

---

## GAO QUESTIONS ON A NATIONAL CLEAN WATER TRUST FUND

---

**Purpose** – The United States Government Accountability Office (GAO), an independent, legislative branch agency, is reviewing design issues and funding options for a potential national Clean Water Trust Fund. GAO is undertaking this work at the request of Congress. Specifically, GAO has been asked to determine

- (1) stakeholders' views on the issues that would need to be addressed in designing and establishing a Clean Water Trust Fund and
- (2) potential options for funding a Clean Water Trust Fund that could generate \$10 billion annually and their characteristics.

Through this questionnaire, we are asking for input from stakeholders with knowledge about wastewater infrastructure to help us address these issues. Specifically, we are interested in how stakeholders view the issues that need to be addressed in designing and establishing a trust fund, such as how a trust fund should be administered, how funding should be distributed, as well as what purposes the funding should be used for. In addition, we are interested in stakeholders' views of the potential funding options that could be used for this fund. We will analyze the information and present our findings in a report that we plan to issue in the spring of 2009.

We would very much appreciate your input. A single response from your organization by February 11, 2009, that represents the views of your members would be most helpful to us. If you have any questions, please contact Sherry McDonald ([mcdonaldsl@gao.gov](mailto:mcdonaldsl@gao.gov), 202-512-8302), Scott Heacock ([heacocks@gao.gov](mailto:heacocks@gao.gov), 202-512-2850), or Janice Ceperich ([ceperichj@gao.gov](mailto:ceperichj@gao.gov), 202-512-6421). Thank you for taking the time to respond to this questionnaire.

### **Instructions**

This questionnaire can be filled out using MS-Word and returned via e-mail to [ceperichj@gao.gov](mailto:ceperichj@gao.gov).

- Please use your mouse to navigate by clicking on the field or check box  you wish to answer.
- To select a check box or button, simply click on the center of the box.
- To change or deselect a check box response, simply click on the check box and the 'X' will disappear.
- To answer a question that requires that you write a comment, click on the answer box  and begin typing. The box will expand to accommodate your answer.

Please provide contact information for a representative from your organization for any follow up questions we may have.

- Organization: **National Rural Water Association**
- Contact name: **Mike Keegan**, email **keegan@ruralwater.org**, and phone **2022944785**

---

## SECTION 1: CLEAN WATER TRUST FUND DESIGN ISSUES

---

### Administration

1. In your opinion, how, if at all, should a Clean Water Trust Fund be used? (*Please check one of the following*).

- A trust fund should be used only to fund the existing Clean Water SRF.<sup>1</sup>
- A trust fund should not be used to fund the existing Clean Water SRF but rather a separate and distinct program to support wastewater infrastructure.
- A trust fund should be used partially to fund the existing Clean Water SRF along with a separate and distinct program to support wastewater infrastructure.
- A trust fund should not be created for the purpose of funding wastewater infrastructure.
- Other (please specify ).
- Don't know/no opinion. (Skip to question 3).

2. Please explain the rationale behind your opinion on how, if at all, a Clean Water Trust Fund should be used.  The current CWR SRF does not prioritize funding to POTWs most in need of funding.  This should be changed to ensure federal subsidises are most tartget to federal objectives (enviromental and economic).

3. Which entity or entities should administer a Clean Water Trust Fund? (*Please check one of the following*).

- EPA only
- EPA partnership with the states (like the current Clean Water SRF)
- Independent, non-governmental board of trustees
- Other (please specify  EPA, the states, and the USDA.  USDA has the most successful wastewater infrastructure funding program within the federal government and USDA should be utilized in any new program.)
- Don't know/no opinion

---

<sup>1</sup> EPA currently allocates funding to states through the Clean Water SRF program. These funds can be used to construct or upgrade wastewater infrastructure, address nonpoint sources of pollution, or develop or implement management plans in federally designated estuaries. States use an EPA-approved ranking system to direct these funds to the highest priority projects. States then enter into loan agreements with borrowers to fund projects. The majority of Clean Water SRF borrowers are municipalities and other local units of government. Loan repayments are cycled back into the state-level fund and used for additional water quality projects.

## Funding Distribution

4. How should funding from a Clean Water Trust Fund be distributed to support wastewater projects? *(Please check one of the following).*

- Loans only (like the current Clean Water SRF).
- Grants only
- Combination of loans and grants
- Other (please specify [redacted]).
- Don't know/no opinion

5. Please explain the rationale behind your answer to question 4. Often the communities most in need of subsidies can not afford a loan only funding instrument. Grants are necessary to meet federal objectives, especially in the most disadvantaged communities. Furthermore, federal environmental mandates have the most adverse financial impact on low-income communities. These impacts need to be reconciled with funding assistance which can only be accomplished (in many cases) by grants.

## Eligibility for Funds

6. In your opinion, what wastewater infrastructure activities should be eligible for funding from a Clean Water Trust Fund?

a. Routine operations and maintenance

- Yes
- No
- Don't know/no opinion

i. Please explain the rationale behind your opinion. [redacted]

b. Planning and design of wastewater projects

- Yes
- No
- Don't know/no opinion

i. Please explain the rationale behind your opinion. [redacted]

c. Ratepayer assistance to low-income households

- Yes
- No
- Don't know/no opinion

i. Please explain the rationale behind your opinion. Funding assistance should be limited to entities that are responsible for compliance with CWA requirements or it will not be a CWA program, but an individual social program. If that is the objective, a new program should be designed within the individual social welfare agencies to better meet the needs of individual households. This idea also disrupts (preempts) the civic balance of local officials deciding on local economic, tax, and environmental compliance policy in a manner they see most appropriate. If the federal government is going to preempt local civics regarding the appropriate distribution of fees and taxes to off-set civic environmental responsibilities - then the federal government should also assume responsibility for meeting the federal environmental standards.

d. Capital costs

- Yes
- No
- Don't know/no opinion

i. Please explain the rationale behind your opinion. (Then, if you indicated that capital costs should not be eligible, please skip to question 8.)

7. If, in your opinion, capital costs should be eligible for funding from a Clean Water Trust Fund, which of the following activities should be included as capital costs? (**Check all that apply**).

- Replacement or rehabilitation of wastewater collection systems or treatment facilities (beyond normal maintenance)
- Expansion of wastewater collection systems or treatment facilities *for existing needs*
- Expansion of wastewater collection systems or treatment facilities *for population growth*
- Construction of new wastewater treatment facilities
- Secondary wastewater treatment
- Advanced wastewater treatment
- Combined sewer overflow correction or elimination
- Infiltration/inflow correction
- Other (please specify \_\_\_\_\_).
- Don't know/no opinion

8. What, if any, other wastewater infrastructure activities (not already mentioned above in questions 6 and 7) should be eligible for funding from a Clean Water Trust Fund and why? TMDL compliance

9. What factors should be considered in determining what entities should be eligible for receiving funding from a Clean Water Trust Fund? (**Check all that apply**).

- Wastewater infrastructure needs

- Priority of environmental problem to be addressed
- Priority of waters or watersheds involved
- Population
- Median household income
- Other (please specify Stipulating that every case has environmental need, economics should be the primary criteria for prioritizing funding).
- Don't know/no opinion

10. In addition to design elements discussed above related to administration, funding distribution, and eligibility for funds (questions 1 through 9), what, if any, other design elements should be considered in designing and establishing a Clean Water Trust Fund? If a trust fund is established and funded by fees on wastewater or water utility bills, the fees should be on a scale where communities with the highest incomes and the lowest water rates pay more. And the fee scale should reduce fees, or exempt fees, on the communities that have the lowest incomes and the highest water rates. This is only fair if the goal of the CWA is to ensure uniform environmental standards throughout the country. In principle, it would only be just, to have all households pay the same amount if they are being mandated to meet federal standards. However such environmental justice seems unlikely. But, a sliding scale of trust fund fees (that will be used to further federal standards), should attempt to progress this principle of equity of economic impact on all communities.

---

## SECTION 2: POTENTIAL FUNDING OPTIONS FOR A CLEAN WATER TRUST FUND

---

Through reviews of available reports on this issue and interviews with stakeholders, GAO has identified 8 potential funding options for a Clean Water Trust Fund: excise taxes<sup>2</sup> on products that include beverages, flushable products, fertilizers and pesticides, pharmaceuticals, and water appliances and fixtures; a water use tax; an industrial discharge tax; and a corporate environmental income tax. We would like to know your opinion of these funding options.

11. Do you support or oppose the following funding options?

- a. excise tax on beverages (beverages manufactured for consumption including soft drinks, bottled water, ice, beer, wine, and liquor but excluding fruit and vegetable juices and concentrates)

---

<sup>2</sup> An excise tax is a tax levied on the manufacture, sale, or consumption of various commodities.

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

b. excise tax on flushable products (including products introduced directly into wastewater, such as soaps, detergents, toilet paper, and cooking oils)

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

c. excise tax on fertilizers and pesticides

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

d. excise tax on pharmaceuticals

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

e. excise tax on water appliances and fixtures (including fixtures and appliances that introduce flow into the wastewater system, such as washing machines, dishwashers, and showerheads)

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

f. water use tax (water consumption by local utility users)

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

g. industrial discharge tax (tax on industrial pollutants released into water and/or fee on permits allowing these releases)

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

h. corporate environmental income tax (tax on the incomes of corporations in addition to any existing corporate income tax)

- Strongly support
- Support
- Neither support nor oppose
- Oppose
- Strongly oppose
- Don't know/no opinion

i. Why do you support or oppose this option?

12. Infrastructure-related trust funds, such as the Highway Trust Fund, are sometimes funded by taxes on products, such as a tax on fuel, that are related to infrastructure use. In considering funding options for a Clean Water Trust Fund, to what extent is there a connection between wastewater infrastructure use and the following products or activities?

Product or Activity	Little or no extent	Moderate extent	Great extent	Very great extent	Don't know/no opinion
a. beverages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b. flushable products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. fertilizers and pesticides	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d. pharmaceuticals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e. water appliances and fixtures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f. water use	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g. industrial discharge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h. corporate income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
i. other (please specify <span style="background-color: #cccccc; display: inline-block; width: 40px; height: 15px;"></span> )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

13. What, if any, additional options should be considered for funding a Clean Water Trust Fund and why? Corporate water systems should not be eligible for federal subsidies. Taxpayer subsidies should be prohibited from profit generating companies or companies paying profits for shareholders/investors. Private companies argue that they have to comply with the same regulations. However, compliance is not the over-riding principle that should be considered in this discussion. The distinction in mission between public and private is the core principal that should be considered. Private systems are in business to maximize profit. Public water utilities are created to provide for public welfare (the reason why public water continues to expand to underserved and non-profitable populations). This is a significant difference. And while we believe that maximizing profit is a noble virtue, we

do not think that taxpayers should help the cause of privately owned systems. The state of Florida has a novel compromise to this issue. Florida limits SRF funds to private water systems less than 1,500 people – ensuring funds are limited to the class of private water systems that did not get into the business as a corporate enterprise.

14. Please provide any additional information that would be helpful to GAO in better understanding potential issues related to establishing a Clean Water Trust Fund. [REDACTED]

15. If your organization has developed (or collaborated on) position papers or studies of Clean Water Trust Fund design issues or potential funding options, please provide these via e-mail along with this questionnaire to [ceperichj@gao.gov](mailto:ceperichj@gao.gov).