Questions for Mayor David Condon,
Spokane, Washington

Subcommittee on Water Resources and Environment
Hearing March 7, 2019

Questions from Congresswoman Napolitano:

Your testimony highlights the water and wastewater affordability challenges in communities that I represent. In addition to the Integrated Planning law and the Clean Water State Revolving Fund reauthorization which I have pushed for, I also contend that the Federal government can do more to help individual households address water affordability concerns. I understand that you have personal experience with the Low-Income Heating and Energy Assistance Program, or LIHEAP.

1. In your view, could a similar concept work in addressing low-income household affordability challenges for water and wastewater?

A. The history of federal financial assistance to local government for water and sewer has gone from construction grants (80% Federal, 20% local), to low interest State Revolving Fund (SRF) loans (Cities pay the loans back with interest), to WIFIA credit support (which is also additional long term debt carried by cities). All of these financing mechanisms highlight the Congressional retreat from cities. The question must be asked regarding how does an additional annual appropriation that is greatly uncertain address the fundamental problem with the Clean Water Act regulations and the declining ability of large portions of the population to afford services that comply with a strict set of requirements?

B. The actual history of a LIHEAP type approach related to residential heating and cooling does not signal that applying it to water and wastewater will provide the needed aid to the right households, or enough households. For example, the LIHEAP programs, as implemented in the states, often rely on a lottery system in an effort to stretch limited resources among a pool of households, so the aid does not get extended to all who need it.

C. Another concern is that authorizations do not equal appropriations, and the uncertainty of continuous funding provides some members of Congress a sense of having solved the affordability problem by kicking the pay-for can down the road to the appropriators, but ultimately the consumer.
    a. One east coast city within 100 miles of Washington, DC can serve as an example of how much subsidy is needed in a LIHEAP type program for wastewater to make low income households on par with cost per household for wastewater at no more than 2 percent of actual household income.
    b. Table 1 examines:
        i. How 2% Median Household Income (MHI) impacts all income levels in this city; and,
        ii. The level of subsidy required to limit household wastewater charges to 2 percent of actual household income.
    c. 2% MHI in this city roughly matches the income group making $42,500/year. Some 30 percent of Households spend more than 2% of their annual household income for wastewater services: the lowest income group would be required to spend 9.43 percent of their annual income for wastewater services.
    d. In this case, wastewater charges annually are $650.
    e. The annual subsidy required to limit cost per household to 2 percent of actual annual income would cost $9.7 million.
    f. Table 2 examines:

i. How 4.5% MHI impacts all income levels in this city, (4.5% is related to the EPA expectation that households should spend 2% of their income on wastewater service and 2.5% of income for drinking water); and,
ii. The level of subsidy required to limit household wastewater and drinking water charges to 4.5 percent of actual household income.

g. 4.5% MHI in this city roughly matches the income group making $30,000/yr;
h. Some 30 percent of Households spend more than 4.5% of their annual household income for wastewater services: the lowest income group would be required to spend 13.0 percent of their annual income for wastewater and drinking water services.
i. In this case, wastewater and drinking water charges annually are $1,300.
j. The annual subsidy required to limit cost per household to 4.5% percent of actual annual income would cost $45.8 million.

D. In Spokane, LIHEAP energy assistance is available once per heating season per household as long as funding is available. Grants are based on income, heat usage, number of people in the household, and housing type. A family of four needs to make $30,000 or less to qualify for help. The process to get an appointment is cumbersome, and it can take weeks to get an appointment.

We believe that affordable rates provides a more equitable and easy way to assist our families. Bureaucratic processes and costs would not be necessary, and more families would receive help.

2. Do you have recommendations on how Congress could create a Federal grant assistance program to address house-hold affordability in a way that provides communities with the flexibility to tailor that assistance to address their unique needs?

Given the concerns that were just outlined in the answer to question 1, we have no further recommendations regarding creating a Federal grant assistance program that addresses household affordability. We would recommend additional federal assistance to communities to help pay for water infrastructure, particularly in the form of grants either through the SRF process or another means. We would also recommend a robust application of Integrated Planning (IP) for communities facing costly unfunded mandates. Both of these would assist in the bottom line costs to the community so that rates could remain more affordable.

Related to Integrated Planning, we encourage this Congress to be mindful about authorizing new rules and regulations without appropriate funding that will ultimately impose additional costs to citizens that will only exacerbate the current affordability problem.

We recommend Congress to be aware regarding EPA's work on developing a new Financial Capability and Affordability guidance and weigh in if appropriate. This document will be used to determine what communities and citizens can afford to pay and will be used for future regulatory negotiations.

As you know, in recent years, the annual appropriations bill for the Clean Water State Revolving Fund (SRF) has carried specific language requiring States to distribute a percentage of their funds to communities, not as traditional loans, but with additional subsidizations (e.g. negative interest loans or principal forgiveness) or grants.

3. Has this authority provided a benefit to communities to address the local costs of wastewater assistance?

The simple answer is yes. The problem sometimes is to convince the states to actually implement it. That is why the language Congress chooses is so important. Requiring a state to provide a certain percentage is much better than simply allowing a state to do it.

4. Do you believe this requirement should be made permanent in the Clean Water Act?

Yes.

In the fiscal year 2019 appropriation for the Clean Water SRF, States are required to distribute 10 percent of funds for additional subsidizations (e.g. negative interest loans or principal forgiveness) or grants, and not loans. However, in the Conference of Mayors Priorities for the 116th Congress, the Conference recommends 50 percent of the funds go out as grants and an additional 30 percent be used for no-interest loans.

5. Can you describe your rationale for this change?

As mentioned in Answer 1, the Federal government has walked away from its original commitments to water and wastewater infrastructure funding. From the grants of the 1970s, the Federal government has now moved ultimately to loans that communities have to pay back. As a result, local governments are spending 98% of annual investments in municipal water

and wastewater infrastructure, including capital as well as operations and maintenance. The last census numbers released for 2016 indicate that local government spent more than $123 billion for water and wastewater alone. Given the tremendous needs in our communities, many have reached their limits in bonding capacity. Other communities are too small or too disadvantaged to pay these loans back. It would help if Congress would require more of the money they give to States to be used as negative interest loans and principal forgiveness. By doing this, these loans would, in fact, act like much-needed grants to communities who desperately need them. This would be a positive step by Congress to demonstrate its recommitment to funding water and wastewater infrastructure.

Table 1:

Level of Subsidy Required to Make Wastewater Cost per Household Affordable

		Estimated	2% MHI		Wastewater	Cost	Subsidy
		Number of	$943	2%	Cost Per	Compared to	Needed for
Household	Household	Households HH	HH	HH Income	Household	2% of HH	Low Income
Income	Income	240,280	%	$	$650	Income	HHs
Less than $10,000	10,000	30,035	9.43	200	450	250	7,508,750
$10,000 to $14,999	12,500	14,657	7.54	250	400	150	2,198,562
$15,000 to $24,999	20,000	23,788	4.72	400	250	-150	NA
$25,000 to $34,999	30,000	25,229	3.14	600	50	-550	NA

$35,000 to $49,999	42,500	31,477	2.22	850	-200	-1,050	NA
$50,000 to $74,999	62,500	38,445	1.51	1,250	-600	-1,850	NA
$75,000 to $99,999	87,500	23,547	1.08	1,750	-1,100	-2,850	NA
$100,000 to $149,999	125,000	28,113	0.75	2,500	-1,850	-4,350	NA
$150,000 to $199,999	175,000	12,735	0.54	3,500	-2,850	-6,350	NA
$200,000 or more	200,000	12,014	0.47	4,000	-3,350	-7,350	NA
		240,040					$9,707,312

Table 2:

Level of Subsidy Required to Make Wastewater and Drinking Water Cost per Household Affordable

				Cost	Cost	
		Estimated		Compared to	Compared to	Subsidy
		Number of		4.5% of HH	4.5% of HH	Needed for
Household	Household HH	Households	4.5% of HH	Income	Income	Low Income
Income	Income	240,280	Income	$1,300	$1,300	HHs

Less than $10,000	10,000	30,035	450.00	13.0	850.00	25,529,750
$10,000 to $14,999	12,500	14,657	562.50	10.4	737.50	10,809,597
$15,000 to $24,999	20,000	23,788	900.00	6.5	400.00	9,515,088
$25,000 to $34,999	30,000	25,229	1,350.00	4.3	-50.00	-1,261,470
$35,000 to $49,999	42,500	31,477	1,912.50	3.1	-612.50	-19,279,467
$50,000 to $74,999	62,500	38,445	2,812.50	2.1	-1,512.50	-58,147,760
$75,000 to $99,999	87,500	23,547	3,937.50	1.5	-2,637.50	-62,106,373
$100,000 to $149,999	125,000	28,113	5,625.00	1.0	-4,325.00	-121,587,687
$150,000 to $199,999	175,000	12,735	7,875.00	0.7	-6,575.00	-83,731,573
$200,000 or more	200,000	12,014	9,000.00	0.7	-7,700.00	-92,507,800
		240,040				$45,854,435