



PARTNERS REBUILDING AMERICA

Public-Private Partnerships in Wastewater Finance

A Working Partnership

For almost 40 years, the federal government has been a full partner with the States and local governments in cleaning and protecting our nation's waters. Since 1972, U.S. taxpayers have invested more than \$53 billion in grants through EPA to nearly 6,000 wastewater treatment works and sewer systems nationwide. And since 1987, federal tax dollars have been establishing State Revolving Funds (SRFs) to pay for municipal wastewater treatment plants through low-interest loans. The repayments of those loans with interest will "stretch" the original federal investment, buying up to three times as much construction as grants would have bought.

President Clinton's "Vision of Change for America" recognizes this successful federal-State-local government partnership, and proposes to continue it with a new, Clean Water SRF program, funded through 1997 with approximately \$7.2 billion.

The Gap

EPA and the States have recently estimated current clean water investment needs of more than \$100 billion. Even the SRF cannot fill those needs. Local and State governments face shrinking budgets and sharply increased funding demands for serious and widespread pollution problems such as wet weather runoff. It will be difficult for them to fill the gap through higher taxes or user fees. Communities need more opportunities and more flexibility to finance their important wastewater treatment needs.

Partners Rebuilding America -- Filling the Gap

One important financial opportunity is to broaden the partnership for clean water to harness the power of America's private sector. EPA's **Partners Rebuilding America** program gives communities, counties and special districts the opportunity to sell or lease wastewater treatment plants, freeing badly-needed funds now tied up in treatment works. Property and income tax rolls could expand as tax-exempt public properties become tax-payers. And privately-owned wastewater treatment works may even cost less to operate, as communities in Alabama, Massachusetts, and even Great Britain have found. Local governments can maintain as much control as they wish over facility budgets, personnel, user fees, and environmental law compliance. Many municipalities now use public-private partnerships to provide quality design, construction or operation of their treatment works. **Partners Rebuilding America** helps communities to take full advantage of the power of public-private partnerships.

Making Partners Rebuilding America Work

Barriers in federal regulations and in the Tax Reform Act of 1986 have combined to slow private investment in municipal wastewater treatment systems. But a 1992 Presidential Executive Order is increasing interest in the opportunities that public-private partnerships present.

"Clean Water... A Better Environment"

Office of Wastewater Enforcement and Compliance (OWEC)



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PARTNERS REBUILDING AMERICA (continued)

Making Partners Rebuilding America Work (continued)

The Executive Order declares that infrastructure, including wastewater treatment, is critical to economic growth. It acknowledges that State and local governments understand their own needs and how best to meet them. The Order directs federal agencies to help create more public-private partnerships, and directs them to remove obstacles in regulations and procedures. At the same time, the Order protects the public investment by requiring that privatized plants continue to serve their original purposes as long as needed, that user charges remain reasonable, and that federal officials help determine fair and reasonable sale, lease or transfer prices. Sale or lease proceeds will first repay State and local government project investments, then may buy additional local infrastructure or reduce taxes or debt. Any remaining proceeds less depreciation return to the federal Treasury.

EPA-sponsored pilot projects in Indianapolis; the Miami Conservancy District in Franklin, Ohio; and Silverton, Oregon are further exploring opportunities in public-private partnerships. EPA has already held public meetings and begun work to revise its regulations to comply with the Executive Order. There will be opportunities in 1993 for further public comment.

Questions and Answers About Partners Rebuilding America

Why haven't investors bought wastewater treatment plants before now?

The availability of large federal grants and regulations requiring their repayment if treatment works were sold, reduced the attractiveness of private investment to municipalities and investors. Also, the 1986 Tax Reform Act made wastewater treatment works less attractive to investors.

Why should a private company be able to buy treatment plants paid for with tax dollars?

Selling all or part of a plant is one way to recover and reuse some of the public's past tax investment. Also, many municipal plants are approaching the end of their useful lives, and replacement or improvement projects compete for increasingly scarce tax dollars. Private firms provide financing, and often build and operate plants less expensively.

How can we be sure that privately operated treatment plants will continue to protect the environment?

EPA and States are charged by law to ensure that treatment works, whether publicly or privately-owned, in no way avoid permit compliance or degrade water quality.

Contact:

For more information contact EPA's Alternative Financing Section in the Office of Water at (202) 260-4060.