%, totaling an estimated 240,000.
- Drinking water systems are losing at least 6 billion gallons of treated water per day (i.e., 2.1 trillion gallons per year).

Increased federal aid to these SRF programs would address numerous pressing issues, including combined sewer systems (potential cost in NJ of \$3.4 billion), water quality, stormwater management (e.g., harmful algae blooms), emerging contaminants, lead service lines, and flooding (including expansion of green infrastructure solutions that absorb stormwater). This investment would also help utilities address many new demands related to COVID-19, including revenue losses and other costly directives (including personal protective equipment, work site inefficiencies created by social distancing requirements, remote work adaptation, and worksite staging costs).

This investment would also trigger key ancillary benefits, including economic stimulus (i.e., roughly 15 jobs created for every \$1 million invested)¹ and a sharp rise in future loan repayments.

The Need:

- *Funding* - Federal aid to state revolving funds should at least be doubled in size, as proposed in the Senate’s bi-partisan America’s Water Infrastructure Act (AWIA) of 2020 and the Drinking Water Infrastructure Act (DWIA) of 2020.
 - Clean Water - Recommendation is to appropriate \$14 billion over five years, based on the Water Quality Protection and Jobs Creation Act (HR 1497), which passed the House of Representatives in October, 2019. This would provide an annual average of \$2.8 billion, twice the \$1.4 billion/year average appropriated from fiscal years 2015 - 2019. New Jersey’s annual grant could thus increase from \$60 million to \$120 million.
 - Drinking Water - As enacted in 2018, the American Water Infrastructure Improvement Act authorized appropriations of \$1.1 billion in fiscal year 2019, \$1.3 billion in 2020, and \$2 billion in 2021. We recommend a five-year reauthorization from fiscal year 2022 through 2026 that assumes \$2 billion as the base appropriation that would be gradually increased to provide a total of \$13 billion, approximating the Clean Water amount noted above.

FY22 \$ 2.2b
 FY23 \$ 2.4
 FY24 \$ 2.6
 FY25 \$ 2.8
FY26 \$ 3.0
 Total \$13.0b

¹ *Economic Benefits of Investing in Water Infrastructure, Value of Water Campaign, 2017. Includes direct and indirect/induced employment.*

New Jersey's annual grant could thus increase from \$19 to \$38 million.

Given the number of critical projects that are backlogged, this recommendation should be viewed as a starting point for consideration, as a collective need totaling upwards of \$100 billion over five years could be justified.

- *Additional subsidization* - This existing provision in the SRFs, which can effectively turn a loan into a grant if program requirements are met, is currently capped by statute at 30% of a state's annual federal SRF funding. Popular nationally with urban and rural states, that provision should be significantly expanded to help fiscally-distressed communities, as project demand typically far exceeds the available funds. Additional subsidization authorized for the DWSRF in fiscal year 2018 (\$263 million) was \$43 million (14%) less than the amount provided in fiscal year 2019 (\$306 million). To reward states such as New Jersey, which regularly appropriate SRF funds (i.e., sale of debt through the NJ Water Bank) beyond the required state match, the cap on additional subsidization should be gradually increased over a five-year period to 40%. Moreover, states should be required to use a minimum of 20% of their annual capitalization grants, for both the DWSRF and CWSRF, to provide additional subsidization to economically disadvantaged communities.
- *Fiscal Sustainability Plans* - The Water Resources Reform and Development Act of 2014 required CWSRF loan recipients to develop and implement fiscal sustainability plans to improve long term asset management practices and increase operational efficiency through water and energy conservation projects, all of which can reduce long-term capital and operating costs. To maximize this important tool, Congress should allocate funding for EPA to provide additional technical assistance to help utilities develop and implement these plans. Further, Congress should clarify that these fiscal sustainability plans must cover the entire wastewater system, not only the specific infrastructure project that is receiving SRF funds; that they must include a plan for funding implementation over the long term; and that they must be approved before disbursement of funds.
- *Incentivize Affordability Measures* - To incentivize the implementation of local affordability programs, the SRF funding formula should be amended to provide bonus funds to states that create such programs (see examples below.)

Lead Service Line (LSL) Replacement

New Jersey has an estimated 350,000 lead service lines (LSLs), the fifth highest total among the states. Water systems reeling from the fiscal fallout from Covid-19 are in no position to fully absorb the projected replacement cost totaling \$2.3 billion. As time passes, additional generations of young children are exposed to the pernicious effects of lead and, as outlined in studies by the Pew Foundation (<http://valueofleadprevention.org/>) and others, the resulting healthcare and special education costs and reduced lifetime earnings far exceeds the required investment. Meanwhile, Newark is on a pace to completely replace its LSLs in less than three years -- far less than the 20 to 25 years required in other states -- in a program that can serve

as a national model. Funding is a key impediment, however, and there is presently no ongoing federal funding dedicated to this need.

The Need:

- As suggested by the EPA’s National Drinking Water Advisory Council’s Affordability Work Group in 2009, we recommend creation of a federal program to provide financial and water efficiency assistance to low-income water customers. The program could piggyback on the administrative apparatus in the existing federal Low Income Home and Energy Assistance Program (LIHEAP), and assistance would be targeted to households equal to or below 150 percent of the federal poverty level and 60 percent of state median income. We support the provision in the HEROES Act (HR 6800, section 190703), which passed the House of Representatives, to appropriate \$1.5 billion as block grants that would pass through states to utilities to reduce low-income customers’ bills during the COVID-19 pandemic. Since the HEROES Act did not provide for ongoing appropriations, we further urge Congress to establish a permanent program to address the water affordability challenges that pre-dated and will outlast the pandemic.
- Amend federal law to authorize the use of SRF funds to help utilities develop and implement low-income affordability programs, even if such support is not related to a specific SRF project.
- EPA should complete the following administrative actions:
 - Update the 1997 water affordability guidelines to require wastewater utilities to explore all available affordability options before a Clean Water Act compliance schedule may be extended based on affordability challenges.
 - Promote and encourage state and local protections against water shut-offs due to inability to pay, as well as promoting and encouraging water affordability programs.
 - Change public input processes to meaningfully involve overburdened rural, urban and suburban environmental justice communities in decision-making on affordability issues.

Climate Change/Resilience

As noted in the Blueprint to Rebuild America’s Infrastructure, introduced in the Senate in January, 2017 the frequency and severity of natural disasters in the United States increased sharply since the 1990’s – from an average of 47 per year to 61 in the 2010s, with a high of 97 in 2011. Many of these major natural disasters occur repeatedly in disaster-prone regions, causing harmful impacts like coastal erosion, contaminated groundwater and well water. Limited state and federal resources are not sufficient to help communities withstand future disasters.

The Need:

We recommend a series of solutions drawn from the Blueprint as well as the America’s Water Infrastructure Act (AWIA) of 2020 and the Drinking Water Infrastructure Act (DWIA) of 2020, the latter two of which were voted out of committee in the US Senate.

First, we support the Blueprint recommendation for a \$25 billion investment in three individual resiliency programs that will provide high-risk communities with the tools to prepare properly and minimize future costs:

1. Support a critical infrastructure resiliency competition;
2. Create a new Resilient Communities Revolving Loan Fund; and
3. Support projects authorized by the National Oceans and Coastal Security Fund to raise or relocate coastal infrastructure at risk of flooding, promoting smart coastal development.

Finally, we support two new competitive grant programs in the DWIA of 2020:

1. Mid-Sized Drinking Water System Infrastructure Resilience and Sustainability Program (section 9) - provides grants to mid-sized water utilities (e.g., 10,000 - 100,000 customers) for projects that conserve water, modify or relocate existing at-risk (e.g., flood prone) infrastructure, enhance water supply (e.g., watershed management) and energy efficiency, and generally harden facilities against natural hazards. We recommend an annual appropriation of \$500 million, however, far higher than the \$10 million authorized in the DWIA from fiscal years 2021 to 2024.
2. Advanced Drinking Water Technologies (section 13) - awards grants to public water systems serving less than 100,000 customers or underserved communities to prove promising new technologies in water treatment and monitoring, which could markedly increase operational efficiency. Grants for water affordability programs are also authorized. We recommend an annual appropriation of \$50 million, however, far higher than the \$10 million/year authorized in the DWIA from fiscal years 2021 to 2024.

COVID-19 Relief

As Congress prepares another COVID-19 relief package and a long-term economic stimulus plan, it must target significant new investment in vulnerable communities to help address long-standing and unjust environmental, health, and economic burdens. This includes communities that are economically disadvantaged, indigenous communities, and communities of color. We recommend significant new investments in the following community development programs which could form the starting point for consideration:

- \$2 billion for Community Development Financial Institutions to promote economic recovery and revitalization in disadvantaged communities
- \$30.4 billion for Community Development Block Grants to support construction of affordable housing, programs to create economic opportunities and jobs, services for those in need, and disaster mitigation and recovery
- \$2.2 billion for the Environmental Protection Agency's Brownfields Program
- Expand funding for federally qualified health centers
- Provide \$6 billion for the Environmental Justice Small Grants Program
- Expand and create funding for anti-displacement strategies, such as funding to

preserve both public housing and expiring HUD contracts and funding specifically for Community Land Trusts and Limited Equity Housing Cooperatives