



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

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OFFICE OF WATER

Ms. Joanne Throwe
Chair, U.S. EPA Environmental Financial Advisory Board
1200 Pennsylvania Avenue, NW, MC 4204M
Washington, D.C. 20460

Dear Ms. Throwe:

Thank you for the Environmental Financial Advisory Board (EFAB) report, "Funding for Pre-Disaster Resiliency (June 2019)." The U.S. Environmental Protection Agency (EPA) appreciates the EFAB's analysis of incentives and barriers in funding resilient water infrastructure investments.

The recommendations provided by the EFAB enhance opportunities to fund pre-disaster mitigation projects and other resilience activities. As mentioned in the report, the impacts of natural disasters have significant economic, social, and environmental implications. The EPA agrees that the costs of these impacts can be reduced by proactively investing in activities that minimize damage and strengthen our communities.

Resiliency covers many facets of the water sector and the EPA has several existing programs that can help communities improve water quality while building resilience, among other environmental, social, and economic co-benefits. The report highlights important issues for the EPA water programs to consider in funding pre-disaster resiliency projects. The EPA is pleased that the EFAB identified several ways that the EPA can support pre-disaster resiliency investments through stronger collaboration between and among our programs. The EPA also agrees with the importance of regular collaboration among Federal agencies – the Federal Emergency Management Agency (FEMA), the U.S. Agriculture Department (USDA), the U.S. Army Corps of Engineers (USACE), the EPA, and others – with funding and financing programs to assist with developing green infrastructure, or other innovative solutions, that encourage community resilience.

The EPA is pursuing several activities that help address some the primary challenges highlighted within the Report:

- *Implementation Activities under the AWIA* - The America's Water Infrastructure Act of 2018 (AWIA) authorizes various water infrastructure projects and activities for several federal agencies, including the EPA. Title II and Title IV of the AWIA authorize appropriations for several drinking water and wastewater infrastructure programs for projects that increase drinking water infrastructure resilience to natural hazards, in addition to promoting compliance and addressing aging drinking water infrastructure. The EPA is beginning the implementation of the following activities under the AWIA which relate to pre-disaster resiliency:
 - As directed by Section 4101 of the AWIA, the EPA created a Stormwater Infrastructure Financing Task Force to study the availability of public and private funding sources for

the construction, rehabilitation, and operation and maintenance of stormwater infrastructure.

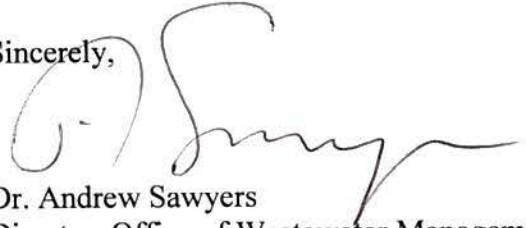
- Sections 2002, 2015, and 2020 of the AWIA authorize a supplemental Drinking Water State Revolving Fund (DWSRF) appropriation for disaster assistance for public water systems in certain areas and under certain conditions, as well the use of DWSRF set-asides for source water assessment and protection activities. Extreme weather events, such as hurricanes and wildfires, may require an emergency response to revive both drinking water quality and supply.
- Section 2013 of the AWIA expands the risk types addressed in a public water system's assessment to include risks of natural hazards. Community water systems are now required to evaluate the risks to, and resilience of, their current physical infrastructure and their management practices, and then develop emergency response plans that address those issues. The EPA's grants will be made available to support these community planning efforts and projects.
- Section 2005 of the AWIA specifically authorizes the EPA to award grant funds to eligible public water systems for projects that increase resilience to natural hazards, including hydrologic changes.
- Section 2012 of the AWIA stipulates that states must amend their state capacity development strategies to include a description of how the state will encourage the development of asset management plans that include best practices, training, technical assistance, and other activities to help with implementation of those plans. States also must include an update of these activities to encourage asset management practices in the Governor's report. The EPA must review and update, if appropriate, asset management documents and trainings every five years. These activities complement the Office of Water's (OW) long standing support of long-term planning and the use of asset management as risk mitigation tools for both municipal and investor-owned utilities.
- *The State Revolving Funds* - In recent years, the EPA has incorporated programmatic elements and policies within the State Revolving Fund (SRF) programs that can promote resiliency investments. The [Clean Water State Revolving Fund \(CWSRF\)](#) and [DWSRF](#) programs continue to promote such projects through eligibility requirements and scoring criteria. The SRFs can fund a wide range of activities that help communities become more resilient to extreme weather. These activities include energy and water efficiency upgrades, stormwater management, and projects that strengthen and protect water infrastructure. States may encourage projects promoting system resiliency through targeted rating criteria (e.g., offering priority points) and funding incentives (e.g., reduced interest rates and waiver of fees). Additional subsidies in the form of principal forgiveness, negative interest rate loans, and grants can also be used to encourage resiliency projects. The case studies identified in the report highlight a number of SRF success stories from the use of gray and green infrastructure projects that improved flood control.
- *The Memorandum of Understanding (MOU) between the EPA and the Department of Homeland Security* - The EPA agrees with the EFAB in the importance of leveraging other federal programs to fund pre-disaster resiliency activities. The [EPA entered into a MOU with the Department of Homeland Security](#) in June 2019 to establish a framework for the EPA funded CWSRF and DWSRF to assist and collaborate with the FEMA disaster assistance grant programs. The proposed activities in the MOU are intended to streamline coordination between the FEMA and the SRFs to enable funding to support essential infrastructure projects to be made available as quickly as possible. Traditionally, a community expends its own funds first and waits for a reimbursement through a FEMA grant or waits for emergency supplemental funds from Congress. In disaster situations where cash reserves are stretched thin, the EPA-FEMA MOU provides a tribe or local government access to a no-interest or low-interest loan from its

SRF to help pay for the immediate restoration of vital drinking water and wastewater infrastructure. SRFs require state match, loan repayments, and interest to flow back to the funds. The MOU also makes clear that SRF funds derived from prior loan repayments, state match, and interest earnings are state funds and may be reimbursed by the FEMA. Additionally, the SRFs can act as cost-sharing financing sources for a municipality applying for FEMA disaster assistance grant funding.

- *The Water Finance Clearinghouse* - The EPA agrees that resources and information available to support pre-disaster resiliency activities should be highlighted, organized, and easily accessible as part of the [Water Finance Clearinghouse](#). The Clearinghouse continues to serve as an easily navigable web-based portal to help communities locate information and resources to assist in making informed decisions for drinking water, wastewater, and stormwater infrastructure needs. Searchable databases contain information on the available funding sources for water infrastructure and resources, such as reports, weblinks, and webinars on financing mechanisms, in addition to approaches that can help communities access capital to meet their water infrastructure needs.
- *The Water Reuse Action Plan* - On September 10, 2019, the EPA announced the release of a [draft National Water Reuse Action Plan \(WRAP\)](#) for public comment. The EPA is working closely with the Department of the Interior, the U.S. Department of Agriculture, the U.S. Department of Energy, and other federal partners, as well as facilitating discussions among state, tribal, and water sector stakeholders and forming new partnerships to develop and deploy the plan. The draft WRAP seeks to foster water reuse as an important component of integrated water resource management. The EPA supports water reuse as part of an integrated water resources management approach developed at the state, tribal, watershed, and local level to meet multiple needs. The docket was open until December 16, 2019. The EPA will review all comments received to help inform development of the final WRAP.
- *The Creating Resilient Water Utilities (CRWU) Initiative* - The EPA has developed a robust suite of resources and assistance to improve the resilience of the water sector to all types of hazards, including climate impacts. The EPA leads the [CRWU initiative](#), which assists drinking water and wastewater utilities in addressing climate impact and resilience. Through CRWU and other initiatives and programs, the EPA actively engages with water sector stakeholders and technical assistance providers to promote the integration of climate resilience into drinking water and wastewater projects as well as utilities' routine planning efforts. This initiative has provided drinking water, wastewater, and stormwater utilities with practical tools, resources, training, and technical assistance needed to increase resilience to extreme weather events.
- *The FEMA-EPA Memorandum of Agreement (MOA) and National Mitigation Investment Strategy Partnership* - The [EPA's MOA and National Mitigation Investment Strategy with FEMA](#) acknowledges that hazard mitigation is important to achieving the EPA's mission across all media programs. The MOA was developed in 2016 to "reduce the loss of life and property and protect the Nation from all hazards, including natural disasters, acts of terrorism, and other man-made disasters, by leading and supporting the Nation in a risk based, comprehensive emergency management systems of preparedness, protection, response, recovery, and mitigation." Various tools created under the MOA, such as The Regional Resilience Toolkit, provide support to decision makers for engaging with partners and stakeholders, conducting vulnerability assessments, identifying and prioritizing strategies, funding projects, and evaluating results. The EPA also participates in the National Mitigation Investment Strategy, which provides a national, whole-community approach to investments in mitigation activities and risk management across government and the private and non-profit sectors.

The EPA supports increased coordination among these efforts to reduce duplication between the EPA and other federal programs to more effectively deliver program services to states and localities. We appreciate the EFAB's recommendations as the EPA continues to help states and localities build resilience through effective water resource management. Considering the EFAB's recommendations can help strengthen our programs, as well as strategically advance future work in a way that ensures more effective water management outcomes. We welcome the EFAB's willingness to evaluate and discuss the potential enhancements that the AWIA can provide for pre-disaster resiliency efforts. Upon distributing the report and resulting internal discussions, the OW will follow-up with the EFAB on any next steps for continued collaboration.

Sincerely,



Dr. Andrew Sawyers
Director, Office of Wastewater Management

cc: Edward H. Chu, Designated Federal Officer, Environmental Financial Advisory Board
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