

January 14, 2022

Michael S. Regan
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

**Re: Ensuring that Natural Infrastructure and Climate Resiliency Remain
Priorities with New SRF Funding Implementation through the Infrastructure
Investment and Jobs Act of 2021**

Dear Administrator Regan,

On behalf of the undersigned organizations, thank you for the opportunity to provide input on the Environmental Protection Agency's (EPA) implementation of the State Revolving Fund (SRF) provisions of the Infrastructure Investment and Jobs Act (IIJA), specifically with regard to how EPA includes guidance on climate resiliency and green infrastructure for use of SRF funds. Moreover, we appreciate the Office of Water's commitment to resilient and thriving communities in the face of climate change. Climate change is already contributing to increased flooding, storm events with increased intensity and frequency, more severe wildfire and drought, and significant pressure on the nation's water infrastructure. Green and natural infrastructure has been proven to help alleviate some of these negative impacts. As the nation prepares for these new challenges, green and natural infrastructure must be part of the solution in alleviating the worst of the damage inflicted by climate change. It is particularly important that low-income communities and communities of color have the resources and capacity needed to address these vulnerabilities.

Over the next five years, the IIJA will infuse more than \$40 billion of new funding into the SRF programs, providing much-needed federal support for drinking water, wastewater, and stormwater projects. Distributing these resources will require close collaboration between EPA, the states, communities, and advocates, and we look forward to engaging with you throughout the process.

As your office develops guidance on implementation of the IIJA funds for states, tribes, and territories (hereinafter "states") we want to offer our recommendations for the inclusion of climate resiliency and green infrastructure in the guidance. Additionally, although in this letter we focus specifically on the SRFs, the same core concepts apply to distribution of other water infrastructure funding from IIJA.

Below are funding recommendations for actions the agency can take to satisfy the needed funding for green infrastructure and climate resiliency. We believe with proper guidance by the EPA these goals can be met with the IIJA funds and any additional potential water infrastructure funds that may be provided.

Green Infrastructure and Climate Resiliency Goals for Federal Funding Implementation

The following objectives can help guide EPA's implementation of the new SRF funding.

- EPA and the states should continue to meet the natural infrastructure requirements laid out in previous appropriations – ensuring 10% of capitalization grants go toward the eligibilities listed within the Green Project Reserve.¹
- EPA and the states should prioritize regions that are particularly susceptible to the adverse effects of climate change, both due to physical exposure to hazards and socio-economic factors, and have not been prioritized for water infrastructure funding in the past.
- Smaller communities and projects must have readily available funding for implementing green infrastructure projects.
- EPA and the states must recognize the importance of planning funds to develop appropriate projects and maximize the use of available planning monies.
- EPA should strongly encourage state SRF programs to adopt permissible innovations that increase the flexibility, reach and effectiveness of the SRFs.

Requests for Near-Term Agency Actions

We ask EPA to take three actions, as soon as possible, to ensure that these goals are met.

First, EPA should work with state SRF administrators to ensure green and natural infrastructure funding and affordability criteria aligns with and/or are included in FEMA-approved state hazard mitigation plans. This will build resilience for communities especially vulnerable to the impacts of climate change and increase effectiveness of SRF dollars to respond to climate resiliency needs.

Second, we ask EPA to address the following topics in its forthcoming guidance to the states.

- **Assurance of Green Project Reserve Prioritization.** EPA should make clear that the 10% allocation of SRF funds remain a priority for the agency and that the new allocations determined by the states' priority lists should not negate historic Green Project Reserve eligibility considerations. Like all the previously appropriated SRF monies this fiscal year, the conditions for the allocation of these additional funds should remain the same, including the requirement to set aside funding for the GPR.
- **Consult the Comprehensive Conservation Estuary Management Plans.** To best prepare the states for the adverse effects of climate change, the states should be instructed to apply their Comprehensive Conservation Management Plans – each of these 28 programs have been well researched to improve water quality and prepare communities for climate resilience. Working with these plans can lead to more impactful projects being funded when considered through the states' project priority lists.
- **Make Engineering and Planning Funds More Readily Available.** EPA should inform the state administrators that IJA SRF funds can be used toward planning and design grants or principal forgiveness loans and provide guidance, examples, and/or technical support to accomplish this. Ensuring the accessibility of engineering and planning funds

¹ https://www.epa.gov/sites/default/files/2015-04/documents/green_project_reserve_eligibility_guidance.pdf

will help small municipalities and programs to efficiently and effectively implement natural infrastructure projects.

- **Highlight the Built-In Flexibilities of the SRFs.** As documented in recent EPA publications, SRF program managers generally have the authority to employ SRF allocations in ways that increase access to SRF funds, leverage those funds with additional non-federal investments, effectively use SRF funds in combination with federal grant programs, and expand the value of state and federal SRF contributions.² While some state SRF programs have pioneered these creative applications of SRF resources, few states have followed this lead. EPA should incentivize wider adoption of these flexibilities.
- **Provide incentives to identify new projects and to provide technical support.** States will naturally be inclined to focus on projects already on their Intended Use Plan (IUP) lists, however many communities may not have the knowledge, resources or capacity to identify and apply for funds to support green infrastructure and climate resiliency projects from the SRF programs. EPA should provide technical assistance to communities to help identify applicable green projects and support applications for funds, as well as incentivize state programs to build their own technical assistance support systems, to identify new priority projects and assist smaller and underserved entities in applying for SRF funds.

Third, we ask EPA to put in place a tracking system to identify SRF funded projects. Due to the varied nature of state SRF programs, it is difficult to collect data to inform the number and type of projects funded by the SRF. In particular, green projects are very broadly defined in appropriations language, making it challenging to understand what types of green projects are being funded, who benefits from these projects, and how this varies state-to-state. We request the EPA to develop an easily accessible data collection program to better identify the types of green projects funded through the SRFs, where they are located and if the population being served by the project is an environmental justice community. Specific categories would be particularly useful (such as habitat restoration, etc.) as well as geocoding the location and boundaries of specific projects in the benefits reporting system.

Thank you for considering these recommendations. Our organizations are available to provide guidance, collectively and/or individually, and share additional details. As EPA moves forward with IJA implementation, we would also welcome the opportunity to facilitate a briefing for you and your staff by state and local water advocates and community leaders who have first-hand experience with the challenges and advantages of various state SRF policies as well as the challenges communities face more broadly in creating more resilient and green spaces.

Sincerely,

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² "Financing Options for Nontraditional Eligibilities in the Clean Water State Revolving Fund Programs," EPA Publication 830B17003, May 2017, available at https://www.epa.gov/sites/default/files/2017-05/documents/financing_options_for_nontraditional_eligibilities_final.pdf

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