

Testimony of April Snell, Executive Director, Oregon Water Resources Congress
Submitted to the United States House Appropriations
Subcommittee on Interior, Environment, and Related Agencies

March 23, 2016

RE: FY17 Budget for the U.S. Environmental Protection Agency's Clean Water State Revolving Fund Loan Program

The Oregon Water Resources Congress (OWRC) is concerned about continued reductions to the U.S. Environmental Protection Agency's (EPA) Clean Water State Revolving Fund Loan Program (CWSRF) and is requesting that appropriations for this program be increased to at least **\$2 billion** in FY17. The CWSRF is an effective loan program that addresses critical water infrastructure needs while benefitting the environment, local communities, and the economy. However, OWRC is concerned by the recent exclusion of irrigation districts from receiving principal forgiveness under the CWSRF and we urge the Subcommittee to address this terminology issue and allow irrigation districts to utilize this valuable tool under the program so that they are able to execute projects that are beneficial to both the environment and the local economy.

OWRC was established in 1912 as a trade association to support the protection of water rights and promote the wise stewardship of water resources statewide. OWRC members are local governmental entities, which include irrigation districts, water control districts, drainage districts, water improvement districts, and other agricultural water suppliers that deliver water to roughly 1/3 of all irrigated land in Oregon. These water stewards operate complex water management systems, including water supply reservoirs, canals, pipelines, and hydropower production.

FY17 Appropriations

We recognize that our country is facing difficult economic times and that we must make strategic investments with scarce resources. The CWSRF is a perfect example of the type of program that should have funding increased because it creates jobs while benefitting the environment, and is an efficient return on taxpayer investment. Oregon is facing record levels of unemployment and the CWSRF funded projects provide much needed construction and professional services jobs. Moreover, as a loan program, it is a wise investment that allows local communities to leverage their limited resources and address critical infrastructure needs that would otherwise be unmet.

Nationally, there are large and growing critical water infrastructure needs. In EPA's most recent needs surveys, *The Clean Watersheds Needs Survey 2008: Report to Congress and Drinking Water Infrastructure Needs Survey and Assessment: Fourth Report to Congress*, the estimated funding need for drinking water infrastructure totaled \$335 billion (in 2007 dollars) and wastewater infrastructure needs totaled \$298 billion (in 2008 dollars). Appropriations for water infrastructure, specifically CWSRF, should not be declining but remaining strong in order to meet these critical needs. In 2015 appropriations for the CWSRF program was approximately \$1.448 billion and declined to \$1.394 billion in FY16. The President's FY17 Budget proposes only \$979.5 million for the CWSRF program; a \$414.5 million reduction from FY16 levels. We

are concerned as we see this negative downward trend continuing while the infrastructure needs only become more critical.

OWRC is supportive of the President's Climate Action Plan and related efforts to support actions that help address, mitigate, and adapt to severe weather events, like drought, that are related to climate change. It is important that climate issues are addressed through programs like the CWSRF, and to date, despite a direct connection to water infrastructure the CWSRF funding continues to diminish. In fact, there has not been an increase in funding for CWSRF since 2009; meanwhile, both infrastructure needs and the costs to address those needs continue to grow each year. Continued funding reductions has led to delaying repairs or upgrades which in turn increase the potential for catastrophic failure and is counterproductive to the Administration's desire to encourage asset management and sustainable water infrastructure. To the extent practicable, funding for climate change should be incorporated into existing programs with proven successes like the CWSRF.

We also continue to be highly supportive of the Administration's desire to expand "green infrastructure," in fact, irrigation districts and other water suppliers in Oregon are on the forefront of "green infrastructure" through innovative piping projects that provide multiple environmental benefits, which is discussed in greater detail below. However, continually reducing the amount of funds available for these types of worthwhile projects is counterproductive to the Administration's desire and has created increased uncertainty for potential borrowers about whether adequate funding will be available in future years. CWSRF is often an integral part of an overall package of state, federal and local funding that necessitates a stronger level of assurance that loan funds will be available for planned water infrastructure projects. Reductions in the CWSRF could lead to loss of grant funding and delay or derail beneficial projects that irrigation districts have been developing for years.

Additionally, OWRC is pleased to see that EPA will continue "strategic partnerships" with the USDA's Natural Resources Conservation Services (NRCS) and other federal agencies to improve water quality and address nonpoint source pollution. Oregon had two priority watersheds eligible for funding through the National Water Quality Initiative in 2014 and anticipates that additional watersheds will be included in the future. As Oregon is a delegated state, OWRC also feels strongly that the Oregon Department of Environmental Quality (DEQ) is best situated to develop and implement activities to improve these and other impaired waterways in the state. DEQ and its administration of the CWSRF has been an extremely valuable tool in Oregon for improving water quality and efficiently addressing infrastructure challenges that are otherwise cost-prohibitive.

CWSRF Needs

What is being proposed for FY17 is far short of what is needed to address critical water infrastructure needs in Oregon and across the nation. This will lead to fewer water infrastructure projects, and therefore a reduction in improvements to water quality. DEQ's most recent "Proposed Intended Use Plan Update #1 - State Fiscal Year 2016," lists 22 projects in need of a total of \$182,066,339 in Oregon alone. The federal capitalization grant funding awarded FY15 will total \$15,758,000, which is wholly inadequate to address and complete these much needed projects.

Unfortunately, due to recent cutbacks and lack of availability of funds, only one water improvement district submitted an application for funding in 2016, Rock Creek District Improvement Company. Rock Creek requested \$270,786 for the design and construction of HDPE piping along 1.76 miles of main canal, and qualifies for water efficiency green project reserve funding. OWRC is hopeful that with an increase in money available, more districts will apply for funding to complete projects that will not only benefit the environment and the patrons served by the water delivery system, but also benefit the economy.

CWSRF Exclusion of Irrigation Districts from Principal Forgiveness

OWRC and our members are highly supportive of the CWSRF, including promoting the program to our members and annually submitting federal appropriations testimony to support increased funding for the CWSRF. We are supportive because it is important funding tool that irrigation districts and other water suppliers are using for innovative piping projects that provide multiple environmental benefits. However, the CWSRF is often an integral part of an overall package of state, federal and local funding that necessitates a stronger level of assurance that loan funds will be available for planned water infrastructure projects. Irrigation districts are often located in rural communities and have a small number of farmers with limited capacity to take on loan debt. Even a small reduction in the principal repayment obligations can make the difference in whether or not a district can move forward with a project. Reductions in eligibility for principal forgiveness in the CWSRF could lead to loss of grant funding and delay or derail beneficial projects that irrigation districts have been developing for years.

Six OWRC member districts have successfully received loans from the CWSRF over the last several years and many more will apply if eligible to receive some principal forgiveness. Numerous irrigation districts and other water suppliers need to pipe currently open canals, which reduces sediment and water temperature and provides other water quality improvements as well as increasing water availability for fish and irrigators by reducing water loss from the delivery system. In 2009, four irrigation districts received over \$11 million funding in Oregon from the American Recovery and Reinvestment Act (ARRA) through the CWSRF for projects which created valuable jobs while improving water quality. These four projects were essential to DEQ not only meeting but exceeding the minimum requirement that 20% of the total ARRA funding for the CWSRF be used for "green" projects. Without the irrigation district projects, it is likely that Oregon's CWSRF would not have qualified for ARRA funding.

By excluding irrigation districts from principal forgiveness under the CWSRF, the loan funds become another expensive piece to the funding puzzle and will simply cost too much for districts to take on. If DEQ eliminates the ability of irrigation districts to fund water quality improvement projects, our state will fall short of what is needed to address critical water infrastructure needs in Oregon and across the nation. It will lead to fewer innovative water infrastructure projects, and therefore a reduction in improvements to water quality. OWRC is hopeful that this terminology issue can be resolved at the federal level, and allow irrigation districts to apply for funding with principal forgiveness to complete projects that will not only benefit the environment and the patrons served by the water delivery system, but also benefit the economy.

The Importance and Success of Local Watershed Planning

Oregon's success in watershed planning illustrates that planning efforts work best when diverse interests develop and implement plans at the local watershed level with support from state government. Oregon has recently revised their CWSRF rules; thus making conservation easier and its benefits to be better achieved in the State. As the national model for watershed planning, Oregon does not need a new federal agency or Executive Branch office to oversee conservation and restoration efforts. Planning activities are conducted through local watershed councils, volunteer-driven organizations that work with local, state and federal agencies, economic and environmental interests, agricultural, industrial and municipal water users, local landowners, tribes, and other members of the community. There are over 60 individual watershed councils in Oregon that are already deeply engaged in watershed planning and restoration activities. Watershed planning in Oregon formally began in 1995 with the development of the Oregon Plan for Salmon Recovery and Watershed Enhancement, a statewide strategy developed in response to the federal listing of several fish species. This strategy led to the creation of the Oregon Watershed Enhancement Board (OWEB), a state agency and policy oversight board that funds and promotes voluntary and collaborative efforts that "help create and maintain healthy watersheds and natural habitats that support thriving communities and strong economies" in 1999.

Conclusion

In conclusion, we applaud the CWSRF program for allowing Oregon's DEQ to make targeted loans that address Clean Water Act issues and improve water quality but also help incentivize innovative water management solutions that benefit local communities, agricultural economies, and the environment. This voluntary approach creates and promotes cooperation and collaborative solutions to complex water resources challenges. Conversely, exclusion of irrigation districts from principal forgiveness under the CWSRF program has a very negative effect on jobs and local economies. We respectfully request the appropriation of at least \$2 billion for the U.S. Environmental Protection Agency's Clean Water State Revolving Loan Fund for FY 2017.

Sincerely,

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