July 14, 2020

California Congressional Delegation
U.S. House of Representatives
Washington, D.C. 20510

Re: Urgent Concern: House WIFIA Rescission Language and Leveraging Ratio

Dear Member of the California Congressional Delegation:

The California Association of Sanitation Agencies (CASA) writes with an urgent request that you address rescission language in the Interior and Environment Fiscal Year 2021 appropriations bill that would undermine the U.S. Environmental Protection Agency’s successful Water Infrastructure Finance and Innovation Act (WIFIA) program and potentially jeopardize construction of major California clean water projects. CASA represents more than 125 local public agencies engaged in collecting, treating, and recycling wastewater to ensure the protection of public health and the environment.

The Committee on Appropriations reported the House Interior and Environment Fiscal Year 2021 spending bill funding USEPA programs and included $71,000,000 for the popular and successful water infrastructure WIFIA program. The bill, however, rescinds prior year, unobligated WIFIA appropriations (Fiscal Years 2017-2019), making the Fiscal Year 2021 appropriation revenue neutral. We request that you work with your colleagues as the House proceeds with floor debate to reverse the rescission and to fund WIFIA in Fiscal Year 2021 at the agreed upon $71,000,000 without impacting prior years’ appropriations.

CASA is deeply concerned that if the House rescission is enacted, it would jeopardize the finalization of pending loan applications. Many of these applications are California water projects designed to improve water quality and help drought proof the State. The rescission would disproportionately impact our members and disrupt hundreds of millions of dollars in important projects. It is important to note that the timing in closing a WIFIA loan is a detailed and time-consuming process. A WIFIA loan approval and the obligation of funds is a function of ensuring that any approved project is financially viable and that the applicant has satisfied the federal criteria established to guarantee the project satisfies WIFIA’s purposes.

Congress passed WIFIA in 2014 and provided the first appropriation in Fiscal Year 2017 on a bipartisan basis. Unencumbered funding has been provided in each subsequent year. USEPA, to date, has invited 89 projects to apply for WIFIA loans. Of these projects, 24 loans have closed, leveraging $5.3 billion in total project financing. Currently, fifty-one projects are in the queue or invited to submit an application, many of them California projects. The decision to rescind prior year unobligated WIFIA appropriations will undoubtedly limit WIFIA’s effectiveness. This action is unwarranted and creates obstacles to a program that can help to stimulate the economy by creating jobs during these economically challenging times.
If the rescission becomes law, the impacts will be two-fold. First, projects that are pending final loan approval and closing could face delays, or in a worst-case scenario force the applicant to seek out alternative (and potentially more costly) financing to comply with construction schedules. Second, the rescission would jeopardize the WIFIA program’s ability to solicit new project applications. The program would be unable to finance projects beyond those currently under review since it is limited to the amount of credit subsidy it can extend that is determined by the annual appropriation. The decision to fund Fiscal Year 2021 needs with prior year appropriations effectively eliminates new spending authority for the program.

It is also important to note that delays in closing loan applications may be, in part, a function of USEPA recognizing the adverse impacts that the COVID-19 pandemic has created for local agencies. USEPA has been granting applicants additional time to complete their full applications and negotiate loan terms this summer and into the fall since utilities have had to direct their staff to commit time, energy and financial resources towards managing the crisis. Ultimately, the committee’s proposal will hobble the ability to fund water infrastructure projects.

The WIFIA program has successfully leveraged federal and local infrastructure assistance. As the nation considers how to stimulate the economy and reverse the fiscal impacts from COVID-19, WIFIA offers a cost-effective approach to invest in our water infrastructure while improving public health and the environment. The rescission of prior year funding would derail critical water infrastructure planning and construction by dozens of municipalities throughout the nation. Such an action makes little sense, especially when projects are proceeding with finalization of loan agreements. We urge you to work to eliminate the rescission language when the House considers the Fiscal Year 2021 Interior and Environment Appropriations Bill.

Sincerely,

Adam D. Link
Executive Director