



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

March 6, 2007  
(House Rules)

## STATEMENT OF ADMINISTRATION POLICY

### H.R. 569 – Water Quality Investment Act of 2007

(Rep. Pascrell (D) NJ and 19 others)

The Administration strongly opposes H.R. 569, which would authorize a total of \$1.8 billion over fiscal years 2008-2012 for Federal grants to States and municipalities to replace or repair sewer systems.

This bill's total authorization of \$1.8 billion for the sewer grants during fiscal years 2008-2012 is unrealistic in the current fiscal environment. These activities already are eligible for Clean Water State Revolving Fund financing, with project prioritization determined by the States. Further, this excessive authorization will distort market signals by discouraging utilities and their consumers from moving toward full-cost pricing, as they have elsewhere. Instead, this bill may encourage municipalities to delay undertaking needed sewer infrastructure projects to wait for Federal subsidies, thus potentially diminishing reliability and increasing the eventual costs to the public.

To provide additional opportunities to communities for financing needed wastewater infrastructure, the Congress should enact the Administration's Water Enterprise Bond proposal, which would provide an exception to the unified annual State volume cap on tax-exempt qualified private activity bonds for wastewater and drinking water projects. To ensure the long-term financial health and solvency of these drinking water and wastewater systems, communities using these bonds must have demonstrated a process that will move toward full-cost pricing for services within five years of issuing the Private Activity Bonds. Consequently, this proposal will attract more private capital to meet the infrastructure needs of these sectors, help water and wastewater systems become self-financing, and minimize the need for future subsidies.

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