

July 23, 2025

The Honorable Tom Cole
Chairman
U.S. House Committee on Appropriations
Washington, D.C. 20515

The Honorable Rosa L. DeLauro
Ranking Member
U.S. House Committee on Appropriations
Washington, D.C. 20515

The Honorable Susan Collins
Chair
U.S. Senate Committee on Appropriations
Washington, D.C. 20510

The Honorable Patty Murray
Vice Chair
U.S. Senate Committee on Appropriations
Washington, D.C. 20510

Re: Fiscal Year 2026 Appropriations for the Clean Water and Drinking Water State Revolving Funds.

Dear Chairman Cole, Chair Collins, Ranking Member DeLauro, and Vice Chair Murray,

The National Utility Contractors Association (NUCA) represents construction contractors, manufacturers, and distributors who build and maintain a wide range of underground facilities and transportation infrastructure. Since its establishment in 1964, NUCA's member companies have provided the manpower and equipment needed to build, repair, and maintain the systems needed for water and wastewater, gas distribution, broadband, and electric infrastructure as well as critical elements of the nation's surface transportation system.

As your committees finalize the FY 2026 Interior-Environment Appropriations bill, NUCA urges Congress to fully fund the Clean Water and Drinking Water State Revolving Funds (SRFs) at their authorized levels of **\$3.25 billion each**. Additionally, we respectfully request that SRF capitalization grants be preserved in their entirety for allocation through standard SRF operations and not be reduced to fund Congressionally Directed Spending or Community Project Funding (CDS/CPF.) NUCA believes these projects to be of vital importance to their communities – but these projects should be funded in addition to a full SRF appropriation and not drawn from the annual capitalization grant.

Water infrastructure spending in the United States is facing a crisis that only Congress can address. According to the U.S. Environmental Protection Agency's 7th Drinking Water Needs Survey and Assessment (DWNSA), our country must invest \$630 billion over the next 20 years to meet drinking water needs—an increase of more than 32% over the prior assessment. Similarly, the 2022 Clean Watersheds Needs Survey found that \$630 billion is needed over the same period for wastewater and stormwater infrastructure—a more than \$450 billion increase from the previous 2012 assessment. That brings the total documented national water infrastructure need to over \$1.26 trillion over 20 years, a number that continues to grow with inflation, aging systems, regulatory demands, and environmental challenges. State and local governments already provide the overwhelming majority of annual investment in water infrastructure – accounting for over 90% of annual capital spending. The federal government must do more – not less – to meet these mounting critical infrastructure needs.

The SRF programs drive job creation and local economies and are critical for construction firms. In 2023, the Clean Water SRF funded \$8.5 billion in projects, supporting over 100,000 jobs nationwide, per EPA's 2023 CWSRF annual report. Per the 2024 "Bridging the Gap: The Power of Investment in Water" report, fully closing

the water infrastructure investment gap would add as much as \$4.5 trillion to America's GDP, create 800,000 new jobs, and increase annual household earnings by \$2,000. Investments in the SRFs are investments in American labor, American manufacturing, and American prosperity. Cutting these investments would not only forgo tremendous economic growth – it would directly shrink project pipelines, forcing layoffs and harming communities.

SRFs are among the most effective infrastructure financing tools available, and the Clean Water and Drinking Water SRFs have a decades-long track record of success. These state-managed, federally capitalized programs provide below-market financing for critical water infrastructure projects in all 50 states and territories. The revolving loan model ensures that federal funds are continually reused, generating long-term value. Since their inception, the SRFs have turned \$90 billion in federal appropriations into more than \$244 billion in water infrastructure investment—a 3:1 return on federal dollars. Today, more than \$100 billion in repayments is being recycled through the SRF system to finance new projects. Despite this success, demand for SRF financing continues to outpace available resources.

The cost of infrastructure construction has increased significantly in recent years, driven by increased labor and materials costs, escalating costs of regulatory compliance, and challenges brought on by aging and deteriorating infrastructure. Many communities are being asked to do more with less, often while grappling with aging pipes, outdated treatment systems, and new regulatory mandates. The SRFs help communities close these gaps—but only if they are adequately funded and not cannibalized by other federal spending priorities. We are deeply concerned by recent Congressional trends to draw Community Project Funding/Congressionally Directed Spending resources by reducing the base capitalization grant for the SRFs.

Currently, under the text advanced by the House Appropriations Committee for FY 2026, accounting for the initial 26% and 20.5% cuts to the Clean Water and Drinking Water SRFs and the additional funding diverted to earmarked projects as grants, only 38% of the annual FY 2025 SRF appropriation would remain available for states to allocate through normal SRF operations. This not only undermines the long-term revolving nature of the program but also hampers state capacity to meet the needs of smaller and disadvantaged communities, many of which rely exclusively on SRFs for project financing. NUCA members are responsible for building projects regardless of whether they are funded by loans or grants, but we recognize that this proposal deprives the SRFs of vital funding that could be used to assist communities and directly undermines the administration and long-term viability of the programs themselves. Under the CDS/CPF process, these dollars are permanently removed from the SRF pool – losing years' worth of added revenues that could be used to fund other projects.

These federal programs must continue because aging infrastructure threatens public safety and economic stability. The American Society of Civil Engineers' 2025 Report Card gave wastewater a D+ and drinking water a C-. These grades are unchanged from the 2021 report – despite the positive impact of IIJA, the needs are so great that only five years of elevated funding is not enough to raise the grade. Without sustained funding, systems will begin to fail – as many already have – burdening households and businesses with higher costs and communities with unsafe water. Essential projects are not optional for communities – and providers will be forced to raise their rates to pay to maintain this essential infrastructure. In short, cutting funding for the SRF programs will directly lead to higher water bills all across America.

This is not a sustainable path forward. If Congress continues to cut annual SRF appropriations, and use much of what's left of the SRF capitalization grants to fund one-off projects – rather than allowing the programs to provide the full amount of low-interest loans, as intended – states will soon run out of revolving capital to

support new loans. Communities will face higher borrowing costs, or no access to financing at all. The result will be deferred maintenance, postponed upgrades, and increased health and environmental risks.

FY 2026 is the final year of IIJA supplemental funding. If annual appropriations drop off and that funding dries up, America's water infrastructure will reach a breaking point.

NUCA urges Congress to:

- **Fully fund the Clean Water and Drinking Water SRFs at \$3.25 billion each**, as authorized.
- **Ensure 100% of that funding remains within the SRFs** and is not reduced to offset earmarks. CDS/CPF should be funded in addition to annual capitalization grants and not drawn from those funds.
- **Reinforce the sustainability of the SRFs** by preserving the revolving nature of the funds and providing stability for long-term planning and investment.

Water infrastructure is a national necessity. American communities deserve access to safe drinking water, reliable wastewater services, and resilient stormwater infrastructure systems. By protecting the integrity and capacity of the SRFs, Congress can help deliver those basic needs to every American.

Thank you for your leadership on this critical matter.

Regards,

Zachary Perconti
Vice President of Government Affairs
National Utility Contractors Association

CC:

Members of the House and Senate Appropriations Committees