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**United States
Environmental Protection Agency**

FISCAL YEAR 2018

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

Tab 11: Water Infrastructure Finance and Innovation Fund

EPA-190-K-17-002

May 2017

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**Environmental Protection Agency
2018 Annual Performance Plan and Congressional Justification**

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**Environmental Protection Agency
FY 2018 Annual Performance Plan and Congressional Justification**

**APPROPRIATION: Water Infrastructure Finance and Innovation Fund
Resource Summary Table**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Pres Bud	FY 2018 Pres Bud v. FY 2017 Annualized CR
Water Infrastructure Finance and Innovation Fund				
Budget Authority	\$0.0	\$20,000.0	\$20,000.0	\$0.0
Total Workyears	0.0	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, 2019. Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

Program Projects in WIFIA

(Dollars in Thousands)

Program Project	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Pres Bud	FY 2018 Pres Bud v. FY 2017 Annualized CR
Water Quality Protection				
Water Infrastructure Finance and Innovation	\$0.0	\$20,000.0	\$20,000.0	\$0.0
Subtotal, Water Infrastructure Finance and Innovation	\$0.0	\$20,000.0	\$20,000.0	\$0.0
TOTAL, EPA	\$0.0	\$20,000.0	\$20,000.0	\$0.0

Program Area: Water Quality Protection

Water Infrastructure Finance and Innovation

Program Area: Water Quality Protection

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 Pres Bud	FY 2018 Pres Bud v. FY 2017 Annualized CR
<i>Water Infrastructure Finance and Innovation Fund</i>	\$0.0	\$20,000.0	\$20,000.0	\$0.0
Total Budget Authority / Obligations	\$0.0	\$20,000.0	\$20,000.0	\$0.0
Total Workyears	0.0	12.0	12.0	0.0

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 municipalities 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 is authorized to provide 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. With \$20 million in appropriations, the EPA could potentially provide approximately \$1 billion in credit assistance, which would spur an estimated \$2 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.

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.

It is expected that entities with complex water and wastewater projects will be attracted to the WIFIA program and the EPA will work to provide assistance to a diverse set of projects.

FY 2018 Activities and Performance Plan:

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

² This approximation is based on notional calculations. Subsidy cost is determined on a loan-by-loan basis.

The FY 2018 request of \$20 million includes the necessary funds 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 the EPA's management and operation administrative expenses, including contract support and associated payroll for 12 FTE. The EPA headquarters will manage the WIFIA program. The request level coupled with the requested fee expenditure authority allows the 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. These funds associated with the management and operation of the program will be available for two years.

The FY 2018 President's Budget also requests authority to use fee revenue as outlined in the Water Resources Reform and Development Act (WRRDA), Sections 5029(a), 5030 (b), and 5030(c). The EPA plans to collect fees in FY 2018. Fee revenue is for the cost of contracting with expert services such as financial advisory, legal advisory, and engineering firms. The requested WIFIA program fee expenditure authority would be in addition to the \$3 million request for management and operations administrative expenses.

For the FY 2017 appropriated funds, the EPA issued a Notice of Funding Availability requesting prospective borrowers to submit Letters of Interest (LOI) on January 10, 2017. The EPA received 43 LOIs for direct loans by the April 10, 2017, deadline. The initial effort to evaluate project proposals will take place in FY 2017. 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.

A list of FY 2018 performance measures and targets is located in the FY 2018 Performance Measures tab.

FY 2018 Change from FY 2017 Annualized Continuing Resolution (Dollars in Thousands):

- No change in program funding.

Statutory Authority:

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