



MICHIGAN CHAPTER

Sierra Club Support:

RE: HB 5088-5093

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SB 549/HB 5088: Low income residential water affordability program

SB 550/HB 5089: Funding source (2\$ per meter monthly fee)

SB 551/HB 5090: Shut off protections

SB 554/HB 5091: Tenant submetering

SB 552-553/HB 5092-5093: Decriminalize water reconnections

SB 25: Human right to water

Honorable members of the House Natural Resources Committee:

I have the honor of testifying in support of the water affordability package before you today on behalf of Sierra Club Michigan. You have heard a comprehensive review of these bills from sponsors and stakeholders, including details of the inspiring consensus advocates and utility operators have reached with Senator Chang's leadership. Instead of repeating what you have already heard, I will use my testimony to address a sliver of history justifying our claim that this package is a real triumph for water affordability advocates. Because these bills start from a proper understanding of the root cause of the water affordability crisis they provide a real solution.

So, what is the root cause of the "water affordability crisis? The short story is that we funded the construction of our water infrastructure with federal dollars, and as funding was reduced significantly, utilities needed to move to increasingly risky debt-financing to maintain it. Let me say more about how this happened and the problems it has created.

Almost all of our water infrastructure was built decades ago with billions of dollars in federal money, and instead of prioritizing ongoing maintenance we spent 40ish years leaning into the collective delusion that different versions of individual rate-payer structures can keep pace with the real cost of infrastructure maintenance. We've snapped out of that delusion thanks to the recent science quantifying costs of controlling the health impacts of "emerging contaminants" in drinking water, the COVID-19 pandemic exposing the dramatic public health consequences of depriving Michiganders access to water, and worsening climate impacts straining all our infrastructure. Thanks to recent federal leadership we are starting to see improved levels of funding for water infrastructure. The package before you today is another important step. The income-based rate structure and a modest meter fee make it a water affordability package. Most importantly, these bills are not premised on tweaking an individual rate-payer-structure to imply a fix to the chronic underfunding of our water infrastructure.

When the Clean Water Act passed in 1972 Congress properly funded its implementation through 1984, providing what the Congressional Research Office called at the time the "largest nonmilitary public works program since the Interstate Highway System." After 1984 we moved away from federal funding to a mix of more localized debt-financing and other rate-payer based tools to cover infrastructure repair costs. By the early 2000s, the financial cost of water system improvements shifted almost entirely from the federal government to states and local governments. In the words of James Fausone in his former role as Chairman of the Board of Water Commissions for the DWSD, "There [was] an absolute lack of national and state planning on water infrastructure, except on the backs of individual users," (Georgetown Law, 2013, pp. 20). Cities and other local

entities responsible for water and sewer service were forced to turn to risky debt-financing deals in the absence of responsible long term funding plans. This only made things worse.

What unfolded in Detroit in the early aughts provided an accelerated worst-case scenario for how the rest of Michigan would soon struggle to varying degrees. By 2005 water and sewer rates were rising rapidly because interest payments on the bonds the city floated to comply with basic Clean Water Act regulations were added to individual water bills. Not only did rate-payer dollars not add up to the cost of maintaining our infrastructure, more of Detroit's rate payer dollars went to covering interest payments for Wall Street investors instead of proper infrastructure repairs because debt-financing deals were required to secure the upfront capital for big projects. For example, even while in bankruptcy, Detroit was making payments of 36 million dollars a year to UBS and Bank of America (formerly Merrill Lynch), just to cover risky debt-servicing swap agreements. Emergency manager Kevyn Orr knew this was a bad deal - he acknowledged in bankruptcy proceedings that these predatory financing deals were done at the behest of investment banks that profited from the transactions.

We do not have a water affordability crisis because some Michiganders can't pay their bills. Instead, we've been paying the wrong bills – we've been paying interest on bad debt instead of paying for our infrastructure upfront. Furthermore, we've blamed people suffering the worst consequences under this irresponsible fiscal regime instead of blaming the people profiting from it at our expense. Michiganders suffering from water shut offs have been the ones with the least control over the myriad of institutional interests that created the water affordability problem—until now.

Senator Chang and the other House and Senate bill sponsors have changed the game. Literal years of work have been put into the package of bills before you. Most importantly, Senator Chang's process meaningfully brought together low income Michiganders affected by water shut-offs with utility operators across the state. The result is not just a op-ed coauthored by Sylvia Orduño and Gary Brown, (which must be acknowledged as truly miraculous—especially by those of us around in either 2005 or 2015), but also a mutually beneficial set of agreements and compromises that moves us closer to ensuring ongoing, safe, water for all Michiganders. These bills create the structure of an affordability program that meets the needs of low income residents, utilities of all sizes, and community program administrators across the state.

Before you is a brilliant consensus-driven package that alleviates immediate suffering while also putting in place the statutory structure we need as we work towards real long term funding sources for our water utilities. I am thrilled to offer Sierra Club's enthusiastic support and I encourage members of the committee to move these bills forward as swiftly as possible so that we can sing your praises to our 150,000 members and supporters.

Thank you,
Christy McGillivray
Sierra Club Michigan
Political and Legislative Director