

Comments on the Proposed Clean Water SRF and Drinking Water SRF Intended Use Plans for SFY23

Submitted on behalf of the Jersey Water Works Asset Management and Finance Committee

[Jersey Water Works](#) is a collaborative effort of many diverse organizations and individuals who embrace the common purpose of transforming New Jersey's inadequate water infrastructure by investing in sustainable, cost-effective solutions that provide communities with clean water and waterways; healthier, safer neighborhoods; local jobs; flood and climate resilience; and economic growth.

One of the collaborative's four shared goals is "Effective and Financially Sustainable Systems," which aims for communities to maintain and improve drinking water, wastewater, and stormwater infrastructure systems to deliver quality water services that meet community needs, and that operating budgets and capital investment are adequate and affordable, resulting in systems that operate efficiently and in a state of good repair. The Jersey Water Works Asset Management and Finance Committee submits the following comments on the proposed Clean Water (CW) State Revolving Fund (SRF) and Drinking Water (DW) SRF Intended Use Plans (IUPs) for SFY23, with this goal in mind.

Jersey Water Works recognizes the immense efforts devoted to developing the IUPs by the New Jersey Department of Environmental Protection. Jersey Water Works also recognizes the time and effort that have already gone into stakeholder engagement efforts to educate concerned parties about the IUPs, answer questions, and gather and encourage comments. We also understand that the projects that will be funded through SRF programs will be beneficial to human health, the environment, and the economy of New Jersey. These projects also often require significant investment from the wealthiest to our most vulnerable communities despite the reality that the SRF programs present the most attractive funding and financing opportunities available to the state's utilities. Some of the comments pertain to both DWSRF and CWSRF, while others may be specific to one. The comments also touch on non-SRF funding sources that should be leveraged to maximize the impacts of these programs. The intent of the comments is to ultimately ensure that the IUPs' terms are equitable and optimally thought out for all New Jerseyans, but particularly for those communities that are in greatest need of State support.

The Jersey Water Works Asset Management and Finance Committee respectfully submits the following comments:

- We request that the State ***proactively market the SRF programs to communities*** (including system end users and their political and utility leaders) that are known to have costly water and wastewater challenges, ***particularly where they have not participated in the program before***. Such marketing and public relations outreach should be conducted ***whether or not these communities initially appear to be willing*** to participate in the program, and regardless of whether that lack of interest is due to stated lack of resources, political will, or any other stated cause. In prior years the CWSRF has in some cases been undersubscribed and in those cases funding was shifted to the DWSRF. The

State should do everything in its power to ensure both programs are fully subscribed, particularly as CSO, LSLR, emerging contaminants, and other needs drive investment needs above historical levels.

- Please ***make public the following data items:***
 - A list of those utilities that participated in the last five years in either SRF program and their service area populations.
 - A list of those with LSLR and CSO investment needs noting participants in SRF vs. those that have not participated in the last five years.
 - A list of those with significant violations (boil water advisories, chronic exceedances, etc.) and note those participating in the last five years vs. not.
 - Data on if, how much, and in what years the CWSRF fund has historically been undersubscribed over the last 5-10 years?

- ***Why, in focusing so much on Principal Forgiveness, does the State appear to assert that the administrative burden of grants is more of a barrier than issuing debt? Could the State instead consider giving communities the option to deploy funding as either Principal Forgiveness or Grants?*** Some economically vulnerable communities may find themselves in a position where it is either politically challenging to approve a new debt issuance, if not impossible to raise their debt ceiling, or where a low bond rating can inhibit the appeal of such financing perhaps for investment levels that go even beyond what the State can offer. This may mean that for certain communities completing projects with Principal Forgiveness is less feasible than completing those same projects with grants, even despite the administrative effort and risk of clawbacks that grants may entail. A discussion with the utilities in the City of Trenton may help the State better understand this perspective.

- Many utilities do not have the staffing resources required to be able to either maximize their participation in SRF programs or even to participate at all. Smaller or financially stretched utilities simply have no additional capacity to manage applications and the ongoing administration required for SRF grants or loans. As such, ***we request that the State fund a 'Water Assistance Corps'*** staffed by state resources, non-profit organizations, or consultants focused on the water and wastewater sector that can serve as force multipliers for these under-resourced utilities.

- The New Jersey ***LSLR appropriation is artificially low*** compared to other states around the country because of how this appropriation was calculated. Specifically, it was based more on population than need and resulted in LSLR funding for the state going down despite the IIJA increases to SRF funding nationally and in the state and despite more significant ongoing unfunded needs in New Jersey relative to other states. As such, we request that the State take efforts to ***seek a reapportionment*** of funds.

- The State of New Jersey has ***over \$3 billion of American Rescue Plan Act (ARPA) funds*** available to use with discretion. Given the fundamental criticality of drinking water and

clean water resources to the state, we request that this money be directed to expanding both SRF programs with a focus on disadvantaged communities.

- In considering possible uses for the remaining ARPA funds it should also be recognized that ***utility service area boundaries do not always align with how ARPA funds were distributed to cities and counties.*** For example, a regional authority serving a city may not have access to city funds, nor to those available to (often wealthier) surrounding counties. Both for newly distributed ARPA funds and any other federal sources where water sector services are among the intended critical services where support is meant to be directed, the State should take action to require that utilities either receive funding directly or are mandated as a beneficiary in proportion to their unfunded need, which is perhaps as large as any other sector.
- ***Is it possible for the State to develop a mechanism for multi-year funding and financing approvals that consider the length of the investment horizon?*** Many essential water infrastructure projects are long-term and require planning to account for multiple years of work. Therefore, multiple years of reliable funding would ensure that communities can fully complete these projects. Communities with LSLs need to complete phased projects like LSL replacement within the next 10 years for the health and safety of their residents, which is difficult without multi-year funding and financing approvals. Disadvantaged communities in particular would benefit from multiple years of approval to best plan ahead for the full scope required of such long-term projects to ensure they can be completed efficiently.
- The scale of SRF funding and financing made available varies by state and is not directly aligned with federal appropriations, as it is further dependent on how much the state further leverages these or other of their own resources to expand lending capacity and grant funding levels. We request that the State of New Jersey study these variations and ***document best practices from other states to ensure we are maximizing our capacity for water sector investments.***