



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

August 21, 2023

The Honorable Jeanne Shaheen
United States Senate
506 Hart Senate Office Building
Washington, DC 20510

The Honorable Ann Kuster
United States House of Representatives
320 Cannon House Office Building
Washington, DC 20515

The Honorable Maggie Hassan
United States Senate
324 Hart Senate Office Building
Washington, DC 20510

The Honorable Chris Pappas
United States House of Representatives
319 Cannon House Office Building
Washington, DC 20515

RE: Federal Funding for the Base Drinking Water State Revolving Funds (SRFs)

Dear Members of New Hampshire's Congressional Delegation,

The purpose of this letter is to alert you to the adverse effects of Congressionally Directed Spending (CDS) for drinking water and clean water projects. Since FFY 2022, in order to fund the CDS program, Congress has reduced annual grant funding to the state's base funding for the Drinking Water and Clean Water State Revolving Fund (DWSRF and CWSRF). If federal funding is not restored to the SRFs by FFY 2027, and the CDS funding continues to increase each year, the base level of SRF funding for the state programs maybe cut 100%, essentially defunding the SRF programs. ***The 2024 CDS project list does not include a single drinking water project and only one clean water project (\$900,000) for New Hampshire, yet the base funding is being cut by about \$14 million, a 53% cut since 2021.*** This will gut the base programs, which will have many detrimental impacts, as described below:

- Reduction in Funds Available to Loan in the Future:** A reduction in the annual SRF grants reduces the number of loans that are issued by the state and repaid with interest. This means there will be less capital available to reloan for future projects. The repayments accounts now constitute the largest source of loan capital and are the hallmark of the SRF program.
- Reducing the Leveraging of State Funding Matching Requirements:** New Hampshire is required to provide a financial contribution that is equal to 20% of the annual DWSRF and CWSRF grants which is added to the federal grant funds to provide loans. Reducing the annual federal grant reduces the matching funds New Hampshire must provide to the program further reducing the amount of funding available to our communities.
- Increases Staffing Uncertainties:** Unpredictable funding levels will lead to widespread staff resignations (due to interannual uncertainty in position funding) and the inability to attract new staff. The loss of experienced staff would degrade the state's ability to administer and enforce the Federal Safe Drinking Water Act.
- Cuts to the base Drinking Water SRF will erode PFAS response:** The Base DWSRF grant funds approximately 50% of the staff that administer the Public Water System program in New Hampshire. Losing any technical assistance to public water systems would greatly hamper their compliance with the Federal and State Safe Drinking Water Acts. This is especially the case as USEPA finalizes new MCLs for PFAS later this year, which will potentially impact almost 200 sources for public water systems in the state. New Hampshire is disproportionately affected by PFAS because air emissions and other sources of PFAS in southern New Hampshire population centers have caused extensive contamination to hundreds of small community water systems.
- Shifting Funds from the SRF to CDS is Inefficient:** New Hampshire, like most other states, has administered the clean water and drinking water SRF programs for over twenty and thirty years respectively. The state's process is vetted by USEPA and the public, and is administered in a fair, transparent and consistent manner using staff with extensive experience in administering the program. The following inefficiencies are created by diverting funds to

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CDS: 1) A new grant solicitation process is initiated separate of the existing state merit-based solicitation; 2) Water and wastewater systems must apply to multiple federally funded drinking water and wastewater infrastructure funding programs instead of just the State Revolving Loan Programs; and 3) the state would be unable to mix in other sources of funding for important projects, as is currently the case.

6. **Shifting project management responsibility from the state to EPA is counterproductive:** The CDS grants are administered by USEPA staff who do not have processes in place, staffing capacity or experience for this work. Additionally, the same USEPA staff assisting states who implement the new temporary funding for the Lead Service Line SRF, Emerging Contaminant SRFs, Supplemental SRFs and Emerging Contaminant Small and Disadvantaged Grant Program as established by the Bipartisan Infrastructure Bill, will be diverted to assist with administering the CDS grants. Also, the state staff is much more familiar with the communities and infrastructure of New Hampshire and better positioned to both determine the readiness of a community to accept funding and to assist the applicants with their projects. We know our water systems better than the federal government.
7. **Creates Unpredictable Conditions for New Hampshire Communities:** Unpredictable and reduced annual grants to the SRFs that funds the Public Water System Program, Asset Management Programs, Planning Programs, Energy Efficiency Programs, Resiliency Programs, etc. will make it extremely difficult to adequately plan and operate these programs. Unpredictable funding levels will cause program management and planning to occur in an *ad hoc* manner. It will also reduce community confidence that NHDES will be able to support their future funding and program needs.
8. **Shifting Funds from the DWBSRF to CDS Produces Unbalanced Results:** The vast majority of small public water systems in New Hampshire are privately owned by homeowner associations or private utilities. The majority of CDS funding to date has been directed to municipal utilities. NHDES has made funding for small, disadvantaged system a priority. The practice of providing CDS for drinking water infrastructure projects by slashing the DWSRFs, reduces the funding available for these small and disadvantaged systems. In other words, the current CDS process rewards those who have more resources to advocate for themselves, and leaves behind those who have the greatest need.

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 The chart below shows the past 4-year funding history for the base SRF programs in New Hampshire.

Drinking Water Base State Revolving Loan Fund			Clean Water Base State Revolving Loan Fund for		
Year	Funding Level	Change from 2021 Levels	Year	Funding Level	Change from 2021 Levels
2020	\$11,001,000		2020	\$15,881,000	
2021	\$11,001,000	--	2021	\$15,879,000	
2022	\$7,008,000	-36%	2022	\$11,563,000	-27%
2023	\$4,938,000	-55%	2023	\$7,496,000	-53%

I urge you to reexamine the way that the CDS program for water infrastructure is funded and to restore funding for the base SRF programs. Please let me know if you would like to discuss this issue in more detail.

Sincerely,



Robert R. Scott
 Commissioner