



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 8, 2007
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 720 - Water Quality Financing Act of 2007

(Rep. Oberstar (D) MN and 32 others)

The Administration strongly opposes H.R. 720, which authorizes excessive Federal funding for the Clean Water State Revolving Fund (SRF) and mandates the application of Davis-Bacon Act prevailing wage requirements “to the construction of treatment works carried out in whole or in part” with SRF funding. For the reasons described below, if H.R. 720 were presented to the President in its current form his senior advisors would recommend that he veto the bill.

The bill would expand Davis-Bacon Act coverage to a program that has not been subject to any Davis-Bacon requirements since 1994 - first by reinstating coverage for Federally-funded clean water state revolving fund projects, and second by expanding Davis-Bacon Act coverage to non-Federal clean water projects, including for the first time ever, projects financed by funds contributed solely by States and moneys repaid to the state revolving fund. This provision will increase project costs and impose new administrative burdens on States. Furthermore, it is contrary to the Administration’s long-standing policy of opposing any statutory attempt to expand or contract the applicability of Davis-Bacon Act prevailing wage requirements.

In addition, the bill’s total authorization of \$14 billion for the SRF during fiscal years 2008-2011 represents on average a more than 250 percent increase over recent appropriation levels and is unrealistic in the current fiscal environment. This excessive authorization will distort market signals by discouraging utilities and their consumers from moving toward full cost pricing, as they have elsewhere. Instead, this bill may encourage municipalities to delay undertaking needed infrastructure projects to wait for Federal subsidies, potentially diminishing reliability and increasing the eventual costs to the public.

To provide additional opportunities to communities for financing needed wastewater infrastructure, Congress should enact the Administration’s Water Enterprise Bond proposal, which would provide an exception to the unified annual State volume cap on tax-exempt qualified private activity bonds for wastewater and drinking water projects. To ensure the long-term financial health and solvency of these drinking water and wastewater systems, communities using these bonds must have demonstrated a process that will move toward full-cost pricing for services within five years of issuing the Private Activity Bonds. Consequently, this proposal will attract more private capital to meet the infrastructure needs of these sectors, help water and wastewater systems become self-financing, and minimize the need for future subsidies.

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