

# ENVIRONMENTAL FINANCIAL ADVISORY BOARD

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April 27, 2021

The Honorable Michael Regan  
Administrator  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, N.W.  
Mail code 1101A  
Washington, DC 20460

Dear Mr. Regan:

On behalf of the Environmental Financial Advisory Board, I would like to congratulate you on your appointment by President Biden and your confirmation by the United States Senate as the 16th administrator of the United States Environmental Protection Agency. My purpose in writing is to bring to your attention the valuable mission of EFAB.

The EPA financing programs are essential for expanding state and local capacity to address critical water infrastructure funding challenges. The members of EFAB also want to directly express their collective commitment to support your leadership in this area by identifying opportunities for federal action that can improve prospects for delivering effective and resilient infrastructure to our local government partners. As you may know, EFAB is chartered under the Federal Advisory Committee Act, 5 U.S.C. App. 2 and operates under applicable EPA policies. In keeping with the Board's Charter, we provide nonpartisan policy advice and recommendations to the EPA administrator through the Office of Water with regard, but not limited to, the following:

- “Reducing the cost of financing sustainable environmental facilities, discouraging polluting behavior, and encouraging stewardship of national resources” (Charter Section 3.a);
- “Creating incentives to increase private investment in the provision of environmental services and removing or reducing constraints on private involvement imposed by current regulations” (Charter, Section 3.b);
- “Developing new and innovative financing approaches and supporting and encouraging the use of cost-effective existing approaches” (Charter, Section 3.c);
- “Assessing government strategies for implementing public-private partnerships, including privatization and operations and maintenance issues and other alternative financing mechanisms” (Charter, Section 3.e); and

- “Increasing the total investment in environmental protection and stewardship of public and private environmental resources to help ease the environmental financing challenge facing our nation” (Charter, Section 3.h.).

The current board is comprised of 33 volunteer members, including experienced senior professionals with deep expertise in finance from a cross-section of private businesses (16 members), state and local government (13 members), the non-profit sector (3 members), and research universities (1 member). We meet biannually in the early spring and fall. The discussions and deliberations among board members result in reports and recommendations, which are delivered directly to the EPA administrator and leadership within the agency. Recent examples of EFAB projects and reports include:

- *Funding Strategies to Promote System Regionalization* (April 2019)
- *Funding for Pre-Disaster Resiliency* (June 2019)
- *A Decision-Maker's Guide to Alternative Service Delivery Options for Public Utility Projects* (June 2019)
- *Revenue Options for a Waste Backhaul Service Program in Rural Alaska* (August 2019)
- *Evaluating Stormwater Infrastructure Funding and Financing* (March 2020)
- *Consultation on Financing and Governance Options for the Backhaul Alaska Program* (April 2020)

Though each of these reports provides invaluable guidance to EPA, I call your attention to two that offer important examples of the board’s continuing contributions regarding federal engagement in environmental infrastructure financing. First, in 2020, EFAB produced a report called *Evaluating Stormwater Infrastructure Funding and Financing*<sup>1</sup> in response to Section 4101 of the 2018 America’s Water Infrastructure Act. As the report indicates, current stormwater funding mechanisms and public education initiatives are not sufficient to confront the significant infrastructure financing needs across the nation. As a result, federal investment is required to address the lack of state and local funding and to improve multi-jurisdictional stormwater management to help close the estimated \$7-10 billion annual funding gap. Second, EFAB investigated effective investment and funding strategies that reduce risks to essential water infrastructure and post-disaster costs attributable to extreme natural events and chronic flooding in a report entitled *Funding for Pre-Disaster Resilience*.<sup>2</sup>

These two important reports demonstrate the depth and breadth of the EFAB members’ subject matter expertise, particularly as it relates to private sector engagement in infrastructure financing and investment. The board remains a unique resource to you and the agency as you face our nation’s daunting needs in the post-pandemic recovery. Investing in critical infrastructure, both green and gray, is essential for public health, safety, and welfare, as well as economic prosperity

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<sup>1</sup> [https://www.epa.gov/sites/production/files/2020-04/documents/efab-evaluating\\_stormwater\\_infrastructure\\_funding\\_and\\_financing.pdf](https://www.epa.gov/sites/production/files/2020-04/documents/efab-evaluating_stormwater_infrastructure_funding_and_financing.pdf)

<sup>2</sup> [https://www.epa.gov/sites/production/files/2019-12/documents/funding\\_for\\_pre-disaster\\_resiliency\\_june\\_25\\_2019.pdf](https://www.epa.gov/sites/production/files/2019-12/documents/funding_for_pre-disaster_resiliency_june_25_2019.pdf)

and environmental equity. To that end, the board is working in collaboration with EPA staff to explore and examine the most timely financing and investment issues, including:

- The role of infrastructure financing and investment in advancing social and environmental justice;
- Risk assessment and the cost of capital for infrastructure;
- Expanding regional approaches to scaling water-based infrastructure financing and investment;
- Enabling Clean Water Act funds to be used to purchase desired outcomes (e.g., validated water quality improvements) to reduce costs and scale more efficient water quality restoration solutions;
- Establishing guidance to NPDES permit writers for Municipal Separate Storm Sewer Systems and their permittees on how to standardize and expand market-based solutions to meet compliance targets; and
- Expanding the efficiencies and impacts of water.

Ultimately the board's function is to provide the EPA administrator and other leadership with guidance and expertise on a variety of environmental financing and investment topics, issues, and challenges. Part of what makes EFAB an important resource is its capacity to identify the nation's most pertinent environmental financing issues and to make thoughtful recommendations regarding new and innovative federal policies. Perhaps no issues have ever been more pressing and important than those related to the impact of climate change on the nation's long-term economic growth. The Biden Administration's efforts to reestablish the United States as a global leader on addressing the climate challenge will rest in no small part on our nation's collective capacity to scale investment in critical environmental infrastructure. EFAB stands ready to be an immediate resource to you and to engage on critical climate financing topics including:

- Leveraging the unique capacity of institutional structures such as green banks, climate reserve funds, climate banks, and climate resilience finance authorities to accelerate implementation of both climate mitigation and adaptation projects and interventions. This may include issues such as financing sustainable agriculture, ecosystem restoration and protection, and facilitating climate resilience through investments in natural infrastructure.
- Examining new ways to make communities more resilient to the impacts of climate change and a host of environmental challenges by expanding financial returns on investment and financing to include more holistic social and environmental factors.
- Expanding the scale and breadth of the climate economy through better linkages between urban and rural environmental and natural resource restoration funding and financing.
- Accelerating large-scale ecosystem restoration and protection by investing in the co-benefits of climate change mitigation and resilience (e.g., stacking carbon and water quality payments to farmers and landowners). This includes identifying opportunities to encourage interstate activities that seek to pool private capital and leverage the State Revolving Fund loan programs.

- Recommending options to ensure more impactful and direct funding and financing assistance to Justice40 communities, and to identify new approaches to ensure that diverse voices be heard to accurately reflect needs and priorities of their communities.

As you work to address these and other critical financing issues over the next few years, EFAB stands ready to provide its expertise and to recommend innovative and durable policy interventions that will bring about transformational environmental, economic, and social change in communities across the country.

In closing, I would welcome a chance to meet with you to discuss in more detail how EFAB can further your initiatives and advance sound environmental stewardship.

Sincerely,

A handwritten signature in black ink, appearing to read "Joanne M. Throwe". The signature is written in a cursive style with a large, looped initial "J" and a distinct "M." before the last name.

Joanne Throwe  
Chair, Environmental Financial Advisory Board