PENNSYLVANIA MUNICIPAL AUTHORITIES ASSOCIATION

1000 North Front Street, Suite 401 Wormleysburg, PA 17043
717-737-7655 ▪ 717-737-8431(Fax)
www.municipalauthorities.org ▪ info@municipalauthorities.org

TESTIMONY

House Appropriations Committee
Economic and Infrastructure Sub-Committee Hearing
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Pennsylvania Municipal Authorities Association
John W. Brosious, Deputy Director

Thank you for the opportunity to address you this morning on behalf of the Pennsylvania Municipal Authorities Association (PMAA). PMAA represents 700 authorities, most of them providing sewer and water service to over six million Pennsylvania citizens. We also represent 500 associate members that provide engineering, legal, construction, financial and consulting services to our members.

I would like to convey several points on sewer and water infrastructure in the Commonwealth today.

SERVICE

The management of our sewer and water infrastructure is often a challenge because this service is taken for granted by most of us. It is a "forgotten" service in the sense that we turn on the faucet and clean, potable water appears. We flush the toilet and our waste disappears. For most of us, these actions are instantaneous and require no further thought than operating a lever. The billions of dollars invested in treatment plants, miles of pipes, storage reservoirs, operations and maintenance, computerization, emergency response, security and administration of these systems is not even an afterthought.

In most communities, the sewage treatment plant is the biggest environmental operation in town. Running 24/7, meeting state and federal environmental and public health standards, these plants treat wastewater and discharge a product that will not diminish our receiving streams. Similarly, drinking water facilities filter, treat and distribute water to our citizens that meets state and federal standards. Unfortunately, many water and sewer systems built or upgraded with federal funding during the environmental initiatives of the 70's are reaching their effective lifespan.

NEED

EPA produces a Clean Water Needs Survey every four years, based on data from the state environmental agencies that delineates the cost for sewer facilities to maintain compliance with state and federal regulations in the coming years. The 2000 Needs Survey set those figures in Pennsylvania at over $5.3 billion for drinking water facilities and $8.1 billion for sewage treatment. The 2004 figures are $10.9 billion for drinking water needs (doubling the 2000 figure) but only $7.1 billion for sewage treatment, an inexplicable decrease.

This inexplicable decrease in sewer needs does not seem to be borne out by the recent $1 billion estimated price tag for 184 mid-state sewage plants to meet Chesapeake Bay requirements, the recently estimated overall water and sewage needs of $8 billion from southwest PA alone, nor the cost for upcoming regulatory requirements tied to nitrogen and phosphorus reduction standards.

Even using the 2004 figures, we are looking at $18 billion being necessary for water and sewer systems in our state to maintain compliance, the equivalent of half the state's annual budget. In an interesting look at current public policy, we are more attuned to replacing aging stadiums of the same generation (often with tax dollars or

government subsidies) than we are in replacing aging water and sewer plants. Investing in stadiums as economic drivers, such as the $47 million recently announced by the Governor for a soccer stadium in Chester, rather than infrastructure, is actually a nationwide trend and certainly not limited to Pennsylvania.

COMPLIANCE

The list of requirements for plants to remain in compliance continues to grow. Sewer plants must meet federal and state permit requirements. They must treat for both organic and inorganic contaminants and monitor discharges to assure levels are met. They must also prevent both hydraulic (amount of flow) and organic (strength of flow) overloads in their systems. Federal and state programs targeting CSO (combined sewer overflows-sewer and stormwater in the same system), SSO (sanitary sewer overflows), and I&I (inflow and infiltration of water into the system) require plants and communities to develop and implement plans to prevent these occurrences. Many of our older cities are facing federal or state compliance orders to address these costly issues.

Recently, new initiatives at both the state and federal level target nutrient discharges from plants, particularly nitrogen and phosphorus. Requirements for these expensive upgrades appear in both the Chesapeake Bay program for the Susquehanna drainage and in TMDLs (total maximum daily load of pollutants to the receiving stream) currently here in southeast PA area, but eventually throughout the state.

A typical drinking water plant tests for 69 regulated MCLs (maximum contaminant levels-of substances in drinking water) recognized by EPA. However, other substances are also monitored. For example, the lab for the Chester Water Authority actually tests for 125 substances. The disinfectants/disinfection byproduct rule pertaining to chlorine as a disinfectant has produced the need to treat and then reduce its level in water. Revisions to the lead and copper rule have also recently been released and rules for reduction of radon in drinking water are imminent.

New procedures for safety and security at water facilities to prevent terroristic acts have been required. Related to this, DEP is proposing new Public Notification Rules for various water emergencies that may require installation of costly communication upgrades such as automated telephone dialing systems.

New laboratory regulations are being implemented which affects both water and sewer testing labs. These require enhanced training for employees, lab upgrades for certification and new DEP fees. In addition, there are new regulations governing the certification of operators at both water and sewer facilities requiring, additional training and education for operators typically paid for by the authority or municipality.

Finally, in two years when the electric rate caps are lifted, we expect to see at least a 30% increase in energy costs to operate treatment facilities.

FUNDING

Sources of revenue for treatment plants, particularly sewer, have dried up over the last 30 years at the federal level, and the last six years at the state level. The old Construction Grants program, where the federal government funded up to 75-85% for new sewer plants, is long gone. Federal money for Combined Sewer Overflow programs was authorized by Congress several years ago yet none of the over $1 billion dollars has ever been appropriated. And for the past four years, the Bush administration cut the states' Clean Water State Revolving Loan Fund appropriation, costing Pennsylvania $43.3 million in Pennvest loan money.

In the last six Pennsylvania budgets, the governor has zeroed out funding for the Act 339 program, which provided grants to sewer plants, a $324 million loss. This 50-year old program was incorporated into the original Growing Greener bill with a cap on funds and applicants, although 1,000 sewer systems benefited annually from these grants. Pennvest remains about the only source of public infrastructure funding, though mostly loans, in the state.

An interesting comparison on state funding can be found in the approach to the Chesapeake Bay program. Our treatment plant upgrade costs are similar to Maryland (66 plants, $1.5 billion) and Virginia (100 plants, $1.5-$2 billion). Virginia has spent or committed $700 million in state grant funds to upgrade their plants, and Maryland has spent or committed $1.2 billion in grants for their upgrades. Pennsylvania has yet to identify a funding source to help offset the projected $1 billion in upgrade costs.

Finally, the 2004 referendum resulting in the $250 million infrastructure bond issue actually went to economic development projects needing water or sewer access or upgrades. Only $50 million, after a last minute amendment from the House, was used for the intent for which most people voted, funds to Pennvest for water and sewer upgrades.

SOLUTIONS

Continued funding is needed to meet the enormous infrastructure demand we have in Pennsylvania. For example, consider that ALCOSAN (the Allegheny County Sanitary Authority) and the 83 communities it serves will have to raise over $3 billion to address their wet weather flows, aging pipes, laterals and interceptors, and treatment plant upgrades. Like many communities across the state, these western Pennsylvania towns have no new tax base, an aging population base (often on fixed income) and little political will to dramatically increase sewer rates. One need only look at DEP's website for daily clips to see the number of sewer plants each week that are struggling to upgrade, raising rates or borrowing money, or entering consent orders with DEP for improvement schedules.

Continued and increased Pennvest funding is critical. The possibility of opening a small portion of Pennvest funds ($5 million annually) to provide grants or loans to homeowners forced to connect to public sewer or water, or forced to repair sewer or water laterals, is another initiative we support. Rep. Rubley has introduced bills to accomplish this in the last two sessions.

New and innovative technologies are also part of the solution. Cost-efficient, environmentally-protective new technologies are essential to meet today's challenges. The problem is that we do not have a clearinghouse of these technologies here in Pennsylvania and the ability to have them permitted is often challenging. The Joint Legislative Air and Water Pollution Control and Conservation Committee created a legislative sewage task force two years ago as a result of HR 88 which is looking at the application of new technologies, the creation of new funding sources and other issues facing sewage systems. Recommendations from this task force should help to provide solutions to these issues in the near future.

The proposed legislation for a Pipeline Replacement Program has merit as a method for providing infrastructure funding in Pennsylvania. While the bill deals with the pipes themselves and not treatment facilities, it represents an effort by the legislature to begin addressing the enormous infrastructure costs we face. Perhaps we should note that while $1 billion is a significant state commitment it represents only 5% of the nearly $20 billion in water and sewer infrastructure need we are currently facing.

CONCLUSION

Sewer and water infrastructure is a critical, yet relatively silent and forgotten service provided to our citizens. It represents tens, if not hundreds of billions of dollars in current in-ground capital investment through plants and pipes. It provides collection and treatment of wastewater and treatment and distribution of drinking water while maintaining strict standards for environmental compliance and protection of public health. The time has come for all levels of government to protect this investment and work to improve the infrastructure we so readily take for granted.