

Notes on water infrastructure bills
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HB1406

- Establishes Water infrastructure Assistance Fund to continuously appropriate funds for the purposes of the water infrastructure assistance program.
- Authorizes IFA to establish:
 - Interest rates
 - Parameters for establishing interest rates
 - Credit risk
 - Environmental, water quality and health protection
 - Affordability
 - Other
 - During life of asset financed, if appropriate, conduct or participate in efforts to determine and eliminate non-revenue water loss.
 - Prioritization of awards based on model with following parameters:
 - Public health and safety
 - Effect on rates
 - Collaboration
 - Water loss Audit
 - Best Practices
 - At least 40% of awards to utilities serving less than 3,200 customers
 - Awards to provide guarantees, reserves, sinking funds, etc.
 - Use money to provide leveraged loan program and other financial assistance.

HB1438

- Establishes water infrastructure task force to study subjects related to water and wastewater infrastructure
- Requires a water utility to submit a water loss report every year beginning July 1, 2021
- Requires biennial independent level one validation of water loss report
- Requires URC to adopt water loss rules and consider rules to regulate water loss
- Requires IDEM to establish and maintain a water data collection hub
- Requires Environmental Rules Board to establish rules for data hub
- Urges governor to create water coordinator
- Directs task force to study
 - Storm water management
 - Indiana water resource quality and quantity
 - State-wide water supply and demand planning
 - Examine inventory of state water resources
 - Inclusion of non-municipal water users in municipal drinking water systems

SB4

- Establishes Stormwater Management Task Force
- Requires governor to appoint executive branch water data officer who will:
 - Coordinate water related programs and activities in state
 - Advise/coordinate state agencies re funding streams, data, collaboration
 - Coordinate data analytics and planning
- Requires IFA to divide state into study areas to collaboratively determine water and wastewater priorities
- Requires annual water audits, independently verified biennially
- Allows revocation of permits if no life cycle, cost benefit, capital asset management plan and cybersecurity plan prepared.
- Allows for no public disclosure of above plans
- Must participate in study area to get loan or grant
- Study area must include multiple counties and consider watersheds, water sources and other relevant factors

This effort was spurred by Senator Charbonneau in order to identify funding for water infrastructure, encourage consolidation of Indiana's 554 independent water systems, concentrate state leadership on water issues in the Indiana Finance Authority and answer basic and critical questions about Indiana's current and long-term water supply (Northwest Indiana Times; Dec 19, 2016). The Task Force was charged with studying and exploring funding mechanisms for drinking water, wastewater and stormwater management projects and planning, along with making recommendations for standards, regionalization, and methods for non-point source pollution reduction. In brief, their recommendations were to:

- prioritize public health,
- establish an executive branch position to coordinate data collection and analysis,
- develop standards and benchmarks based on health risks,
- prioritize funding based on health risk and
- re-establish the task force to address stormwater management.

These are recommendations that I fully support. IWRA formed its Regional Water Planning Committee in order to contribute to efforts initiated by the Water Infrastructure Task Force. Our first meeting was convened February 26. The concerns and cautions voiced by many in the room led me to have more conviction in my own concerns.

This is an important effort to address our critical needs for infrastructure improvement and water quality improvement. Many who addressed the task force emphasized that water quality is a critical concern in the state and that climate change and infrastructure are important

priorities. While there is no doubt that there is a need for water infrastructure improvement and water resource planning, the method by which this is accomplished is complex. Concerns that I have that were echoed by some of the IWRA committee include:

1. Regionalization of water systems could accommodate inter-basin transfers to accommodate growth. This discussion immediately moved to past proposals to move water from Lake Monroe to Indianapolis and to move water from the Ohio River to Southeast Indiana cities via extensive pipelines. Inter-basin transfers carry significant negative impacts, as witnessed by the water rights chaos created in the western states. Legislation that enables the consolidation of water utilities could also allow these utilities to exert strong political influence over decisions about water distribution and growth. The task force mandate and conclusions assume that water resources planning should be geared towards accommodating growth, ignoring the possibility that water resources might be a natural and necessary limit to growth.
 2. There are programs and statutes in existence to address some of these water resource planning and water quality issues. These programs and projects are underfunded, some to the point of ignoring the existing statutes. We should avoid adding another layer of bureaucracy of regional water authorities when IDEM and IDNR funding is woefully insufficient for their mandate. I understand that none of the current bills proposes regional water authorities, but the formation of regional collaboration/planning areas under the IFA leans in that direction. In my opinion, it would be a mistake to move the mandate (and funding) for water resource planning to the IFA since the IFA would tend to focus on economic benefits to the possible detriment of the environment.
 3. Water study areas that serve for infrastructure planning, stormwater management and water resource planning are not likely to be the same. Collaboration across counties may be beneficial for water resource planning if the counties share the same water resource (aquifer or watershed), but multi-county planning for infrastructure improvement may not be closely tied to hydrologic boundaries. One size does not fit all. Forced collaboration may prove to be costly and counter-productive to small utilities, whereas financial and technical support for collaborative activities that might occur more naturally through watershed groups, industry organizations or regional water resource alliances, such as the White River Alliance may be welcomed. Glen Miller, from Morgan County Rural Water Corporation, spoke to the task force in an eloquent manner stating that “Investigation and quantification of water supplies may be helpful information for planning, but terms such as regionalization suggest a loss of identity for small community utilities; many of which were created to fill a void of service caused by geographic or population boundaries.” He noted that participation in the Central Indiana Water Collaborative, on a **voluntary** basis, has been very helpful.
- There is a need to prioritize funding for water infrastructure improvement. I support the task force recommendation that health is considered as the top priority. However, prioritizing funding based on a specific model may be more rigid guidance than is useful or necessary. As one of my IWRA colleagues stated, models can be manipulated to hide all sorts of agendas. As a hydrologic modeler working on

environmental restoration projects for the U.S. government, I wholeheartedly agree. Straight-forward priorities, such as those used by IDEM in managing the 319 program may prove more effective and less political.

- Provisions to ensure at least 40% of awards to small utilities is essential. While it is wise to ensure that the utility has done enough planning to ensure that the improvement and financing are sound, requirements for annual water audits with biennial independent evaluation may deter small systems from seeking assistance and making improvements. Although water utility consultants may like the idea of requirements for audits and reports, the financial burden may be overwhelming for smaller utilities. Nolan Hendon of the City of Bloomington Utilities suggests that free software is available for these audits from the American Water Works Association and that leak detection surveys have a payback period of less than one year. Perhaps the state could provide assistance and education to encourage and enable small systems to take advantage of these freely available tools that are the standards for the industry, rather than set up mandatory audits and biennial verification. Revocation of permits for failure to have a capital asset management plan and cybersecurity plan could be seen to be designed to force small systems out of business, rather than help them serve their community.

Again, I strongly support efforts to address critical needs regarding water infrastructure and water resource planning.