

**Testimony of
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Pennsylvania Infrastructure Investment Authority
Hearing on Water, Sewer, & Stormwater Infrastructure
Senate Democratic Policy Committee
October 25, 2023**

Good morning, Chair Muth, Senator Collett, Senator Williams, and other members of the committee. On behalf of the Pennsylvania Infrastructure Investment Authority (PENNVEST), I would like to thank you for the opportunity to discuss PENNVEST's role in supporting drinking water, wastewater, stormwater, and nonpoint source infrastructure in communities across the Commonwealth of Pennsylvania.

PENNVEST's enabling legislation was adopted in 1988 and created an agency with the authority to approve low interest loan and grant financing to support clean water infrastructure projects within the Commonwealth. The powers of the agency are vested in a 13-member board of directors, with the Governor, or his/her designee, appointed as the chairman and chief executive officer of the agency. Through its bylaws and board resolutions, the PENNVEST Board has granted to PENNVEST's Executive Director the power to direct the general business affairs of the agency. PENNVEST's enabling legislation empowered the agency to administer funds allocated to Pennsylvania through the Clean Water and Drinking Water State Revolving Funds (the "SRF"), managed through U.S. EPA. The program was initially anticipated to be a 20-year program that would invest \$2 Billion. Since that time, the program has grown significantly. Currently, in its 35th year, PENNVEST has offered financing in excess of \$11.4 Billion comprising 4,659 projects to improve the public health, safety, and environment for communities and citizens of the Commonwealth.

Funding for projects originates from several sources, including but not limited to, state funds approved by voters, Growing Greener funds, Marcellus Legacy funds, federal grants to PENNVEST from the Environmental Protection Agency (EPA) and recycled loan repayments from previous PENNVEST funding awards. At this time, the majority of PENNVEST funding awards are made under the federal SRF programs.

PENNVEST provides low-interest loans and grants for new construction or improvements to publicly or privately owned drinking water, storm water or sewage treatment facilities, as well as non-point source pollution prevention best management practices which include green infrastructure, MS4 systems and agricultural operations. PENNVEST also provides loan funding to remediate brownfields sites, as well as individual homeowners for the repair or replacement of their malfunctioning on-lot septic systems, first time connections to a public sewer collection system or lateral repairs. The PENNVEST Board has approved funding for projects in each of Pennsylvania's 67 counties.

It is important for Pennsylvania's legislators to have a thorough understanding of the Commonwealth's future infrastructure needs, as well as PENNVEST's capability to provide the financing necessary to satisfy those needs.

A drinking water needs survey was conducted in 2021, which determined that drinking water needs in the Commonwealth over the next twenty years will exceed \$24.3 Billion. A clean water needs survey was conducted in 2023, which determined that the clean water needs in the Commonwealth over the next twenty years will exceed \$12.3 Billion, for a combined need of over \$36 Billion, and that does not take into account a significant increase in funding needs that may result from increases in the regulation of emerging contaminants such as PFAS or PFOA.

PENNVEST is strategically positioned to provide funding assistance to communities to address these needs. With the signing of the Infrastructure Investment and Jobs Act (IIJA), also commonly known as the Bipartisan Infrastructure Law, the Commonwealth has the opportunity to take advantage of transformational investment in the water sector over the next 5 years. Significant additional funding is being directed through the SRF administered by PENNVEST in Pennsylvania to not only support traditional infrastructure projects but also focus on lead line removal and emerging contaminants like polyfluoroalkyl substances (PFAS). The PENNVEST program continues to operate with a project budget of \$1 Billion per year in loans, principal forgiveness loans, grants, and guarantees and expects to continue operating at this funding level for the foreseeable future. All projects that have been technically and administratively ready to move forward have been approved by the PENNVEST Board for the past eight years, with zero projects being deferred due to insufficient funding levels. While available grant and principal forgiveness loan dollars may be limited, depending on the type of project and the funds available for each round of funds, current funding opportunities make this a great time to apply. To facilitate the timely award of funds, the Board of Directors meets quarterly throughout the year.

In addition to its traditional funding program, Act 54 of 2022 ("Act 54"), allocated \$22M of non-lapsing state funds to PENNVEST for the establishment of the PENNVEST Clean Water Procurement Program (CWPP), a new program designed for the purchase of verified nutrient or sediment reductions by PENNVEST through a competitive bidding process consistent with 62 Pa. C.S. Part 1. Act 54 seeks to establish a pay for performance model to reduce nutrients in waters of the Commonwealth that are tributary to the Chesapeake Bay.

Additionally, EPA has been administering The Water Infrastructure Financing and Innovation Act of 2014 (WIFIA) program, a federal credit program for eligible water and wastewater infrastructure projects. The program provides long-term, low-cost supplemental loans for 49% of eligible project costs at United States Treasury rates. There is no maximum amount that can be borrowed however the program is limited by appropriated controls. It's unlikely that a single request for credit assistance would exceed the appropriated controls on EPA's lending. PENNVEST is positioned to leverage the federal WIFIA program to facilitate the implementation of projects and can serve as the 51% match for communities.

With emerging issues like PFAS, lead line removal, regulatory compliance for MS4, repair and replacement of drinking water and wastewater infrastructure that has met or exceeds its useful life, addressing non-point source pollution issues through the implementation of agriculture best

management practices, PENNVEST is positioned to support the financing of communities' water infrastructure needs for the foreseeable future.

The single most important thing a potential applicant can do is move forward with the development and planning of their project. Projects will never get cheaper and there will never be enough grant dollars to fund everyone. Frequently we see communities wait on potential grant funding from other sources which ultimately delays implementation of the project while construction costs increase, negating any benefits the grants would otherwise provide. For this reason, PENNVEST seeks to provide a combination of loan and grant funding to bring systems as close to their target rate as possible with the funding sources available today. We urge systems to move forward now rather than wait for additional grant funds to materialize, since in our experience, the increase cost in time inevitably outweighs the grant award of tomorrow. Currently, interest rates for PENNVEST financing falls in the 1.000% to 2.179% range for a 20-year loan. The difference in the PENNVEST interest rate and the market rate is the equivalent to receiving a grant, or subsidy, every year for 20 years.

Recognizing there is a need to develop capacity within communities for the development of projects, PENNVEST has contracted a consultant to provide technical assistance to develop projects to communities that wish to seek PENNVEST financing. Preliminary efforts with this program have been successful and we are looking to expand the program with additional funding for more communities soon. This is a critical issue to addressing the Commonwealth's clean water infrastructure needs. Without the development of projects, the benefits of the funding cannot be realized.

Thank you for inviting PENNVEST to testify. I look forward to working with the legislature on this important topic. Should the legislature decide to appropriate additional funding to address clean water infrastructure needs, PENNVEST is positioned to assist in administering those funds. I'd be happy to take any questions members of the committee may have.

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