Testimony of Eric Oswald

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to the

Senate Environment and Public Works Committee

BIL/IIJA Funding Allocation through Grants and Loan Forgiveness

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Introduction

Chairman Capito, Ranking Member Whitehouse, and Members of the Environment and Public Works Committee. My name is Eric Oswald, and I am the President of the Association of State Drinking Water Administrators (ASDWA), whose 57 members include the 50 state drinking water programs, five territorial programs, the Navajo Nation, and the District of Columbia, referred to in the remainder of this testimony as states. ASDWA's members work on the front lines every day to protect public health and ensure safe drinking water through the implementation of the Safe Drinking Water Act (SDWA).

I am also the Drinking Water Administrator for the State of Michigan; however, I would like to make clear that my testimony today is on behalf of ASDWA, and I am not testifying on behalf of the State of Michigan.

Thank you for this opportunity to provide the perspective of ASDWA and its members on this historic investment in drinking water infrastructure provided through the Bipartisan Infrastructure Law (BIL), also referred to as the Infrastructure Investment and Jobs Act (IIJA). The states are seeing great improvements to their drinking water infrastructure thanks to this additional funding. The provision of safe drinking water and investment in our nation's drinking water infrastructure is paramount to economic development and public health protection. This testimony will highlight the nationwide state drinking water program successes of the BIL/IIJA investment and will provide recommendations that can streamline future infrastructure project implementation.

Overarching Impact and Successes of BIL/IIJA

BIL/IIJA provides an unprecedented and much-needed investment in our nation's drinking water infrastructure, which is helping address a considerable amount of deferred maintenance, repair, and replacement. For many systems, particularly small and rural systems, this funding is stimulating long-overdue infrastructure projects that would not have otherwise been possible. States are seeing interest in the Drinking Water State Revolving Fund (DWSRF) from communities that had not previously been engaged in infrastructure improvement projects, driven by the combination of low-cost financing and where appropriate, principal forgiveness and grants.

These projects address a wide range of needed improvements and range in size from $43,000 to $65 million. These projects include basic upgrades to address long standing needs to full-scale infrastructure overhauls, for projects such as lead service line inventories and replacements, improving system resiliency to extreme weather, and installation of treatment for PFAS and other emerging contaminants. Specific projects also include treatment plan rehabilitation, water main replacement and relocation, and elevated storage tank planning and construction. BIL/IIJA has additionally been instrumental in funding efforts to protect drinking water sources through the Clean Water State Revolving Fund (CWSRF). States also benefit from EPA's Water Technical Assistance (WaterTA) Program, which has helped states extend their reach by providing direct, no-cost support to communities in need, particularly those lacking the resources to apply for and manage federal infrastructure funding.

In addition to the infrastructure projects that were made possible and utilized BIL/IIJA money, several states use a portion of the funding for staff and contracts for not only the successful implementation of BIL/IIJA projects but also to address existing and new regulatory requirements

that have otherwise been underfunded through a stagnant Public Water System Supervision (PWSS) grant and aa decreasing Base DWSRF capitalization grant. Workforce sustainability for drinking water programs continues to be a critical issue.

Beyond the physical infrastructure improvements and expanded staffing capacity, BIL/IIJA funding is advancing innovation and collaboration in the drinking water sector. The availability of federal funding gives states and systems the flexibility to explore new technologies, evaluate alternative treatment methods, and consider regionalized solutions that might not have been viable otherwise. The additional funding allows work with utilities of all sizes, urban, rural, and tribal, on projects that address a wide array of drinking water challenges. Importantly, BIL/IIJA creates visibility and momentum around water infrastructure needs and reinforces the role of DWSRF programs as trusted partners in long-term infrastructure resilience.

Funding Issues

The PWSS grant program is a critical source of funding for state programs and has not kept up with inflation, the increased demands from the new regulations and programs, and the costs associated with maintaining a state drinking water program. The PWSS grants are used to support staff salaries including rule managers, inspectors, support staff, and engineers. With the expected end of BIL/IIJA in FY 2026, states will experience major funding cuts when funding is needed most. Without full restoration of State Revolving Fund (SRF) base capitalization grants, states will have to begin cutting programs and services such as capacity development, operator certification and the provision of technical assistance. More importantly, any reduction in the SRF base program grant reduces the funding available for infrastructure improvement projects resulting in fewer loans to water systems to address compliance issues. Losing this funding will impact small, rural communities the most.

While the BIL/IIJA funding is a historic investment in drinking water infrastructure, the needs dwarf the available funding. According to EPA's most recent Drinking Water Infrastructure Needs Survey and Assessment (DWINSA), $625 billion is needed over the next 20 years to maintain and upgrade drinking water systems, underscoring the scale of investment still needed and the importance of continued federal support to meet these needs. The water sector needs all the stakeholders to work together for sustainability of systems' financial health to ensure that drinking water continues to provide economic development and public health protection across the country

Recommendations

Potential Flexibility for Waivers

While the BIL/IIJA funding has been immensely beneficial, state programs have faced several challenges that could be addressed through policy refinement. Flexibility with future funding will be critical to achieving the goal of helping systems and communities that need the funding the most. Currently, states are responsible for defining a disadvantaged community, taking local conditions into account. That responsibility for identifying these communities should remain with the states.

States and EPA will need to continue to work together to make funding applications a streamlined, efficient, and simple process for all eligible public water systems. To foster a streamlined process, ASDWA recommends the development of waivers, in limited circumstances, for the requirements of the Buy America, Build America (BABA), and Davis-Bacon (DB) Acts to make these funds simpler to obtain for those most in need. This flexibility is particularly important for small, rural systems.

ASDWA supports the principles of BABA and DB; however, these requirements make the DWSRF process insurmountable for some systems that need the funding the most.

Flexibility in Subsidy Requirements
Greater flexibility in how states meet subsidy requirements is essential. The current funding requires hitting exact percentages for principal forgiveness, which creates administrative burdens and can disrupt funding distribution. For example, 49% of DWSRF BIL/IIJA for lead service line replacement must be provided as additional subsidy through principal forgiveness or grants. Fluctuating construction costs can make meeting an exact percentage very challenging. Allowing a range or "up to" percentage rather than a fixed threshold would ease implementation, better align with state financial assistance frameworks, and still meet the intent of supporting communities in need.

Flexibility in Project Eligibility
Additionally, future investments should allow states more discretion over project eligibility and priorities. While the dedicated funding for lead service line replacement and emerging contaminants is critical, the prescriptive nature of some BIL/IIJA funding limits the ability of states to fund projects that addressed more urgent local needs. A more holistic approach to funding that allows for a broad range of eligibility would allow states to more effectively tailor funding to community-specific risks and infrastructure challenges.

Longer Timeframe
An extended timeframe, ideally longer than five years, would also be beneficial for states and the projects they approve for implementation. The five-year timeframe is not feasible for the complex projects and detailed funding requirements associated with the grant disbursements and loan allocations. For many of these projects, the primacy agencies need to hire contractors or additional staff to assist with project fund disbursement and oversight. Additionally, the specificity and requirements of the eligible projects has led to material shortages and supply chain issues, further delaying projects subject to a short timeframe.

Streamlining Guidance and Simplifying Reporting
The current funding approach results in a resource strain on states to administer and separately track multiple BIL/IIJA grants, each with unique requirements. To improve long-term success, future funding should be accompanied by streamlined federal guidance and simplified reporting. Such changes would ensure states can continue to manage and deliver funding for infrastructure projects efficiently and with accountability.

Sustainability
Sustainability is critical for federal and state funding programs in multiple areas:

- Funding Sustainability - While the additional subsidy provided through BIL/IIJA is essential in bringing crucial drinking water infrastructure projects to fruition, there may be unintended consequences of an over-reliance on grant funding. States and EPA need to work together to ensure that the SRFs are sustainable with the split of loans versus principal forgiveness, i.e., enough funds are paid back so that funds can be loaned out again and revolve as intended.
- Public Water System Sustainability - While the BIL/IIJA funding is substantial, we need to ensure that public water systems successfully operate and maintain their infrastructure to provide safe drinking water for years to come. Systems utilizing BIL/IIJA funds should not

view the DWSRF as a long-term financial strategy. States are concerned that some utilities will neglect robust asset management and financial planning in anticipation of grant funding.

- Workforce and Safe Drinking Water Program Sustainability - The water sector needs to sustain its workforce through the BIL/IIJA time period and beyond. Adequate staff are needed at state agencies and public water systems to finance, design, build and provide appropriate oversight for BIL/IIJA infrastructure construction, including consulting engineers, certified water operators, technical service providers, and construction suppliers and contractors. Sustaining water infrastructure funding beyond BIL/IIJA is critical. The BIL/IIJA funding should be viewed as only the first step in addressing the current and future needs of our drinking water infrastructure, given EPA's estimate of $625 billion over the next 20 years to maintain and upgrade drinking water infrastructure.
- Technology Sustainability - Cybersecurity in the water sector is a challenging issue due to limited resources and the lack of detailed knowledge across the sector; federal oversight and leadership is needed to make the most efficient and impactful steps toward protecting our water sector. Cybersecurity accountability must be approached holistically, recognizing that responsibility does not rest solely with the water sector. The commercial sector must also play a key role in developing products that proactively address cybersecurity risks.

Conclusion

In closing, ASDWA and its members remain deeply committed to safeguarding our nation's drinking water through effective and efficient implementation of the provisions of SDWA. We greatly appreciate the BIL/IIJA funding, as discussed have suggestions to maximize its impact nation-wide, and look forward to working together to continue to protect the public health of all Americans. On behalf of ASDWA's members, I want to sincerely thank you for your continued investment in America's public water systems and the people they serve. I would be happy to answer any questions you may have and again, thank you for inviting me to speak today.