



March 10, 2021

The Honorable Peter DeFazio
House Transportation and Infrastructure Committee
Washington, D.C. 20515

The Honorable Frank Pallone
House Energy and Commerce Committee
Washington, D.C. 20515

The Honorable Richie Neal
House Ways and Means Committee
Washington, D.C. 20515

The Honorable David Scott
House Agriculture Committee
Washington, D.C. 20515

Dear Chairmen DeFazio, Pallone, Neal, and Scott,

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our concerns regarding H.R. 1352, the "Water Affordability, Transparency, Equity and Reliability" (WATER) Act, of which your committees have jurisdiction. Though H.R. 1352 is a well-intentioned attempt to address our country's ailing underground water infrastructure, we believe there are better and more cost-effective solutions to achieve the goals of this legislation. Additionally, the provision to raise taxes on businesses in the midst of a pandemic is, in our view, a non-starter that could actually hinder those goals from being reached. To this end, NTU opposes the WATER Act in its current form.

As an organization dedicated to taxpayer interests, NTU believes it is essential to strike a responsible balance between maximizing the value of the dollars spent while also making sure there are adequate investments to improve overall infrastructure in the first place. For several years we have engaged with lawmakers on both sides of the aisle to enact legislation aimed at repairing our country's ailing underground water and wastewater infrastructure systems. We recognize too many communities suffer from contaminated water systems, corroded pipe networks, and frequent water-main breaks that can bring people's lives and commerce to a standstill. However, we also recognize that these realities must be dealt with alongside another reality: taxpayer dollars are limited and also wasted in many infrastructure endeavors.

First and foremost, the sponsors of this legislation are correct in noting that Washington can, and should, take a leading role in repairing our water and wastewater infrastructure. However, in our view, the biggest obstacle to long-term use of sustainable pipes is not a lack of federal resources, but rather a lack of free market competition. One way to bring that beneficial cost-effectiveness to underground infrastructure would be to allow for an open and competitive bidding process for pipe materials. A 2013 study by our organization found that such a process, assuming certain selection decisions, could have saved water ratepayers and taxpayers an average total amount of \$371 billion, or 17.4 percent of the total replacement value of *existing* U.S. underground water pipe infrastructure. About one-fourth of these savings would occur over an approximate initial 25-year time span.

This figure did not include additional potential savings on *new* pipe infrastructure over the life cycle. A separate study conducted by Massachusetts-based BCC Research found removing barriers to competition could save up to 39 percent per mile in pipe costs alone.

By opening municipal procurement and ensuring that more competitive bidding is tied to federal funds for underground infrastructure, the U.S. will save hundreds of billions of dollars in the long term.

NTU was proud to work on a bipartisan bill over the last several years to foster a competitive bidding process for water infrastructure projects. In 2019, eleven Members, including six Democrats and five Republicans introduced the “Sustainable Municipal Access to Resilient Technology in Infrastructure (SMART Infrastructure)” Act. Enactment of this legislation in the current Congress would pave the way to an economy that wastes less energy, utilities that are more efficient, and pipe networks with much longer life cycles.

The SMART Infrastructure Act would not mandate one particular material over another or force engineers to choose any materials that they do not believe is best suited for their project. This legislation is about opening up markets, not propping up monopolies or imposing mandates. Furthermore, the legislation will not retroactively impact any current or previously authorized infrastructure projects. By allowing for an open and competitive bidding process going forward, project managers and engineers will be empowered like never before to evaluate different options and select materials for infrastructure projects which, informed by their professional judgment, will enhance performance, increase durability, and reduce costs to taxpayers.

Many of the federal funds devoted to infrastructure flow to state, county, or local agencies and are applied to projects that are managed locally. Within this flow of funds, issues of economic inefficiency arise due to the fact that many states, counties, and localities limit or direct which materials can be used in publicly-funded infrastructure and construction projects. In many cases, such dictates result in selection of materials that are more susceptible to corrosion, less durable, and more expensive over the life cycle.

Second, raising taxes on job creators during this period of economic hardship jeopardizes the strength of the recovery. Under this legislation, the corporate income tax rate would rise by 3.5 percentage points, bringing the tax rate to 24.5 percent. This new rate would be higher than the OECD average, especially when factoring in additional state-level taxes. Moreover, increasing the corporate income tax would undermine the progress policy makers made four years ago when they enacted the pro-growth Tax Cuts and Jobs Act.

Raising the corporate income tax to 24.5 percent would raise north of \$300 billion over the next decade, according to an analysis by the nonpartisan Tax Foundation. Economists generally agree that business taxes are ultimately passed onto workers and consumers, either through lower wages or higher prices. And regardless of the share in tax hikes borne by businesses vs. workers, an increase of this magnitude will harm the U.S. economy at an extraordinarily fragile time. The ironic result, over the long term, could therefore be less additional revenue than policymakers anticipate.

Instead of higher tax burdens - which is the last thing our economy needs - Congress should reduce outlays elsewhere in the budget to fund these national priorities. This approach will better serve American businesses and potentially make better use of existing portions of the budget.

Addressing the underground water infrastructure needs of our nation should be a major priority, and could potentially be addressed in a large-scale infrastructure package sometime in the near future. While we do oppose the WATER act, we do not oppose smart investments to improve water infrastructure in a bipartisan, cost-effective manner. We hope to work with you on this critical matter to achieve outcomes that benefit taxpayers, your constituents, and others who rely on this infrastructure daily.

Sincerely,

Thomas Aiello
Director of Federal Affairs