



**United States
Environmental Protection Agency**

FISCAL YEAR 2022

**Justification of Appropriation
Estimates for the Committee
on Appropriations**

Tab 11: Water Infrastructure Finance and Innovation Fund

EPA-190-R-21-002

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**Environmental Protection Agency
FY 2022 Annual Performance Plan Congressional Justification**

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**Environmental Protection Agency
FY 2022 Annual Performance Plan and Congressional Justification**

**APPROPRIATION: Water Infrastructure Finance and Innovation Fund
Resource Summary Table
(Dollars in Thousands)**

	FY 2020 Actuals	FY 2021 Enacted	FY 2022 Pres Budget	FY 2022 Pres Budget v. FY 2021 Enacted
Water Infrastructure Finance and Innovation Fund				
Budget Authority	\$40,760.6	\$65,000.0	\$80,108.0	\$15,108.0
Total Workyears	27.6	28.4	40.0	11.6

Bill Language: Water Infrastructure Finance and Innovation Fund

For the cost of direct loans and for the cost of guaranteed loans, as authorized by the Water Infrastructure Finance and Innovation Act of 2014, \$72,108,000, to remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans, including capitalized interest, and total loan principal, including capitalized interest, any part of which is to be guaranteed, not to exceed \$12,500,000,000: Provided further, That of the funds made available under this heading, \$5,000,000 shall be used solely for the cost of direct loans and for the cost of guaranteed loans for projects described in section 5026(9) of the Water Infrastructure Finance and Innovation Act of 2014 to State infrastructure financing authorities, as authorized by section 5033(e) of such Act: Provided further, That the use of direct loans or loan guarantee authority under this heading for direct loans or commitments to guarantee loans for any project shall be in accordance with the criteria published in the Federal Register on June 30, 2020 (85 FR 39189) pursuant to the fourth proviso under the heading "Water Infrastructure Finance and Innovation Program Account" in division D of the Further Consolidated Appropriations Act, 2020 (Public Law 116-94): Provided further, That none of the direct loans or loan guarantee authority made available under this heading shall be available for any project unless the Administrator and the Director of the Office of Management and Budget have certified in advance in writing that the direct loan or loan guarantee, as applicable, and the project comply with the criteria referenced in the previous proviso: Provided further, That, for the purposes of carrying out the Congressional Budget Act of 1974, the Director of the Congressional Budget Office may request, and the Administrator shall promptly provide, documentation and information relating to a project identified in a Letter of Interest submitted to the Administrator pursuant to a Notice of Funding Availability for applications for credit assistance under the Water Infrastructure Finance and Innovation Act Program, including with respect to a project that was initiated or completed before the date of enactment of this Act.

In addition, fees authorized to be collected pursuant to sections 5029 and 5030 of the Water Infrastructure Finance and Innovation Act of 2014 shall be deposited in this account, to remain available until expended.

In addition, for administrative expenses to carry out the direct and guaranteed loan programs, notwithstanding section 5033 of the Water Infrastructure Finance and Innovation Act of 2014, \$8,000,000, to remain available until September 30, 2023.

Program Projects in WIFIA
(Dollars in Thousands)

Program Project	FY 2020 Actuals	FY 2021 Enacted	FY 2022 Pres Budget	FY 2022 Pres Budget v. FY 2021 Enacted
Water Quality Protection				
Water Infrastructure Finance and Innovation	\$40,760.6	\$65,000.0	\$80,108.0	\$15,108.0
TOTAL WIFIA	\$40,760.6	\$65,000.0	\$80,108.0	\$15,108.0

Water Quality Protection

Water Infrastructure Finance and Innovation

Program Area: Water Quality Protection

(Dollars in Thousands)

	FY 2020 Actuals	FY 2021 Enacted	FY 2022 Pres Budget	FY 2022 Pres Budget v. FY 2021 Enacted
<i>Water Infrastructure Finance and Innovation Fund</i>	<i>\$40,760.6</i>	<i>\$65,000.0</i>	<i>\$80,108.0</i>	<i>\$15,108.0</i>
Total Budget Authority	\$40,760.6	\$65,000.0	\$80,108.0	\$15,108.0
Total Workyears	27.6	28.4	40.0	11.6

Program Project Description:

Communities across the country are facing the challenge of finding sustainable and affordable financing to update aging water infrastructure. In addition, critical water infrastructure is vulnerable to flooding and other climate change-related weather events. Our nation's health and wellbeing are dependent on equitable access to drinking water, wastewater, and stormwater systems; however, thousands of communities nationwide are burdened by aging systems that threaten public health. Too many communities whose residents are predominantly of color, indigenous, or low-income suffer disproportionately from lack of modern water infrastructure. To help address these challenges, Congress enacted the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA).

With a small expenditure of federal funds, the WIFIA Program creates powerful leverage resulting in significant funding for water infrastructure projects that protect public health and deliver environmental benefits while supporting local economies and creating jobs. Since 2017, the WIFIA Program has maximized \$255 million in federal funding appropriated by Congress to offer communities \$24.5 billion in credit assistance that, once fully committed through loan agreements, will stimulate over \$49 billion in infrastructure investments. Water utilities have responded, in only four years, WIFIA has received 223 Letters of Interest from borrowers in 43 states and territories.

The WIFIA Program is delivering results. As of May 1, 2021, the Program has issued 50 loans to communities across the country totaling over \$9 billion in credit assistance to help finance nearly \$20 billion for water infrastructure projects. WIFIA loans for these projects have saved communities more than \$4 billion, which they will use to accelerate additional infrastructure investment and keep rates affordable for water system users. These WIFIA financed projects are creating over 49,000 jobs and serving over 31 million people. This demonstrates that WIFIA credit assistance is an effective tool to help address a variety of water infrastructure needs to support all manner of communities nationwide.

The WIFIA Program provides and services direct loans to cover up to 49 percent of eligible costs for water infrastructure projects of regional or national significance. The Program is able to lend its support to a diverse borrower base, including economically-stressed and disadvantaged communities, as well as private companies, and its lending complements the existing State

Revolving Fund Programs as an additional source of low-cost capital to help meet the growing water infrastructure needs of the United States and address key national infrastructure priorities. The Program supports financing for the rehabilitation and construction of water, wastewater, and stormwater systems to address aging infrastructure, meet regulatory requirements, and help improve communities' long-term strategic, financial, and climate resiliency planning. The Program encourages new revenue streams for infrastructure investment and allows public agencies to complete more projects.

The WIFIA Program is borrower-focused, with a number of flexible terms for credit assistance to stimulate investment while minimizing costs for ratepayers. These flexibilities are designed to increase and accelerate investment in critical water infrastructure projects and include low interest rates. To date, WIFIA borrowers have received interest rates as low as 0.83 percent, with an average interest rate of 1.60 percent. Borrowers also have the options to capitalize interest, backload repayments, and preserve their senior debt capacity.

To help drive progress, between FY 2020 – FY 2021, the Agency will increase by \$16 billion the non-federal dollars leveraged by EPA water infrastructure finance programs (i.e., Clean Water State Revolving Fund (CWSRF), Drinking Water State Revolving Fund (DWSRF), and WIFIA). During FY 2018 and FY 2019, EPA increased the non-federal dollars leveraged by EPA water infrastructure finance programs by \$20 billion. The success is due to the collaborative efforts of EPA, states, and local communities. As of March 2021, over \$17.5 billion has been leveraged in FY 2020 and FY 2021.

FY 2022 Activities and Performance Plan:

The FY 2022 request builds on the Program's success accelerating water infrastructure investment that provides for clean and safe water, and it enables the Program to continue to offer support for small and disadvantaged communities while promoting EPA's commitment to environmental justice. With the requested \$80 million, including \$72 million in credit subsidy, EPA could provide up to \$8 billion in direct credit assistance, which when combined with other funding sources could help spur over \$16 billion in total infrastructure investments.

Of the total \$80 million request to implement the Program, \$8 million is for EPA's management and operation administrative expenses, including contract support and associated program payroll. The requested funding level, coupled with the fee expenditure authority, allows EPA to undertake the independent aspects of loan intake and origination; project technical evaluation, including credit review, engineering feasibility review, and loan term negotiation; risk management; portfolio management and surveillance; and loan servicing.

The FY 2022 budget request also includes authority to use fee revenue as outlined in the Water Resources Reform and Development Act, Sections 5029(a), 5030 (b), and 5030(c).¹ Fee revenue is for the cost of contracting with expert services such as financial advisory, legal advisory, and engineering firms. The fee expenditure authority for the Program is in addition to the \$8 million request for management and operations administrative expenses.

¹For more information see EPA Fee Rule: <https://www.federalregister.gov/documents/2017/06/28/2017-13438/fees-for-water-infrastructure-project-applications-under-wifia>.

Sufficient management and operation funding levels allow the credit subsidy to finance a high level of infrastructure investment. The level of management and operation funding is directly attributable to the number of projects funded and the level of credit subsidy utilized to finance a high level of infrastructure investment. High quality underwriting and technical reviews allow EPA to properly mitigate risk, which in turn allows the credit subsidy to support a greater number of projects. Additionally, high quality portfolio monitoring and management is critical to ensuring the Program’s long-term solvency. Stable funding is critical to ensuring that America’s water infrastructure financing needs are met.

Considering recent economic uncertainty resulting from the COVID-19 pandemic, the Program has been monitoring sector level and borrower specific developments. As utilities consider impacts on capital plans, the Program has prepared for the potential impacts of COVID-19 throughout 2021. However, the Program has not identified significant changes in demand from borrowers. WIFIA lending is more important than ever during this period of economic uncertainty, as the Program has been able to provide important flexibilities to communities in the form of no carrying costs, flexible repayment schedules, and significant interest rate savings.

Performance Measure Targets:

(PM INFRA-01) Billions of non-federal dollars leveraged by EPA water infrastructure finance programs (CWSRF, DWSRF and WIFIA).	FY 2021 Target	FY 2022 Target
	8.0	8.0

FY 2022 Change from FY 2021 Enacted Budget (Dollars in Thousands):

- (+\$130.0) This change to fixed and other costs is an increase due to the recalculation of base workforce costs for existing FTE due to annual payroll increases, adjustments to provide essential workforce support, and changes to benefits costs.
- (+\$2,370.0 / +11.6 FTE) This increase of resources and FTE supports work in loan servicing and operations, which includes pre-closing financial, technical, and legal reviews, as well as post-closing portfolio management and monitoring, to maintain the Program’s pace and quality of service to its borrowers. This investment also includes \$2,052.0 thousand in payroll costs and essential workforce support costs for the increase in FTE.
- (+\$12,608.0) This increase in resources supports the growing demand for WIFIA loans from communities.

Statutory Authority:

Water Infrastructure Finance and Innovation Act of 2014.