

Google Gemini 'Discussion' on possibility of splitting EPA WIFIA into (1) the existing municipal clean & drinking water program to remain at EPA, and (2) a new copy of WIFIA/TIFIA program at Interior Department for general water resources projects

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InRecap questions and comments in red – Google Gemini responses in black

Should the WIFIA loan program be split up -- the EPA program to continue for municipal water agency projects, but a new WIFIA/TIFIA-type program at Interior Dept. to cover general water infrastructure?

The idea of splitting the Water Infrastructure Finance and Innovation Act (WIFIA) loan program into separate sections for the EPA and the Department of the Interior has been discussed through proposed legislation to enhance efficiency and broaden eligibility . The current program is administered by the EPA and already covers a wide range of water infrastructure projects, and the EPA works with other federal agencies, including Interior's Bureau of Reclamation, to coordinate funding and administration.

Current Program Overview

The WIFIA program, established in **2014**, currently provides low-cost, long-term federal loans for a broad scope of projects, including:

- Drinking water treatment and distribution
- Wastewater conveyance and treatment
- Stormwater management and non-point source pollution control
- Drought prevention and mitigation
- Desalination, aquifer recharge, and water recycling
- Energy efficiency at water facilities

Potential Benefits and Drawbacks of Splitting

Lawmakers have introduced amendments that would broaden WIFIA's scope to include more state-led water storage and federally involved projects, which could lead to a more formalized split in administration to better manage different project types.

Potential benefits include:

- **Specialized Expertise:** A separate Interior Department section could leverage specific expertise in large-scale water resource projects, such as dams and irrigation systems, while the EPA continues focusing on public health and environmental compliance projects.
- **Increased Efficiency:** Separating the administration could streamline the loan process for different types of projects, addressing current concerns about EPA's loan closing efficiency.
- **Broader Range of Projects:** A split could ensure that projects specific to Interior's mission (e.g., in the Western U.S.) receive dedicated attention and funding pathways.

Potential drawbacks include:

- **Duplication of Effort:** Creating a new section could lead to redundant administrative functions and potential conflicts in project oversight and federal requirements unless roles are clearly defined.
- **Coordination Challenges:** While Memoranda of Understanding (MOUs) for coordination already exist, a hard split might introduce new complexities in financing projects that fall under both agencies' jurisdictions.
- **Funding Shifts:** Concerns could arise that new allocations for the Interior section might diminish primary funding for existing EPA programs, such as the State Revolving Funds (SRFs).

The discussion around the program's structure is ongoing, with recent legislation like the WIFIA Amendments of 2025 seeking to improve its effectiveness without necessarily creating a full split but rather clarifying administrative roles and expanding eligibility.

Consider substantive reasons for the split – currently, EPA WIFIA is dominated by a 'base' of highly rated public municipal water agencies who use the loan program primarily for interest rate management features in conjunction with their excellent access to the tax-exempt bond market.

That type of use lacks additionality and is very costly to taxpayers in terms of mandatory appropriations. But the current WIFIA base is resistant to any amendments or other changes (e.g. 55Y loan term, FCRA amendment, etc.) that would be useful to other types of water sector borrowers that would benefit from more basic long-term financing alternatives.

Rather than engage in an intractable political fight with the well-established and highly organized current WIFIA base, splitting the program might be more practical and effective. In effect, the split would leave the program devoted to municipal water agency base at EPA (as before, with its additionality and mandatory spending issues) and start with a 'clean slate' and a new support base at Interior.

Arguments for splitting the Water Infrastructure Finance and Innovation Act (WIFIA) loan program between the **EPA** and the **Department of the Interior** (specifically the **Bureau of Reclamation**) center on addressing administrative inefficiencies and diversifying the borrower base.

Substantive Reasons for a Program Split

- **Additionality vs. Interest Rate Management:** Currently, the EPA WIFIA program is heavily utilized by high-rated municipal water agencies. These entities often have easy access to the tax-exempt bond market and use WIFIA primarily for its **interest rate management** features, such as the ability to lock in AAA Treasury rates and reset them once before drawing funds. This leads to a perceived lack of "additionality," where federal subsidies support projects that would likely proceed without them, albeit at a slightly higher cost to the municipality.
- **Political Intractability:** The established "base" of municipal borrowers is often resistant to legislative changes that might introduce new requirements or shift funding away from their traditional projects. Splitting the program would allow

the EPA to continue serving this municipal base under existing policy frameworks while creating a "clean slate" at the **Interior Department**.

- **Targeting New Borrowers:** A dedicated section at Interior could focus on **non-municipal borrowers** and specialized water resource projects, such as:
 - **Large-scale water storage** and drought mitigation.
 - **Federally owned infrastructure** managed by non-federal entities (e.g., Bureau of Reclamation "transferred works").
 - **Tribal water settlements** and rural water projects.
- **Administrative Efficiency and Legislative Reform:** Legislation introduced in **2025**, such as the **WIFIA Amendments of 2025**, seeks to expand eligibility to state-led water storage and federally involved projects. A split could facilitate the adoption of technical reforms—like **55-year loan terms** or **FCRA (Federal Credit Reform Act)** amendments—that are highly beneficial for long-lived resource projects but may be less relevant or even opposed by the current municipal "base" at EPA.
- **Budgetary Focus:** Recent FY 2026 budget proposals suggest focusing the EPA on its "core mission" and reducing duplicative or voluntary work. Shifting general water infrastructure to the Interior Department aligns with that agency's historical role in resource management, particularly in the **Western U.S.**

Consider that EPA WIFIA itself was simply a copy of the existing TIFIA program, and a carbon program at DOE was also a copy. A new water section at Interior would have these analogous precedents.

Splitting the WIFIA program to create a new water section at the **Department of the Interior** (Interior) would follow a well-established precedent of replicating successful federal credit models to serve distinct sectors or borrower bases.

Precedents for Program Replication

The WIFIA program itself was modeled after the **Transportation Infrastructure Finance and Innovation Act (TIFIA)** program. This "copy" approach has also been used for

the **Carbon Infrastructure Finance and Innovation Act (CIFIA)** at the Department of Energy (DOE), which mirrored WIFIA's structure to accelerate carbon transport projects. A new Interior section would leverage these analogous precedents to provide several advantages:

- **Proven Institutional Architecture:** By using the TIFIA/WIFIA template—which includes creditworthiness standards, Treasury-based interest rates, and customized repayment schedules—Interior could rapidly deploy a "clean slate" program without needing to develop new regulatory frameworks from scratch.
- **Specialized Borrower Base:** Just as TIFIA focused on transportation and WIFIA on municipal water, an Interior section could focus on non-municipal and regional resource projects, such as **Bureau of Reclamation transferred works** and large-scale water storage. This would circumvent the "intractable" resistance from the municipal base at EPA that primarily uses the program for interest rate management rather than project additionality.
- **Administrative Flexibility:** A new section could adopt reforms like **55-year loan terms** that are critical for long-lived resource infrastructure (like dams or major canals) but less desired by EPA's municipal borrowers.
- **Leveraging Federal Expertise:** Interior has deep technical expertise in Western water resource management, much as the DOT has for transportation. This specialized knowledge allows for better risk assessment for complex, non-municipal water projects that the EPA may lack the mandate or background to evaluate efficiently.
- **Coordination over Duplication:** While some worry about duplication, existing MOUs between the EPA and Interior already facilitate cooperation. A formal split could clarify these roles: EPA manages public health and municipal water quality, while Interior manages general water resource development and regional supply infrastructure.

What other loan programs are currently operating at Interior?

The Department of the Interior (DOI) manages several credit and financial assistance programs through its various bureaus. While many of its water-related efforts have

traditionally focused on grants, the agency operates established loan and loan guarantee programs, primarily serving tribal and rural development.

Current loan and credit-related programs include:

- **Indian Loan Guarantee and Insurance Program (ILGP):** Managed by the Bureau of Indian Affairs (BIA), this program reduces lender risk by providing up to a **90% guarantee** on loans to Native American and Alaska Native tribes, individuals, and business entities. It is used for business development, tribal enterprises, and entrepreneurship.
- **Indian Direct Revolving Loan Fund:** This provides direct federal loans specifically to Indian organizations and individuals for economic development purposes.
- **Bureau of Reclamation Aging Infrastructure Account:** While primarily funded through appropriations, this account allows for the financing of major rehabilitation and replacement of aging water infrastructure (e.g., dams and canals).
- **Native American Direct Loan (NADL) Program (Collaboration):** While often associated with the VA, the DOI works on the implementation of programs that help Native American veterans finance home improvements or purchases on **Federal Trust Land**.

Related Water Financing

The **Bureau of Reclamation** is the primary vehicle for water-related financing at Interior, though its current "WIFIA-like" activities are largely grant-based or use supplemental appropriations:

- **WaterSMART Programs:** Includes grants for water and energy efficiency, water recycling (**Title XVI**), and drought response.
- **Large-Scale Water Recycling Program:** Authorized under the Bipartisan Infrastructure Law, this program provides significant funding (up to 25% federal cost share) for major water reuse projects with total costs exceeding **\$500 million**.

Consider another political factor -- EPA is unpopular with many in the Republican base for reasons unrelated to the loan program (perception of excessive regulation, woke and deep state attitudes, etc.). How is Interior Dept. currently viewed?

In 2026, the political standing of the Department of the Interior (DOI) among Republicans is significantly more positive than that of the EPA, primarily because the DOI is currently viewed as a vehicle for the administration's "**America First**" and "**Energy Dominance**" agendas. While the EPA remains a primary target for steep budget cuts and deregulation, the DOI has been branded as a pro-development agency under Secretary Doug Burgum.

Current Political Perceptions (2026)

- **EPA: A Target for "Right-Sizing":** The EPA continues to face intense Republican criticism for what is perceived as "excessive regulation" and "out-of-control spending". In early 2026, House Republicans passed legislation with a **23% cut** to the EPA budget, while the Trump administration's original request sought an even more drastic **55% reduction** to return the agency to 1970s personnel levels. The EPA is frequently characterized by the GOP as being part of the "deep state" or "climate change alarmism".
- **Interior: The "Energy Dominance" Agency:** In contrast, the DOI is currently viewed by the GOP as a key ally in "unleashing" domestic oil, gas, and mineral production. While the DOI also faces some budget trims, Republican appropriators have explicitly protected and even increased funding for DOI programs they deem essential, such as **Rural Water Technical Assistance** and regional water programs.
- **Bipartisan Utility of Interior:** The DOI is often seen as more responsive to "on-the-ground" local needs, particularly in the Western U.S. where its Bureau of Reclamation manages critical water resources. This gives it a broader, more bipartisan support base for infrastructure projects compared to the EPA's primarily regulatory mission.

- **Patriotic Rebranding:** Under current leadership, the DOI has actively aligned itself with patriotic initiatives, such as rebranding its 250th anniversary celebrations to focus on "patriotism and pomp" under a White House-led "Freedom 250" banner.

Advantages of the Split Based on Current Views

Splitting the WIFIA program would allow a new Interior section to operate within an agency that currently enjoys **stronger GOP support** and a mandate for **infrastructure modernization**.

- **Avoiding "Poison Pills":** A DOI-based water program would likely be insulated from the "culture war" riders and "environmental justice" defunding efforts that frequently stall EPA appropriations.
- **Legislative Path:** The recent passage of the **FY2026 Interior-Environment bill** showed that while EPA funding remains a point of high friction, DOI programs for "ports, waterways, and rural water" are being successfully messaged as "investing in our nation's strength".
- **Efficiency:** A "clean slate" at Interior would bypass the political baggage of the EPA, potentially making it easier to pass technical reforms—like extended loan terms—that might otherwise be viewed as "handouts" or "woke policy" if attached to an EPA-led bill.

The split could also incorporate the Corps' WIFIA section, CWIFP. It currently shares EPA WIFIA's statutory framework. Arguably, Interior and Corps activity are more functionally aligned than with the EPA.

Mechanically, CWIFP would share the same statutory framework as the new Interior program, which would be a copy (with certain eligibility and loan features changes) as EPA WIFIA. Again, a minimal change.

Integrating the **Corps Water Infrastructure Financing Program (CWIFP)** into a new water section at the **Department of the Interior** (Interior) offers a mechanically simple and functionally coherent alternative to the current fragmented system.

Functional and Statutory Alignment

- **Shared Statutory Roots:** CWIFP and EPA WIFIA are already sections of the same **Water Infrastructure Finance and Innovation Act of 2014** framework. CWIFP was designed as a "copy" of the EPA program but specifically for the **U.S. Army Corps of Engineers (USACE)**.
- **Mission Complementarity:** Both Interior (via the **Bureau of Reclamation**) and the Corps specialize in large-scale, non-municipal water management—including **dams, levees, flood control, and storage**. This contrasts with the EPA's core focus on public health, wastewater, and drinking water quality.
- **Minimal Mechanical Change:** Because CWIFP already uses the WIFIA statutory "template," moving its administrative functions to a new Interior section would require only narrow technical amendments rather than an entirely new law.

Strategic Benefits of the Split

- **Solving the "Cost-Share" Bottleneck:** A persistent issue for CWIFP has been the **2020 FCRA (Federal Credit Reform Act) criteria**, which effectively blocked loans for non-federal cost-shares in major federally involved infrastructure projects. A "clean slate" at Interior could incorporate specific legislative fixes (like the **Restoring WIFIA Eligibility Act**) to finally unlock these projects.
- **Targeting Non-Municipal Borrowers:** While EPA WIFIA is dominated by high-rated municipal agencies seeking interest rate savings, a joint Interior/Corps section could focus on **irrigation districts, levee boards, and state-led storage projects**. These borrowers often lack the same market access and would benefit more from specialized features like **55-year loan terms**.
- **Administrative Consolidation:** Consolidating these "water management" functions at Interior would reduce duplication. In early 2026, critics of CWIFP have noted its overlapping nature with other programs; a unified Interior section would clarify that EPA handles **water quality** while Interior/Corps handles **water resources**.
- **Political Insulation:** As of **January 2026**, the EPA faces significant proposed budget cuts (up to 23%) and political pushback over regulation. In contrast, Interior and Corps water projects often enjoy broader support as part of national **energy and resource dominance** agendas.