



**United States
Environmental Protection Agency**

FISCAL YEAR 2019

**Justification of Appropriation
Estimates for the Committee
on Appropriations**

**Water Infrastructure Finance and Innovation
Fund**

EPA-190-R-18-001

February 2018
www.epa.gov/ocfo

**Environmental Protection Agency
2019 Annual Performance Plan and Congressional Justification**

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**Environmental Protection Agency
FY 2019 Annual Performance Plan and Congressional Justification**

APPROPRIATION: Water Infrastructure Finance and Innovation Fund

Resource Summary Table

(Dollars in Thousands)

| | FY 2017 Actuals | FY 2018 Annualized CR | FY 2019 Pres Budget | FY 2019 Pres Budget v. FY 2018 Annualized CR |
|---|----------------------------|--------------------------------------|--------------------------------|---|
| Water Infrastructure Finance and Innovation Fund | | | | |
| Budget Authority | \$3,597.7 | \$12,932.0 | \$20,000.0 | \$7,068.0 |
| Total Workyears | 9.6 | 12.0 | 12.0 | 0.0 |

Bill Language: WIFIA

For the cost of direct loans and for the cost of guaranteed loans, as authorized by the Water Infrastructure Finance and Innovation Act of 2014, \$17,000,000, to remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans, including capitalized interest, and total loan principal, including capitalized interest, any part of which is to be guaranteed, not to exceed \$2,073,000,000.

In addition, fees authorized to be collected pursuant to sections 5029 and 5030 of the Water Infrastructure Finance and Innovation Act of 2014 shall be deposited in this account, to remain available until expended, for the purposes provided in such sections.

In addition, for administrative expenses to carry out the direct and guaranteed loan programs, notwithstanding section 5033 of the Water Infrastructure Finance and Innovation Act of 2014, \$3,000,000, to remain available until September 30, 2020.

Program Projects in WIFIA

(Dollars in Thousands)

| Program Project | FY 2017 Actuals | FY 2018 Annualized CR | FY 2019 Pres Budget | FY 2019 Pres Budget v. FY 2018 Annualized CR |
|--|----------------------------|--------------------------------------|--------------------------------|---|
| Water Quality Protection | | | | |
| Water Infrastructure Finance and Innovation | \$3,597.7 | \$12,932.0 | \$20,000.0 | \$7,068.0 |
| TOTAL WIFIA | \$3,597.7 | \$12,932.0 | \$20,000.0 | \$7,068.0 |

*For ease of comparison, Superfund transfer resources for the audit and research functions are shown in the Superfund account.

Water Quality Protection

Water Infrastructure Finance and Innovation

Program Area: Water Quality Protection

Goal: Core Mission

Objective(s): Provide Clean and Safe Water

(Dollars in Thousands)

| | FY 2017 Actuals | FY 2018 Annualized CR | FY 2019 Pres Budget | FY 2019 Pres Budget v. FY 2018 Annualized CR |
|---|----------------------------|--------------------------------------|--------------------------------|---|
| <i>Water Infrastructure Finance and Innovation Fund*</i> | \$3,597.7 | \$12,932.0 | \$20,000.0 | \$7,068.0 |
| Total Budget Authority | \$3,597.7 | \$12,932.0 | \$20,000.0 | \$7,068.0 |
| Total Workyears | 9.6 | 12.0 | 12.0 | 0.0 |

*The FY 2017 Appropriations Act (P.L. 115-31) provided the WIFIA program with \$10 million; this funding supplemented \$20 million previously provided in FY 2017 by a Continuing Resolution (P.L. 114-254).

Program Project Description:

The Nation is facing the challenge of finding sustainable financing for aging water infrastructure. Dependable, available drinking water and sanitation in communities relies on working, modern infrastructure, but leaking water collection and distribution systems, and inadequate drinking water and wastewater treatment continue to plague communities across the country. To help address this priority, Congress enacted the Water Infrastructure Finance and Innovation Act of 2014 (WIFIA).¹ The WIFIA program was designed to stimulate capital market investment, not supplant it, by structuring WIFIA loans in a way that makes investment in projects attractive to market participants. The WIFIA program directly supports the Agency's goal to ensure waters are clean and safe through improved water infrastructure.

The WIFIA program is authorized to provide and service direct loans and loan guarantees to cover up to 49 percent of eligible costs for drinking water and wastewater infrastructure projects of regional or national significance. The WIFIA program is designed to offer credit assistance with flexible terms in order to attract private participation, encourage new revenue streams for infrastructure investment, and allow public agencies to get more projects done. The WIFIA program requires a small appropriation compared to its potential loan volume. The first round of selections for the \$30 million from the FY 2017 appropriations has the potential, when combined with other funding sources, to spur up to \$5 billion in total infrastructure investment. With \$20 million in FY 2019 appropriations, EPA could potentially provide up to \$2 billion in credit assistance, which could spur up to \$4 billion in total infrastructure investment.² This makes the WIFIA program credit assistance a powerful new tool to help address a variety of water infrastructure needs.

For the FY 2017 appropriated funds, EPA issued a Notice of Funding Availability on January 10, 2017, requesting prospective borrowers to submit Letters of Interest (LOI). EPA

¹ WIFIA is a subtitle within the Water Resources Reform and Development Act of 2014 (WRRDA).

² This approximation is based on estimated notional subsidy costs from FY17 projects. Actual subsidy cost will be determined on a loan-by-loan basis.

received 43 LOIs for direct loans by the April 10, 2017 deadline. On July 19, 2017, EPA announced the 12 projects selected to continue with the application process.³ The selected projects encompassed the broad range of project types that the WIFIA program can finance including wastewater, drinking water, stormwater, and water recycling projects. Due diligence and underwriting activities will continue into FY 2018 with the expectation that funds will be obligated for water infrastructure projects in FY 2018.

Eligible assistance recipients include, amongst others, corporations and partnerships, municipal entities, and State Revolving Fund (SRF) programs. The WIFIA program will complement the existing SRF programs as an additional source of low-cost capital to help meet the United States' growing water infrastructure needs and address key priorities. Entities with complex water and wastewater projects are attracted to the WIFIA program and EPA will work to provide assistance to a diverse set of projects.

FY 2019 Activities and Performance Plan:

Work in this program directly supports Goal 1/Objective 1.2, Provide Clean and Safe Water in EPA's FY 2018 - 2022 Strategic Plan. The FY 2019 request of \$20 million includes the funds necessary to finance WIFIA drinking water and wastewater infrastructure projects (following the requirements of the Federal Credit Reform Act of 1990 and OMB Circulars A-11 and A-129). While the WIFIA program provides expansive project eligibilities, particular project attributes will be emphasized in the project selection process. These attributes will be identified in the Notice of Funding Availability, published after appropriations, and may include attributes such as the extent of private financing, the ability to serve regions with significant water resource challenges, the regional or national significance, the likelihood that the project can proceed at an earlier date due to WIFIA financing, and the extent to which the project uses new or innovative approaches, among others.

Of the total \$20 million request to implement the WIFIA program, \$3 million is for EPA's management and operation administrative expenses, including contract support and associated payroll for 12 FTE. The request level coupled with the fee expenditure authority allows EPA to undertake the independent aspects of loan intake and origination; project technical evaluation, including credit review, engineering feasibility review, and loan term negotiation; risk management; portfolio management and surveillance; and loan servicing for an initial set of projects. The funds associated with the management and operation of the program will be available for two years.

The FY 2019 budget also includes authority to use fee revenue as outlined in Water Resources Reform and Development Act (WRRDA), Sections 5029(a), 5030 (b), and 5030(c). EPA plans to collect fees in FY 2019. Fee revenue is for the cost of contracting with expert services such as financial advisory, legal advisory, and engineering firms. The WIFIA program fee expenditure authority would be in addition to the \$3 million request for management and operations administrative expenses.

³ For more information: <https://www.epa.gov/wifia/wifia-fy-2017-selected-projects-summary-factsheets>.

Performance Measure Targets:

| (INFRA-01) Billions of non-federal dollars leveraged by EPA water infrastructure finance programs (CWSRF, DWSRF and WIFIA). | FY 2018 Target | FY 2019 Target |
|---|----------------|----------------|
| | 8 | 8 |

Work under the Infrastructure Assistance: Drinking Water State Revolving Fund, Infrastructure Assistance: Clean Water State Revolving Fund, and the Water Infrastructure Finance and Innovation program projects all support performance measure (INFRA-01) Number of non-federal dollars leveraged by EPA water infrastructure finance programs (CWSRF, DWSRF and WIFIA).

FY 2019 Change from FY 2018 Annualized Continuing Resolution (Dollars in Thousands):

- (+\$675.0) This change to fixed and other costs is an increase due to the recalculation of base workforce costs for existing FTE due to adjustments in salary, essential workforce support, and benefit costs.
- (+\$6,393.0) This program change reflects an increase in the WIFIA program. This change represents an increase to the amount of credit subsidy funding available to make loans under this program.

Statutory Authority:

Water Resources Reform and Development Act of 2014, Title V, Subtitle C. Further Continuing and Security Assistances Appropriations Act, 2017, P.L. 114-254.