

# THE BOND BUYER

## All financing options on table for EPA's lead pipe replacement rule

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Water systems will need to turn to municipal bonds, federal loans, state revolving funds [and federal legislative help](#) to meet a new Environmental Protection proposal requiring water systems to replace all lead pipes within the decade.

"It's a big task," said Dan Hartnett, chief advocacy officer at the Association of Metropolitan Water Agencies. "We'll be encouraging our members to look at the variety of financing options. A lot is going to come from individual ratepayers."

Under the [EPA's newly proposed Lead and Copper Rule Improvements](#), water systems have to inventory and then replace all lead service lines. The EPA estimates there are 9.2 million lead pipes that would need to be replaced. The American Water Works Association puts the price tag at \$90 billion, while the EPA estimates the cost at \$20 billion to \$30 billion.



**"We'll be encouraging our members to look at the variety of financing options," said Dan Hartnett, chief advocacy officer of the Association of Metropolitan Water Agencies, on the EPA's new proposal to replace all lead pipes nationally within 10 years. *AMWA***

The rule would also lower the level of lead allowed in the water, which will require systems to take action, like corrosion control, to control lead until lines are replaced.

The proposal requires water systems to show consistent progress toward replacing pipes with a minimum of 10% of lead pipes replaced annually, and requires systems to first complete a full inventory of its lead pipes. It includes some exceptions and "off-ramps," said Alan Roberson, executive director of the Association of State Drinking Water Administrators.

"This is a big deal," Roberson said, saying his organization is focused on the impact on states, which will be the recipients for much of the federal money.

The proposal is part of the Biden administration's goal of removing 100% of lead pipes, which can cause significant health and developmental problems, especially for children. Lead line replacement, as opposed to corrosion treatment or other mechanisms, has gained national attention and support since Flint, Michigan's [water contamination crisis](#) in 2014.

The money getting the "most attention" from water systems now is the \$15 billion allocated in the Infrastructure Investment and Jobs Act, which is appropriated in \$3 billion tranches annually through 2026, Hartnett said.

The money is distributed as formula funds to states based on their drinking water needs, not their lead pipe replacement needs, said Hartnett. The IIJA also allocates an additional \$11.7 billion in funding from the Drinking Water State Revolving Fund, though [much of that money traditionally goes to other water infrastructure projects](#), said Roberson. "That fund is already tapped out with other infrastructure," Roberson said.

Systems will also look to Water Infrastructure Finance and Innovation Act loans, which are generally reserved for larger projects. The city of Chicago, whose lead pipe replacement price tag is estimated at \$8.5 billion, [has won a \\$336 million WIFIA loan](#) to help cover costs.

AMWA is also lobbying for passage of a bill that would enable public utilities to more easily tap muni bonds. The Financing Lead Out of Water, or FLOW, Act, would allow public utilities to bypass the IRS' private business use test when using tax-exempt bonds to finance the replacement of privately owned lead lines.

Replacing the public lines can already be financed with tax-exempt bonds, but the bill would eliminate the IRS rule that requires utilities to prove that no more than 10% of bond proceed would benefit a private trade or business.

The bill, introduced by Flint Rep. Dan Kildee, has bipartisan support, said Hartnett. It's currently in the House Ways and Means Committee and the Senate Finance Committee, and the hope is that Congress takes it up next year as part of a larger tax vehicle, he said.

"We think WIFIA and the IIJA and SRF and the FLOW Act can all be pieces of the puzzle," Hartnett said.

After the rule is published to the Federal Register next week, parties will have 60 days to comment on it. The EPA will hold an informational webinar on Dec. 6 and a public hearing on Jan. 16.