April 6, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

RE: Fourth Coronavirus Response Legislation

Dear Speaker Pelosi and Leader McCarthy:

As Congress develops the next phase of coronavirus assistance, it is vital that any package address important technical corrections to the CARES Act and provide for substantial federal infrastructure investment for the clean water sector. The California Association of Sanitation Agencies (CASA) represents more than 125 public wastewater utilities including city, county and special district agencies. Our members serve ratepayers and businesses that are facing unparalleled economic and public health threats during these uncertain times.

In light of the foreseeable impacts to local wastewater agencies and their ratepayers, CASA has several specific requests for inclusion in the next phase of coronavirus assistance. These requests are grounded in two guiding principles. First, the public wastewater and water sectors provide critical health services that support stable economies. The Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency has identified wastewater and water as essential critical infrastructure, underscoring the important role that we serve in protecting public health and contributing to a robust economy. Second, as we move toward recovery, the ability to move forward with long-delayed water infrastructure projects that can serve as a catalyst to spur on long-term sustainable economic investments. We are very encouraged that your framework explicitly provides for federal support of water infrastructure, and support many of the ideas put forth in the “Moving Forward” framework.

Finally, several of the requests below are designed to address issues from earlier coronavirus assistance legislation, and are not necessarily infrastructure specific. To the extent that Congress proceeds with a fourth coronavirus assistance package in advance of and separate from a larger infrastructure bill, we would ask that those requests be included in the fourth package.

**Ratepayer Assistance:** To assist ratepayers struggling financially under these new economic pressures, CASA urges Congress to include direct assistance to low-income ratepayers and other ratepayers as part of the next assistance package. CASA agencies rely almost exclusively upon fees and charges collected from the public, including both homeowners and businesses, and assistance to ratepayers also represents support for the continuing operation of the agencies themselves. We note that a provision to provide $1.5 billion to support low-income ratepayers, similar to LIHEAP, was included in Speaker Pelosi’s “Moving Forward” infrastructure framework. CASA endorses such an approach and recommends that at least $3 billion be appropriated to address the growing need to support ratepayers and to ensure that utilities have a source of revenue to offset the losses incurred to date. From a California perspective, we believe
direct ratepayer assistance would be the most effective approach given the limitations imposed by Proposition 218.

**Equal Tax Treatment:** CARES provided the private sector with significant tax credits to help offset the costs of mandatory paid sick, family and medical leave. Unfortunately, this offset was not extended to the public sector, even though public agencies are also liable for related taxes. We urge that the prohibition on tax credits to public agencies contained in CARES be repealed as part of this next phase of assistance and refer you to our earlier coalition letter on this issue for additional details.

**Special District Eligibility for Direct Assistance:** CARES provided directed assistance to state and local agencies. However, there is ongoing uncertainty regarding the definition of local agencies and municipalities and whether this provision includes special districts. We note that CARES Title IV defines eligible entities for assistance as a political subdivision of a State. However, Title VI defines only units of local governments as eligible for assistance under the Coronavirus Relief Fund (Fund). This terminology inadvertently creates needless confusion over whether a special district can receive assistance under the Fund. We request that you clarify this uncertainty by defining local government to specifically include political subdivisions, thereby capturing special districts. This is vital in California given that many of our largest wastewater providers, serving millions of Californians, are special districts.

**Size Limitation on Assistance:** CARES provided critical funding assistance to support to State and local government efforts to address the numerous public health and services obstacles created by the spread of COVID-19. However, the assistance was extended only to state and local governments with populations greater than 500,000. This means that localities with fewer than 500,000 residents must rely upon their states to receive support. Smaller water and wastewater agencies will experience the same negative impacts as larger entities, yet they are essentially excluded from this form of direct assistance. CASA urges Congress to correct this assistance limitation, by clarifying that special districts and local governments are eligible for funding assistance and assistance regardless of population size.

**Bond Purchases:** The CARES Act authorized the Federal Reserve to purchase, sell or trade municipal obligations and other instruments to ensure liquidity of the financial markets. This is vital, and although the precise needs of municipalities are not yet known, we encourage you to review whether the $400 billion in authorized activity is adequate given the growing scale of the pandemic. We also request that the advance refunding of tax-exempt bonds be reinstated. This measure was removed for bonds issued after 2017. Reinstatement would allow local governments and other qualified entities to have access to billions of dollars which could be reallocated and spent on other projects.

**Infrastructure Needs:** For the past three years, Congress has considered how best to support local infrastructure needs of all types, though a comprehensive package has not materialized. During that time, CASA and others in the clean water community have repeatedly demonstrated the value and return on investment that infrastructure dollars dedicated to the clean water sector can provide and identified the large number of shovel-ready projects in the sector that could immediately contribute to an economic recovery. We have also highlighted the value of federal
assistance programs, particularly the Clean Water State Revolving Fund (CWSRF) loan program.

As the next coronavirus package is developed in the coming weeks, we urge you to provide at least $40 billion to support the USEPA’s CWSRF program, consistent with what is proposed in the “Moving Forward” framework. We would also ask that you waive the state’s 20% cost-share, and provide direct grants or principal forgiveness for communities to construct critical water infrastructure, as well as allow enhanced subsidization for SRF loans.

Summary: The next phase of federal assistance must, at a minimum, do the following:

- Provide at least $3.0 billion in direct federal assistance to low-income ratepayers and economically impacted ratepayers to cover costs associated with moratoriums on water service disconnections, reconnection of delinquent accounts, and anticipated revenue losses due to large-scale business closures;
- Clarify that the definition of local agency or municipality includes special districts;
- Clarify that public agencies are eligible for the same tax credits for payment of payroll taxes that were extended to the private sector under the Families First package;
- Provide a significant increase in the Federal Reserve’s ability to purchase, trade or sell municipal bonds to avoid destabilizing impacts to the bond market; and
- Increase federal spending commitments to the water infrastructure investment programs, primarily the USEPA’s Clean Water and Safe Drinking Water State Revolving Funds (SRFs), and also direct grant assistance and other programs such as the Water Infrastructure Finance and Innovation Act (WIFIA), Stormwater Control, WaterSMART, and other water infrastructure programs.

Thank you for your attention to this important issue. Please do not hesitate to contact me at (916) 446-0388 or alink@casaweb.org if you need additional information regarding these requests.

Sincerely,

Adam D. Link
Executive Director

CC: Members of the California Congressional Delegation