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February 28, 2023

Sen. Margaret Rotundo, Chair
Rep. Melanie Sachs, Chair
Joint Standing Committee on Appropriations
& Financial Affairs
Maine State Legislature
100 State House Station
Augusta, ME 04333

Sen. Joseph Baldacci, Chair
Rep. Michele Meyer, Chair
Joint Standing Committee on Health and Human
Services
Maine State Legislature
100 State House Station
Augusta, ME 04333

Re: ***Opposition to Part K of Biennial Budget repealing state match for water and wastewater infrastructure investments***

Dear Sen. Rotundo, Rep. Sachs, and Members of the Appropriations and Financial Affairs Committee;
Sen. Baldacci, Rep. Meyer, and Members of the Health and Human Services Committee:

The Maine Water Utilities Association (MWUA) appreciates the opportunity to provide the following testimony against Part K of the Biennial Budget which proposes to repeal a critically important law utilizing a portion of annual state liquor revenues as the annual State Match to access millions of dollars in needed federal funds to support drinking water and wastewater system investments throughout our State.

About MWUA. MWUA is a nonprofit association based in Augusta that provides support for water works professionals throughout the State of Maine in advocating for safe drinking water through educational and technical programming as well as advocacy on the local, state, and national level. The Association was formed in 1925 and counts approximately 109 water utilities in Maine as members.

What does Part K of the Budget do? As drafted, Part K of the Budget would repeal an existing state law that directs a portion of the proceeds from State liquor operations revenue fund to the State Water and Wastewater Infrastructure Fund. This Infrastructure Fund provides the required state match to secure federal funds from the US Environmental Protection Agency used for the replacement of aging water and wastewater infrastructure around the State.

What does the State Water and Wastewater Infrastructure Fund pay for? Many Maine people and businesses in every corner of the State rely on public water systems to provide safe, potable drinking water, and they rely on publicly owned treatment works to treat wastewater generated from household and business use. To maintain these systems, communities must invest millions of dollars to ensure their water remains safe and that wastewater is properly treated. Combined, the capital maintenance needs of these systems runs into the hundreds of millions of dollars.

To help pay for the infrastructure needs of these systems, the federal government provides states with hundreds of millions of dollars each year, subject to a very favorable state match of 5 to 1. In other words, for every \$5 in federal funds available, a state must provide \$1 in local match. Few federal grant programs are as generous.

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In Maine, these funds go to the Department of Health and Human Services (DHHS) as part of the Drinking Water State Revolving Fund (DWSRF) and to the Department of Environmental Protection (DEP) as part of the Clean Water State Revolving Fund (CWSRF). The DWSRF provides funding for public water system infrastructure improvements while the CWSRF provides funding for wastewater system infrastructure improvements.

The federal funding secured by the State Match also covers the cost of many State positions at DHHS and DEP. DHHS's Drinking Water Program not only administers the DWSRF but provides regulatory oversight of more than 2,000 public water systems in Maine. Seventeen positions at the Drinking Water Program are funded through the annual federal DWSRF grant. Without access to federal funds for the seventeen positions, this critical public health program would be ineffective in fulfilling its core mission of ensuring public water systems are delivering safe drinking water.

Using the annual State Match and federal investment, as well as loan repayment funds, the DWSRF has been able to fund **more than \$350 million in public water system improvements over the past 25 years**. While the infrastructure investment over the past 25 years has been significant, the need for funding always outstrips the available funding. Typically, only about 50 percent of project requests can be funded.

Part K of the Budget would repeal the current mechanism for providing the State Match for these federal funds.

Why are liquor operation funds used as the local match for federal water and wastewater funds?

For many years, Maine provided the local match for federal water and wastewater funds through a general fund bond issue. This required running an expensive political campaign to encourage voters to approve several million dollars of money per year to leverage many times more in federal money. Given the critical nature of the investments, and the very favorable federal match, voters always approved these bonds.

More recently, the Maine Legislature decided to establish a dedicated revenue stream from liquor operations to ensure a state match for these federal funds and avoid the cost and uncertainty of a general fund bond issue. This step represented a sound fiscal policy and has helped leverage tens of millions of dollars in federal funds to support needed water and wastewater infrastructure investments. Before securing this funding source as the State match, much of the DHHS's Drinking Water Program's management teams annual work effort was focused on finding the funding each year.

Part K sets Maine back and should be removed from the Budget. As noted above, Part K of the proposed Budget would remove a critically important part of Maine law that provides dedicated state revenues to secure many times more in federal funds to support water and wastewater infrastructure investments. If Part K remains in the Budget, Maine risks losing these needed federal funds, which would be fiscally imprudent and environmentally unwise.

Conclusion. For the reasons noted above, we strongly urge the Committee to strike Part K from the Budget so that Maine can continue to provide the local match to secure many times more in federal funds to support water and wastewater infrastructure investments. If you have questions or need anything else, please let us know.

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Yours for safe drinking water,

A handwritten signature in blue ink that reads "Roger Crouse". The signature is written in a cursive style with a long horizontal stroke at the end.

Roger Crouse,
Chair, MWUA Legislative and Regulatory Affairs Committee
General Manager, Kennebec Water District

ec: Thomas Abello, Office of Governor Mills
Jeanne M. Lambrew, Commissioner, Department of Health and Human Services
Amy LaChance, Manager, Maine CDC Drinking Water Program
Melanie Loyzim, Commissioner, Department of Environmental Protection
Senator Mark Lawrence, Senate District 35
Bruce Berger, Executive Director, MWUA
James I. Cohen, Verrill Dana, LLP, Legislative Counsel