

**RESOLUTION OF TMACOG  
SUPPORTING THE ESTABLISHMENT OF A FEDERAL WATER TRUST FUND  
FOR WATER SUPPLY AND SANITARY SEWERAGE INFRASTRUCTURE**

WHEREAS, the Toledo Metropolitan Area Council of Governments (TMACOG) is a voluntary association of local governments and non-governmental partners in northwest Ohio and southeast Michigan

WHEREAS, pursuant to §208 of the Federal Water Pollution Control Act Amendments of 1972, PL 92-500 and the Clean Water Act of 1977, PL 95-217, the *Areawide Water Quality Management Plan* was developed and adopted on December 19, 1976 and most recently updated June 9, 2010 TMACOG; and

WHEREAS, the Governors of Michigan and Ohio have certified the *Areawide Water Quality Management Plan* as part of the State Water Quality Management Plans for Lucas, Ottawa, Sandusky, Wood Counties, Ohio; and Bedford, Erie, and Whiteford Townships in Monroe County; and

WHEREAS, the Areawide Water Quality Management Plan identifies regionwide capital improvement needs for sanitary sewerage systems in excess of \$500 million; and

WHEREAS, Clean Water Act State Revolving Fund congressional appropriations declined from \$2.05 billion to \$0.69 billion from 1991 to 2009 despite increasing needs and more stringent water quality standards; and

WHEREAS, Ohio EPA data from 1983-2009 show that statewide sewer rates rose annually by 5.2%, and water rates rose annually 4.65% while the Consumer Price Index rose 2.8% annually: as federal funding has declined, water and sewer rates have placed increasing demands on residential, commercial, and municipal budgets; and

WHEREAS, water and wastewater infrastructure are vital requirements of our society for public health and economic growth; these infrastructure needs can only be met reliably with a dedicated, independent funding source; and

WHEREAS, on March 18, 2009 TMACOG adopted 2009-03 resolution “Stating Regional Positions on Sewerage Infrastructure Funding” which recommended, “The federal government should participate in funding projects by funding at least a base percent of mandated sewerage projects through grant funding. Implementation schedules should be based on available grant funding. Support should be in the form of grants, in preference to loans, using Clean Water Act §201 grants, USDA Rural Utility Service, or equivalent mechanisms,” and

WHEREAS, a Water Trust Fund established to provide ongoing funding for the Clean Water and Drinking Water State Revolving Funds and no other purpose would be a dependable and predictable source of funding to construct essential water and sewer infrastructure; and

WHEREAS, the TMACOG Environmental Council voted to recommend approval of this resolution at its January 27, 2011 meeting.

WHEREAS, NOW, THEREFORE, BE IT RESOLVED BY TMACOG:

THAT TMACOG supports establishment of a federal Water Trust Fund with the sole and exclusive purpose of providing funding to the Clean Water and Drinking Water State Revolving Funds; and

THAT appropriate funding mechanisms be included in Water Trust Fund legislation, drawing upon sources independent of current local, state, and federal revenues; and

THAT Water Trust Fund revenues be designed to be adequate to meet nationwide needs for financing of drinking water and sanitary sewerage infrastructure; and

THAT Water Trust Fund monies be dedicated solely to the planning, design, and construction of water and wastewater infrastructure and used on an annual basis; and

THAT TMACOG review and comment on proposed Water Trust Fund legislation, in consultation with the Environmental Council and Executive Committee, and support legislation that supports TMACOG's adopted positions; and

THAT the President be and he is hereby authorized to provide this resolution to state and federal legislators, state and federal agencies, and local jurisdictions and agencies as a statement of TMACOG policy.

Adopted by the Board of Trustees March 16, 2011

Yea xx, Nay -x-, Abstain -x-

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Theodore J. Rutherford, Chair  
TMACOG

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Anthony L. Reams, President  
TMACOG

## **Staff Report**

# **TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS**

**Subject: Water Trust Fund**

In the late 1980s sanitary sewerage construction grants through US EPA were replaced by the Clean Water State Revolving Fund. US EPA uses this mechanism to provide funding to state environmental agencies (Ohio EPA, Michigan DNRE), which then make loans to local governments and agencies to improve sewerage systems. Ohio calls its SRF the Water Pollution Control Loan Fund. These loans may be at interest lower than market rates; in some instances they have included grants, or “principle forgiveness.” In 1996 a similar Drinking Water SRF was established.

Funding for the SRFs has been provided by congressional appropriations. The appropriation levels have been set based on politics and national economics, rather than the level of water infrastructure capital improvements needed.

The Water Trust Fund is a concept that would take water infrastructure funding out of the political process by establishing a dedicated revenue source, most likely by establishing new taxes or fees. A key provision of the Trust should be inviolable prohibitions against these funds being used for any purpose other than planning, designing, and construction water and wastewater infrastructure.

The Water Trust Fund concept was developed in 2004 by a coalition of agencies that included American Public Works Association, American Society of Civil Engineers, American Water Works Association, Association of Metropolitan Sewerage Agencies, and the Water Environment Federation issued a white paper supporting the Trust concept “All Dried Up: How Clean Water is Threatened by Budget Cuts,” <http://www.citizen.org/documents/driedup.pdf>. While this document is more than five years old, it remains very relevant in a time of federal deficits and projected cutbacks.


In 2008 the General Accounting Office prepared an analysis of the Water Trust Fund concept without stating either a pro or con position. <http://www.gao.gov/new.items/d09657.pdf> In 2009 Representative Earl Blumenauer introduced legislation to establish a Water Trust Fund, called the Water Protection and Reinvestment Act. It was not adopted.

Presently one of its most active national advocates is Food and Water Watch ([http://www.citizen.org/cmep/Water/congress/trust\\_fund/](http://www.citizen.org/cmep/Water/congress/trust_fund/)).

### **Attachments**

1. Summary page from the GAO report on the Water Trust Fund (2008)
2. Michigan SRF Summary from “All Dried Up” (2004)
3. Ohio SRF Summary from “All Dried Up” (2004)

Summary page from the GAO report on the Water Trust Fund (2008)



Highlights of [GAO-09-657](#), a report to congressional requesters

### Why GAO Did This Study

The Environmental Protection Agency (EPA) has estimated that a potential gap between future needs and current spending for wastewater infrastructure of \$150 billion to \$400 billion could occur over the next decade. A number of entities are involved in planning, financing, building, and operating this infrastructure. Some of these stakeholders have suggested a variety of approaches to bridge this potential gap. One such proposal is to establish a clean water trust fund. In this context, GAO was asked to (1) obtain stakeholders' views on the issues that would need to be addressed in designing and establishing a clean water trust fund and (2) identify and describe potential options that could generate about \$10 billion in revenue to support a clean water trust fund. In conducting this review, GAO administered a questionnaire to 28 national organizations representing the wastewater and drinking water industries, state and local governments, engineers, and environmental groups and received 22 responses; reviewed proposals and industry papers; interviewed federal, state, local, and industry officials; and used the most current data available to estimate the revenue that could potentially be raised by various taxes on a range of products and activities.

GAO is not making any recommendations. While this report identifies a number of funding options, GAO is not endorsing any option and does not have a position on whether or not a trust fund should be established.

View [GAO-09-657](#) or key components. For more information, contact Anu Mittal at (202) 512-3841 or [mittal@gao.gov](mailto:mittal@gao.gov).

May 2009

## CLEAN WATER INFRASTRUCTURE

### A Variety of Issues Need to Be Considered When Designing a Clean Water Trust Fund

#### What GAO Found

In designing and establishing a clean water trust fund, stakeholders identified three main issues that would need to be addressed: how a trust fund should be administered and used; what type of financial assistance should be provided; and what activities should be eligible to receive funding from a trust fund. While a majority of stakeholders said that a trust fund should be administered through an EPA partnership with the states, they differed in their views on how a trust fund should be used. About a third of stakeholders responded that a trust fund should be used only to fund the existing Clean Water State Revolving Fund (CWSRF), which is currently funded primarily through federal appropriations, while a few said it should support only a new and separate wastewater program. A few stakeholders supported using a trust fund to support both the CWSRF and a separate program, while others did not support the establishment of a trust fund at all. In addition, more than half of the stakeholders responded that financial assistance should be distributed using a combination of loans and grants to address the needs of different localities. Finally, although a variety of activities could be funded, most stakeholders identified capital projects as the primary activity that should receive funding from a clean water trust fund.

A number of options have been proposed in the past to generate revenue for a clean water trust fund, but several obstacles will have to be overcome in implementing these options, and it may be difficult to generate \$10 billion from any one option by itself. Funding options include a variety of excise taxes as shown in the table below.

**Estimated Revenue from Excise Taxes on Products That May Contribute to the Wastewater Stream (in millions of 2009 Dollars)**

Product groups	Tax base	1% tax	5% tax	10% tax	Tax rate to generate \$10 billion
Beverages	\$95,551	\$956	\$4,778	\$9,555	10.5%
Fertilizers and pesticides	26,088	261	1,304	2,609	38.3%
Flushable products, including soaps, detergents, cooking oils, and toiletries	63,241	632	3,162	6,324	15.8%
Pharmaceuticals	156,069	1,561	7,803	15,607	6.4%
Water appliances and plumbing fixtures	25,517	255	1,276	2,552	39.2%

Source: GAO analysis of U.S. Census Bureau data from the 2005 Annual Survey of Manufactures and Foreign Trade Division.

In addition, Congress could levy a tax on corporate income. An additional 0.1 percent corporate income tax could raise about \$1.4 billion annually. Congress also could levy a water use tax. A tax of 0.01 cent per gallon could raise about \$1.3 billion annually. Regardless of the options selected, certain implementation obstacles will have to be overcome. These include defining the products or activities to be taxed, establishing a collection and enforcement framework, and obtaining stakeholder support for a particular option or mix of options.

United States Government Accountability Office

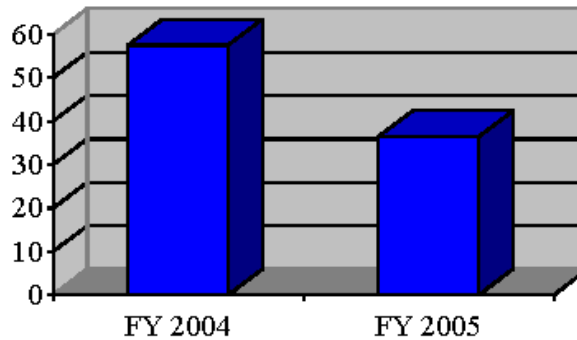
Michigan SRF Summary from “All Dried Up” (2004)

# MICHIGAN

## CLEAN WATER SRF FUNDING

- In FY 2004, Michigan received \$57.6 million in CWSRF funding.
- Under the FY 2005 Administration budget proposal and the House Appropriations Committee bill, Michigan would lose \$21.1 million in CWSRF funding. With the State 20% match and the State’s leveraging history, the total loss could be \$62.9 million.

**CWSRF FUNDING (millions)**



## WATER QUALITY NEEDS

- 24% of assessed river miles and 100% of assessed lakes in Michigan are designated as having impaired water quality. None of the Great Lakes shore miles assessed fully support fish consumption and 99% of assessed wetlands are designated as impaired.
- Leading sources of water pollution in the state include agriculture, combined sewer overflows, municipal and industrial discharges, urban runoff and unspecified nonpoint sources.
- Meanwhile at Michigan’s beaches, there were 93 beach closings or advisories in 2003.

## IMPACT ON JOBS

- In Michigan under the FY 2005 Administration budget proposal and the House Appropriations Committee bill there would be about 1,000 fewer jobs created by CWSRF funding than in FY 2004 with Federal funds and about 2,980 fewer jobs considering the State’s leveraging history.

## PROJECTS WAITING FOR CWSRF FUNDING

- Michigan has a total of 40 CWSRF projects awaiting money on its FY 2004 priority list. The estimated total cost of funding for these projects is \$1.6 billion.

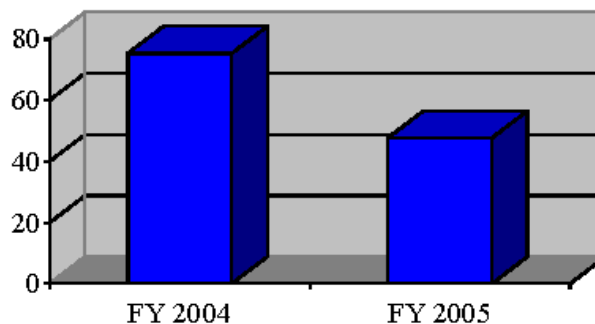
Ohio SRF Summary from “All Dried Up” (2004)

# OHIO

**CLEAN WATER SRF FUNDING**

- In FY 2004, Ohio received \$75.4 million in CWSRF funding.
- Under the FY 2005 Administration budget proposal and the House Appropriations Committee bill, Ohio would lose \$27.7 million in CWSRF funding. With the State 20% match and history of leveraging, the total loss could be \$49.3 million.

**CWSRF FUNDING (millions)**



**WATER QUALITY NEEDS**

- 45% of assessed river miles and 33% of assessed lakes in Ohio are designated as having impaired water quality, and 100% of the state’s Great Lakes shorelines are impaired for fish consumption.
- Leading sources of water pollution in the state include nonpoint source pollution from combined storm and sewer systems, runoff, habitat modifications, and flow alterations.
- Meanwhile at Ohio’s beaches, there were 255 closing or advisory days, plus six extended closings or advisories, in 2003.

**IMPACT ON JOBS**

- In Ohio under the FY 2005 Administration budget proposal and the House Appropriations Committee bill there would be about 1,315 fewer jobs created by CWSRF funding than in FY 2004 with Federal funds and about 2,340 fewer jobs considering the State’s leveraging history.

**PROJECTS WAITING FOR CWSRF FUNDING**

- Ohio has a total of 231 CWSRF projects awaiting money on its FY 2004 priority list. The estimated total cost of funding for these projects is \$1 billion.