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Testimony of Julie Moore, Secretary, Vermont Agency of Natural Resources, & Vice Chair, Water Committee, Environmental Council of the States, to U.S. House Committee on Energy & Commerce, Subcommittee on Environment

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Summary: Timely reauthorization and strengthening of Safe Drinking Water Act (SDWA) programs, especially the Drinking Water State Revolving Fund (DWSRF), is a priority for states. Sunsetting funding under the Infrastructure Investment and Jobs Act (IIJA) and Community Project Funding (CPF or "earmarks") are straining states' ability to offer grants and forgiveness to the communities with the greatest need. To ensure sufficient funding for safe and affordable drinking water, we recommend the reauthorization continue robust funding for the DWSRF and direct EPA to calculate set-asides on pre-earmark allotments, and that CPF be treated as additive to, not deducted from, SRF appropriations.

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Full Written Testimony

Chairman Palmer, Ranking Member Tonko, members of the Subcommittee – thank you for the opportunity to testify today. I'm Julie Moore, Secretary of Vermont's Agency of Natural Resources and Vice Chair of the Water Committee at ECOS, the Environmental Council of the States, representing environmental agencies in every state, D.C., and the territories.

I bring the perspective not only of a small, rural state but also as a member of ECOS. States are the primary implementers of the Safe Drinking Water Act's regulatory and funding programs – a partnership with EPA often called cooperative federalism – and we're eager to work on a bipartisan basis with this Committee on both current challenges and those that lie ahead. Timely reauthorization and strengthening of the SDWA's programs, especially the hugely successful Drinking Water State Revolving Fund, is a priority for ECOS and all the states. The pipes, treatment plants, people, and programs under the SDWA protect not only public health, but the environmental and economic vitality of our communities, and funding levels should be as robust and responsible as possible.

Aging infrastructure, lead, PFAS, and cyber-threats are putting enormous pressure on systems and states. Funding needs to be sufficient and flexible enough to help systems address these challenges without forcing systems and ratepayers into debt they cannot afford.

We encourage you to treat this bill's $1.126 billion DWSRF reauthorization as a floor, not a ceiling. This is fundamental for water affordability. Water infrastructure funding demand continues to far outstrip supply, even after the largest federal investment in a generation. In Vermont, project demand this year is 185% of 2021 levels, and loan agreements are 255% higher than they were four years ago, in part because ARPA (American Rescue Plan Act) and IIJA (Infrastructure Investment and Jobs Act) signaled that robust, affordable capital was available.

Here's why continued, robust SRF funding matters right now: states sit between two obligations that are getting harder to reconcile. Communities plainly cannot take on more debt – they need grants and principal forgiveness, not loans. But forgiven loans don't come back to the SRF to lend again, and states have a fiduciary duty to protect the fund's long-term solvency. Many states won't issue a loan if it pushes a system's rates above 1.5% of median household income, since beyond that point default risk to the state's loan fund is real - which means communities with the greatest need for infrastructure investment are being pushed toward a tool they've told us they can't use.

Two forces are cutting into that grant capacity right now – the sunsetting of IIJA supplemental funding and Community Project Funding (known also as "earmarks") which comes off the top of SRF appropriations before

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states see the money. Earmarks have the practical effect of shrinking both the subsidy pool available for forgiveness and the set-asides that fund state staff who provide direct technical assistance, conduct sanitary surveys, and certify operators. Every state is impacted, regardless of whether it receives earmarks. Nationally, that's cost roughly $741 million in set-aside authority over the three most recent years; for Vermont, it's $2.3 million a year.

In recent years, Vermont has used these set asides to support our smallest, municipally-owned water systems in developing asset management plans, as well as supporting leak detection services that resulted in the identification and repair of leaks totaling more than 115,000 gallons per day. These initiatives, funded with set asides, not only provide direct and immediate benefits to communities but also help create a pipeline of future projects for the DWSRF.

It feels like a death spiral. The neediest systems miss out on services that help ensure the sustainability of their operations and get offered the one tool they can't use – a loan – or get passed over to protect the SRF. All the while their infrastructure continues to deteriorate and the eventual cost – financial, environmental, and public health – grows.

I urge this body to direct EPA to calculate set-asides on the pre-earmark allotment, a solution already extended to the tribal set-aside. More fundamentally, CPF should be layered on top of SRF appropriations, not deducted from them, so states can anticipate what they'll have to work with each year as we work with communities to build our project pipeline.

A few more provisions deserve comment. Small-system technical assistance and procurement exemptions matter enormously to us. We support the new EPA lead-testing grant program for schools and childcare facilities, and encourage you to ensure EPA coordinates closely with states and communities implementing the work. We also welcome this bill's attention to cybersecurity, but the resilience funding is too small to harden systems nationwide, and capital is only half the picture — training, assessments, and emergency response planning matter too, and we'd urge a plus-up in EPA technical assistance, either directly or through groups like the National Rural Water Association. We also encourage the Committee to ensure EPA coordinates closely with states and other federal agencies, such as CISA, in this priority area.

And before closing, I just want to touch briefly on the data center bill the subcommittee is also considering - we support requiring owners and operators to help pay for the water infrastructure impacts they create, and the broader focus on source water vulnerability studies coordinated with states.

Thank you for the opportunity to testify on behalf of Vermont ANR and ECOS. I'm happy to answer questions and follow up as needed.