

Statement to the Environmental Financing Advisory Board for October 24-25 Public Meeting

October 16, 2023

The availability and features of long-term financing have a major impact on water infrastructure outcomes. Through the WIFIA Loan Program, US EPA offers infrastructure financing that is intended to further economic, environmental and social policy objectives. The overall Program, including its SWIFIA and CWIFP sections, is currently funded to provide about \$15 billion of loan volume across a range of water infrastructure sectors.

WIFIA financing has proven to be an effective federal policy tool. The Program should be expanded, especially in light of current and expected fiscal constraints on other avenues of federal support for water infrastructure development. But the expansion of federal infrastructure loan programs is not merely a matter of increased appropriations. As WIFIA has demonstrated, loan features that provide interest rate management options, long amortization periods and flexibility are often as or even more important than a slightly lower rate. These features can be relatively complex to design and implement, but the necessary expertise and effort are critical for an effective and efficient expansion of WIFIA's capabilities.

The Environmental Financial Advisory Board (EFAB) appears to be well positioned, in terms both of purpose and expertise, to assist in many technical and policy-oriented aspects of WIFIA's potential growth. Examples include:

- Identification of how federal lending strengths (e.g., very long-term loans) are or could be deployed for water infrastructure development in a fiscally cost-effective way.
- Clarification of specific policy objectives and operation of important loan features (e.g., interest rate management options), and the measurement of outcomes.
- Examination of WIFIA financing's position in the current infrastructure debt capital markets, especially the tax-exempt bond market, and how potential synergies can be developed, and unnecessary competition avoided.

The topic can also be considered in terms of specific near-term amendments to WIFIA's statutory capabilities:

- An extended loan term for long-lived infrastructure projects to increase their economic feasibility and encourage resilience. An amendment for a 55-year loan term is currently proposed in [HR 5664](#).
- Additional interest rate management features, including a statutory rate reset and the limited buydown feature currently offered by the TIFIA and CIFIA loan programs.
- Statutory resolution of WIFIA's FCRA budgeting issue for federally involved projects. An amendment for this purpose is currently proposed in both HR 5664 and [HR 2671](#).
- Additional capabilities for SWIFIA to encourage and facilitate SRF leverage, especially for smaller and rural state funds.
- Statutory clarification and expansion of WIFIA's small project bundling capabilities.

I would encourage EFAB to consider raising the broad topic, and possibly specific aspects, of expanding WIFIA's capabilities at the October 24-25 Public Meeting. Such consideration would be very timely, given the high levels of economic and fiscal uncertainty currently faced by water infrastructure projects.

Please feel free to contact me with questions or comments.

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