

May 4, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

RE: Fourth Coronavirus Response Legislation

Dear Speaker Pelosi and Leader McCarthy:

We understand from news reports and public statements that the fourth coronavirus response legislation will focus on delivering vital economic assistance to states and localities. We appreciate this emphasis on local agencies struggling during these unprecedented times, and below describe elements that must be part of any Phase IV package of assistance. At the same time, we stress that in addition to Phase IV relief, Congress should subsequently prioritize a national infrastructure financing program that includes water and wastewater. It is vital that any package provide for substantial federal infrastructure investment for the clean water sector. The California Association of Sanitation Agencies (CASA) represents more than 125 public wastewater utilities including city, county and special district agencies. Our members serve ratepayers and businesses that are facing unparalleled economic and public health threats during these uncertain times.

As you and your colleagues consider assistance to state and local governments, we request that you ensure special districts are included in any definition of local government. Special districts are an essential unit of local government in California and across the nation, and they were unfortunately excluded from the first round of coronavirus state and local relief. CASA's special district wastewater agencies are charged with protecting public health and safety and are experiencing the same stresses and impacts as cities and counties and deserve equal consideration in Phase IV relief efforts.

The requests for Phase IV are in direct response to the economic and public health challenges our agencies have and continue to experience because of COVID-19 impacts. We reiterate our earlier requests and that they be included in the fourth package as detailed below.

Special District Eligibility for Direct Assistance: CARES provided directed assistance to state and local agencies. However, this assistance did not extend such financial support to special districts under the Act. This is due to the fact that CARES Title IV defines eligible entities for assistance as a political subdivision of a State and, under Title IV, only units of local governments as eligible for assistance under the Coronavirus Relief Fund (Fund). This definition inadvertently excludes special districts from federal assistance eligibility and consequently shuts out a substantial portion of the public sector that provides critical public services during this crisis. This is especially true in California where many of our largest wastewater providers, serving millions of Californians, are special districts. We request that you clarify this eligibility

inequity by providing special districts a dedicated set-aside of funding assistance in the fourth package.

Ratepayer Assistance: To assist ratepayers struggling financially under these new economic pressures, CASA urges Congress to include direct assistance to low-income ratepayers and other ratepayers as part of the next assistance package. CASA agencies rely almost exclusively upon fees and charges collected from the public, including both homeowners and businesses, and assistance to ratepayers also represents support for the continuing operation of the agencies themselves. CASA recommends that at least \$3 billion be appropriated to address the growing need to support ratepayers and to ensure that utilities have a source of revenue to offset the losses incurred to date.

Equal Tax Treatment: CARES provided the private sector with significant tax credits to help offset the costs of mandatory paid sick, family and medical leave. Unfortunately, this offset was not extended to the public sector, even though public agencies are also liable for related taxes. We urge that the prohibition on tax credits to public agencies contained in CARES be repealed as part of this next phase of assistance and refer you to our earlier coalition letter on this issue for additional details.

Size Limitation on Assistance: CARES provided critical funding assistance to support to State and local government efforts to address the numerous public health and services obstacles created by the spread of COVID-19. However, the assistance was extended only to state and local governments with populations greater than 500,000. This means that localities with fewer than 500,000 residents must rely upon their states to receive support. Smaller water and wastewater agencies will experience the same negative impacts as larger entities, yet they are essentially excluded from this form of direct assistance. CASA urges Congress to correct this assistance limitation by clarifying that special districts and local governments are eligible for funding assistance and assistance regardless of population size.

Bond Purchases: The CARES Act authorized the Federal Reserve to purchase, sell or trade municipal obligations and other instruments to ensure liquidity of the financial markets. This is vital, and although the precise needs of municipalities are not yet known, we encourage you to review whether the \$400 billion in authorized activity is adequate given the growing scale of the pandemic. We also request that the advance refunding of tax-exempt bonds be reinstated. This measure was removed for bonds issued after 2017. Reinstatement would allow local governments and other qualified entities to have access to billions of dollars which could be reallocated and spent on other projects.

Summary: The next phase of federal assistance must, at a minimum, do the following:

- Provide at least \$3.0 billion in direct federal assistance to low-income ratepayers and economically impacted ratepayers;
- Provide special districts with their own funding set-aside to support their critical public health services that communities rely upon during this crisis;
- Clarify that public agencies are eligible for the same tax credits for payment of payroll taxes that were extended to the private sector under the Families First package; and

- Provide a significant increase in the Federal Reserve's ability to purchase, trade or sell municipal bonds to avoid destabilizing impacts to the bond market.

Thank you for your attention to this important issue. Please do not hesitate to contact me at (916) 446-0388 or alink@casaweb.org if you need additional information regarding these requests.

Sincerely,



Adam D. Link
Executive Director

cc: Members of the California Congressional Delegation