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Clean Water SRF Reauthorization Bill for the Clean Water State Revolving Fund
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Good morning, Chairman Capito, Ranking Member Whitehouse, and members of the Committee on Environment and Public Works.

I am Kyle Dreyfuss-Wells, Chief Executive Officer of the Northeast Ohio Regional Sewer District, a public utility serving Cleveland, Ohio and 62 surrounding communities. We are also members of the National Association of Clean Water Agencies, or NACWA, and I am NACWA's Treasurer. Thank you for inviting me to testify this morning about the importance of the Clean Water State Revolving Fund (CWSRF) and the Infrastructure Investment and Jobs Act (IIJA).

The Northeast Ohio Regional Sewer District (NEORSD) is one of the largest wastewater treatment and stormwater management utilities in Ohio, serving one million customers across 363 square miles of the Lake Erie watershed. We manage three wastewater treatment plants, processing 77 billion gallons of flow each year, 489 miles of the regional stormwater system, and 344 miles of large intercommunity sewers. We do this with a $191 million annual operating budget and a $276 million capital program in 2025.

The CWSRF is an essential financing tool that helps us, and our member communities, to maintain the clean water infrastructure necessary to protect public health and the water quality on which the economic vitality of Northeast Ohio depends.

Through my work with NACWA I know Northeast Ohio is not alone—the CWSRF is critical for utilities across the country. IIJA's increases accelerated clean water investment, and NACWA strongly supports the CWSRF's reauthorization with IIJA funding levels as the baseline.

As one of the largest users of CWSRF in Ohio, NEORSD has financed 111 wastewater projects to date. Our decision, beginning in the 1990s, to use the CWSRF over other funding sources has resulted in significant savings.

For example, our Shoreline Storage Tunnel is a $220 million project under our $3 billion federally mandated program to reduce combined sewer overflow in our community. It is one of seven deep tunnels we are constructing, is 14,500-feet long, 23-feet in diameter and will eliminate 350 million gallons of Lake Erie pollution each year. It took five years to construct, and we financed it through the CWSRF at very favorable terms - 40 years at 1.57% interest - while also deferring principal payments for 20 years.

If we compare this to realistic financing through bonds with less advantageous terms - 40 years at 3% interest for example - over the length of this loan, we estimate that this equates to $50 million in savings.

Beyond these savings, we have found that the flexibility provided under the CWSRF program brings great value to our ratepayers as part of our overall effort for long-term rate control and stability. These flexibilities include below-market interest rates, deferred principal, extended terms, no need for an offering document or official statement, and no bond rating and bond counsel costs. It is these features of the CWSRF program that set it apart and are particularly helpful for smaller, less sophisticated borrowers with limited exposure to debt financing.

We are also grateful for the IIJA's inclusion of supplemental grant funding through principal forgiveness. This brought the CWSRF to the attention of many of our member communities as they work to address the $3.4 billion in local clean water infrastructure needs impacting the quality-of-life of their residents.

However, over the last two years working with our member communities, we have found it is still difficult for them to take advantage of the fund. This is largely due to local governments' hesitancy to absorb additional debt, staffing capacity, and competing community priorities.

To mitigate these barriers, in 2023 we began assisting our member communities in navigating the CWSRF process. Our goal is to familiarize our communities with the CWSRF program so that they can take advantage of this financing tool to improve their infrastructure in the long term.

Maple Heights, Ohio, for example, has received more than $875,000 in principal forgiveness since 2023, and coupled with other funding, has addressed over 500 flooded basements and replaced 56,000 linear feet of sewers, addressing long standing infrastructure issues impacting property values, public health and water quality.

As I close, I would also like to emphasize that our work in Northeast Ohio would not be possible without the commitment and innovation of Ohio EPA and the Ohio Water Development Authority. Together, these agencies implement the Ohio CWSRF, and they are continually working to make the program more accessible and usable for Ohio communities.

The CWSRF is an important and highly successful federal, state, and local partnership that is accelerating critical clean water investment. I appreciate the opportunity to testify and look forward to your questions.