

# CRS Issue Brief for Congress

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## **Safe Drinking Water Act: Implementation and Issues**

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Mary Tiemann  
Resources, Science, and Industry Division

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## Safe Drinking Water Act: Implementation and Issues

### SUMMARY

In the 108<sup>th</sup> Congress, key drinking water issues involve water infrastructure funding and problems caused by specific contaminants, such as the gasoline additive methyl tertiary butyl ether (MTBE), perchlorate, and lead in drinking water. Congress last reauthorized the Safe Drinking Water Act (SDWA) in 1996, and although funding authority for most SDWA programs expired in FY2003, broad reauthorization efforts are not expected as EPA, states, and water utilities continue implementing the 1996 amendments.

Both chambers have passed bills that address MTBE contamination. The Senate passed S. 195, an underground storage tank leak prevention and cleanup bill. The House passed the conference report for H.R. 6, and passed H.R. 4503, two energy bills that contain provisions similar to S. 195.

In response to concerns about perchlorate contamination, Congress has required health studies of perchlorate in P.L. 108-136 (H.R. 1588), the Department of Defense Authorization Act of FY2004. Other bills to address perchlorate contamination of drinking water include H.R. 2123, S. 502, and S. 820. Bills introduced to strengthen the regulation of lead in drinking water are H.R. 4268 and S. 2377.

Concerns over the security of the nation's drinking water supplies were addressed by the 107<sup>th</sup> Congress through the Bioterrorism Preparedness Act (P.L. 107-188), which amended SDWA to require community water systems to conduct vulnerability assessments and prepare emergency response plans. The 108th Congress has remained interested in this

issue, particularly through the oversight and funding of water security improvement efforts.

A continuing drinking water issue concerns the availability of funding for infrastructure projects needed by public water systems to comply with SDWA standards and to meet other needs. Congress authorized a drinking water state revolving fund (DWSRF) program in 1996 to help communities finance projects needed to meet SDWA standards. However, studies show that a large funding gap exists and will grow as SDWA requirements increase and infrastructure ages. The omnibus appropriations act for FY2004 (P.L. 108-199) included \$845 million for this program.

Concern over the costs of drinking water standards has blended into the larger debate over the federal role in assisting communities with financing drinking water infrastructure — an issue that has become more challenging in a time of tightened budgets. Particularly at issue is the financial and technical capacity of small water systems to comply with the growing number of SDWA regulations. The Senate Environment and Public Works Committee ordered reported S. 2550, a water infrastructure financing bill that increases funding for the DWSRF, provides more technical assistance to small systems, and includes a grant program for qualified systems. Several other bills, including H.R. 3328, S. 1432, and S. 1732, would authorize grant programs to help primarily small communities comply with standards. H.R. 4717 would provide new regulatory flexibility for small systems.

## **MOST RECENT DEVELOPMENTS**

On June 23, the Senate Environment and Public Works Committee ordered reported S. 2550, a bill to improve drinking water and wastewater infrastructure. In response to high levels of lead in drinking water in Washington D.C., the House Committee on Government Reform held hearings on March 5 and May 21, 2004, and the Senate Environment and Public Works Committee held a hearing on April 7, 2004. On January 23, 2004, the President signed into law the Consolidated Appropriations Act for FY2004 (P.L. 108-199), which included \$850 million (\$845 million, after applying a mandatory 0.59% across-the-board reduction) for the drinking water state revolving fund (DWSRF) program. The Act also included \$102.6 million for state public water system supervision grants, \$11 million for underground injection control grants, and \$5 million for Drinking Water Program State Homeland Security Coordination grants, all subject to the mandatory 0.59% reduction.

Congress also has passed bills to address contamination caused by methyl tertiary butyl ether (MTBE). While not amending the Safe Drinking Water Act, these bills address a water contamination issue that has become a key concern for many water systems. The bills include the energy bill, H.R. 6 (the conference report was approved by the House on November 18, 2003), and S. 195, a leaking underground storage tank (LUST) bill, which the Senate passed in May 2003. The bills strengthen the underground storage tank program and authorize appropriations from the LUST Trust Fund specifically to address leaks containing MTBE and other oxygenated fuel additives (e.g., ethanol). H.R. 6 also includes a product liability safe harbor for MTBE and renewable fuels. The Senate did not invoke cloture on H.R. 6, and a new energy bill, S. 2095, was placed on the Senate Calendar in February 2004. S. 2095 includes the LUST provisions of H.R. 6, but does not contain the fuels safe harbor. On June 15, 2004, the House passed H.R. 4503, a bill very similar to H.R. 6.

## **BACKGROUND AND ANALYSIS**

### **Introduction**

The Safe Drinking Water Act (SDWA), title XIV of the Public Health Service Act (42 U.S.C. 300f-300j-26), is the key federal law for protecting public water supplies from harmful contaminants. First enacted in 1974 and widely amended in 1986 and 1996, the Act is administered through programs that regulate contaminants in public water supplies, provide funding for infrastructure projects, protect sources of drinking water, and promote the capacity of water systems to comply with SDWA regulations. The 1974 law established the current federal-state arrangement in which states and tribes may be delegated primary enforcement and implementation authority (primacy) for the drinking water program by the Environmental Protection Agency (EPA), which is the federal agency responsible for administering the law. The state-administered Public Water Supply Supervision (PWSS) Program remains the basic program for regulating public water systems, and EPA has delegated primacy for this program to all states, except Wyoming and the District of Columbia (which is defined as a state under SDWA); EPA has responsibility for implementing the PWSS program in these two jurisdictions. (See also CRS Report RL31243, *Safe Drinking Water Act: A Summary of the Act and Its Major Requirements.*)

More than 90% of people in the United States get their drinking water from one of the nearly 53,400 community water systems nationwide. Congress passed the SDWA in 1974, after a nationwide study of community water systems revealed widespread water quality problems and health risks resulting from poor operating procedures, inadequate facilities, and poor management of water supplies in communities of all sizes. Since then, government and private efforts to implement the Act have led to better public water system management and more information about, and greater confidence in, the quality of water provided at the tap.

Significant progress has been made during the 28 years of the federal drinking water program. Some 91 drinking water contaminants are now regulated, and EPA reports that the population served by community water systems that met all health-based standards increased from 83% in 1994 to 91% in 2002. Nonetheless, drinking water safety concerns and challenges remain. EPA and state enforcement data indicate that public water systems still incur tens of thousands of violations of SDWA requirements each year. These violations primarily involve monitoring and reporting requirements, but also include thousands of violations of standards and treatment techniques. Moreover, monitoring and reporting violations create uncertainty as to whether systems actually met the applicable health-based standards. Concern also exists over the potential health effects of contaminants for which drinking water standards have not been set, such as perchlorate (the main ingredient in solid rocket fuel) and the gasoline additive methyl tertiary butyl ether (MTBE).

## The 1996 SDWA Amendments

The 104<sup>th</sup> Congress made numerous changes to the Act with the SDWA Amendments of 1996 (P.L. 104-182), culminating a multi-year effort to amend a law that was widely criticized as having too little flexibility, too many unfunded mandates, and an arduous but unfocused regulatory schedule. Among the key provisions, the 1996 amendments authorized a drinking water state revolving loan fund (DWSRF) program to help public water systems finance projects needed to comply with SDWA rules. The amendments also established a process for selecting contaminants for regulation based on health risk and occurrence, gave EPA some added flexibility to consider costs and benefits in setting most new standards, and established schedules for regulating certain contaminants (such as *Cryptosporidium*, arsenic, and radon). The law added several provisions aimed at building the capacity of water systems (especially small systems) to comply with SDWA regulations, and it imposed many new requirements on the states including programs for source water assessment, operator certification and training, and compliance capacity development. The amendments also required that community water suppliers provide customers with annual “consumer confidence reports” that provide information on contaminants found in the local drinking water. The law authorized appropriations for SDWA programs through FY2003.

## Regulated Public Water Systems

Federal drinking water regulations apply to some 161,000 privately and publicly owned water systems that provide piped water for human consumption to at least 15 service connections or that regularly serve at least 25 people. (The law does not apply to private, residential wells.) Of these systems, roughly 53,400 are *community water systems* (CWSs) that serve a residential population of nearly 270 million year-round. All federal regulations apply to these systems. (Roughly 15% of community systems are investor-owned.) Nearly 18,700 public water systems are *non-transient, non-community water systems* (NTNCWSs),

such as schools or factories, that have their own water supply and serve the same people for more than six months but not year-round. Most drinking water requirements apply to these systems. Another 89,000 systems are *transient non-community water systems* (TNCWSs) (e.g., campgrounds and gas stations) that provide their own water to transitory customers. TNCWSs generally are required to comply only with regulations for contaminants that pose immediate health risks (such as microbial contaminants), with the proviso that systems that use surface water sources must also comply with filtration and disinfection regulations.

Of the 53,363 community water systems, roughly 84% serve 3,300 or fewer people. While large in number, these systems provide water to just 10% of the population served by all community systems. In contrast, 7% of community water systems serve more than 10,000 people, and they provide water to 81% of the population served. Fully 85% (15,900) of non-transient, non-community water systems and 97% (86,400) of transient noncommunity water systems serve 500 or fewer people. These statistics give some insight into the scope of financial, technological, and managerial challenges many public water systems face in meeting a growing number of complex federal drinking water regulations. Table 1 provides statistics for community water systems.

**Table 1. Size Categories of Community Water Systems**

System size (population served)	Number of Community Water Systems	Population Served (millions)	Percent of Community Water Systems	Percent of Population Served
Very small (25-500)	30,417	5.01	57%	2%
Small (501-3,300)	14,394	20.26	27%	7%
Medium (3,301-10,000)	4,686	27.20	9%	10%
Large (10,001-100,000)	3,505	98.71	7%	36%
Very large (>100,000)	361	122.15	1%	45%
Total	53,363	273.33	100%	100%

Adapted from: US Environmental Protection Agency. Factoids: Drinking Water and Ground Water Statistics for 2003. Available at Internet website: [[http://www.epa.gov/safewater/data/pdfs/factoids\\_2003.pdf](http://www.epa.gov/safewater/data/pdfs/factoids_2003.pdf)].

## Issues in the 108<sup>th</sup> Congress

Current drinking water issues involve infrastructure funding needs; the security of water supplies; small system capacity to comply with SDWA; and contamination of drinking water by specific contaminants, including lead and the unregulated contaminants, MTBE and perchlorate. Other issues include how the states are faring in their efforts to implement the Act, particularly the provisions added by the 1996 amendments. Although appropriations for most SDWA programs were authorized only through FY2003, a broad reauthorization bill is not expected. Rather, various bills have been offered to address specific issues, such as infrastructure funding and contamination by lead, MTBE, and perchlorate. As with other EPA-administered statutes having expired funding authority, the programs do not expire as long as Congress continues to appropriate funds for these programs.

## Regulating Drinking Water Contaminants

**Standard-Setting.** The Safe Drinking Water Act directs EPA to promulgate National Primary Drinking Water Regulations for contaminants that may pose public health risks and that are likely to be present in public water supplies. These regulations generally include numerical standards to limit the amount of a contaminant that may be present in drinking water. Where it is not economically and technically feasible to measure a contaminant at very low concentrations, EPA establishes a treatment technique in lieu of a standard.

To develop a drinking water regulation, EPA must address a variety of technical issues. The agency must (1) determine the occurrence of a contaminant in the environment, and especially in public water systems; (2) evaluate human exposure and risks of adverse health effects to the general population and to sensitive subpopulations; (3) ensure that analytical methods are available for water systems to use in monitoring for a contaminant; (4) evaluate the availability and costs of treatment techniques that can be used to remove a contaminant; and (5) assess the impacts of a regulation on public water systems, the economy, and public health. Consequently, regulation development typically is a multi-year process. EPA may expedite procedures and issue interim standards to respond to urgent threats to public health.

After reviewing health effects studies, EPA sets a nonenforceable maximum contaminant level goal (MCLG) at a level at which no known or anticipated adverse health effects occur and that allows an adequate margin of safety. EPA also considers the risk to sensitive subpopulations (e.g., children). For carcinogens and microbes, EPA sets the MCLG at zero. Because MCLGs consider only health effects and not analytical detection limits or treatment technologies, they may be set at levels that water systems cannot meet. Once the MCLG is established, EPA sets an enforceable standard, the maximum contaminant level (MCL). The MCL generally must be set as close to the MCLG as is “feasible” using the best technology or other means available, taking costs into consideration.

EPA has relied on legislative history to determine the meaning of “feasible.” Most recently, the Senate report accompanying the 1996 amendments stated that feasible means the level that can be reached by large, regional drinking water systems applying best available treatment technology. The report explained that this approach is used because 80% of the population receives its drinking water from large community water systems, and thus, safe water can be provided to most of the population at very affordable costs. (About 80% of the population is served by systems that serve a population of 10,000 or more.) However, because standards are based on cost considerations for large systems, Congress expected that standards could be less affordable for smaller systems. An issue in the 1996 reauthorization debate concerned whether the costs of some standards were justified, given their estimated risk-reduction benefits. As amended, the Act now requires EPA, when proposing a standard, to publish a determination as to whether or not the benefits of a proposed standard justify the costs. If EPA determines that the benefits do not justify the costs, EPA, in certain cases, may promulgate a standard less stringent than the feasible level that “maximizes health risk reduction benefits at a cost that is justified by the benefits.”

**Recent and Pending Rules.** EPA’s recent rulemaking activities include a 1998 rule package that expanded requirements to control pathogens, especially *Cryptosporidium* (Interim Enhanced Surface Water Treatment Rule (SWTR)) and disinfectants (e.g., chlorine) and their byproducts (e.g., chloroform) (Stage 1 Disinfectant and Disinfection Byproduct

Rule). In 2002, EPA issued the Long Term 1 Enhanced SWTR to improve control of microbial pathogens among small systems. EPA also has issued new rules for several radionuclides, including radium (now in effect), and a revised standard for arsenic that water systems must comply with by January 2006.

In 2004 and 2005, EPA expects to complete several related rulemakings, including a groundwater rule to establish disinfection requirements for systems relying on ground water (this rule is intended to protect against fecal bacteria contamination in these systems); and a rule package that includes the Stage 2 Disinfectants and Disinfection Byproduct Rule and the Long Term 2 Enhanced Surface Water Treatment Rule. These rules build on the rules issued in 1998 to strengthen public health protection from disinfectants, their byproducts, and pathogens. EPA also is working to issue a final radon rule that was due in 2001.

Many other contaminants are being studied for possible regulation, including MTBE and perchlorate. EPA identified these contaminants as candidates for regulation in 1998, but concluded that information was insufficient at that time to make a regulatory determination. EPA listed MTBE and perchlorate as priorities for further research on health effects and treatment technologies, and as priorities for collecting occurrence data. In 2002, EPA issued a draft risk assessment for perchlorate. In March 2003, EPA, the Department of Defense, and other agencies requested the National Academies of Science (NAS) to advise EPA on questions related to that assessment. The NAS study is expected to be available late in 2004. Relatedly, the Department of Defense Authorization Act of FY2004 (P.L. 108-136, H.Rept. 108-354) requires an independent epidemiological study and endocrinological review of human exposure to perchlorate in drinking water. H.R. 2123 and S. 502 would require EPA to promulgate a drinking water regulation for perchlorate by July 1, 2004.

**Lead in Drinking Water.** Members of Congress have long expressed concern over the effective regulation of lead in drinking water, because lead from various sources (including paint in older homes, soil, and water) poses one of the main environmental threats to children's health. Lead contamination has emerged as an issue in Washington, D.C., where drinking water monitoring revealed marked increases in the levels of lead in tap water in recent years. The local water authority's scant response to these monitoring results angered citizens and severely damaged public trust in the local water supply. These events have led policy makers and others to examine the overall effectiveness of EPA's lead regulation, including its monitoring and public notification requirements, as well as EPA's oversight and enforcement of the regulation. Hearings have been held by the House Committee on Government Reform the Senate Environment and Public Works Committee. H.R. 4268 and S. 2377 have been introduced to strengthen the regulation of lead in drinking water.

**Lead Rule Overview.** In 1991, EPA issued the Lead and Copper Rule (56 *FR* 26460) to replace an interim lead regulation that included a standard of 50 parts per billion (ppb) that was outdated and not protective of public health. Epidemiological research had shown that adverse health effects from exposures to lead occur at lower levels and are worse than previously thought, particularly for infants and children. (There is no known safe level of exposure to lead, and recent studies suggest that very low levels of lead may adversely affect children's neurological development.) In 1988, EPA had proposed a regulation that would have established an enforceable lead standard (maximum contaminant level (MCL)) of 5 ppb applicable to water leaving the treatment plant and also would have required a treatment technique (corrosion control) to further reduce lead in drinking water. Commenters on the



proposal expressed concern that a standard applicable at the treatment plant would not indicate the amount of lead in tap water, and that compliance at the tap was essential. EPA and utilities were concerned that an MCL applied at the tap would not be feasible because lead in household plumbing could be a major cause of violations of a lead standard applied at the tap — a situation beyond the control of the water system. This issue reflected the problem with regulating lead. Unlike most contaminants, lead is not normally present in water as it leaves the treatment plant; rather, lead occurs in drinking water primarily as a corrosion by-product, entering water as it travels through pipes in the distribution system and in household plumbing. The primary sources of lead in drinking water are lead pipes, lead solder that has been used in plumbing systems, and brass plumbing fixtures that contain lead.

The final Lead and Copper Rule (LCR) did not include an enforceable standard. Instead, the LCR established a treatment technique (corrosion control) to prevent lead from leaching into drinking water. The rule generally required all large water systems (serving more than 50,000 people) to conduct corrosion control studies and recommend an optimal corrosion control treatment to the state (or to EPA in the case of Washington, D.C.). Smaller systems were required to optimize corrosion control when monitoring showed that it was needed. The state or EPA then approved or designated a treatment as optimal, and systems were given two years to install corrosion control and one year to conduct followup monitoring. Optimizing corrosion control is complex, and the “optimal” treatment can change as water characteristics change and as utilities add new treatment processes to meet other drinking water regulations.

The LCR also established a lead “action level” of 15 ppb at the tap, based on the 90<sup>th</sup> percentile level of water samples. Water systems are required to sample tap water in homes and buildings that are at high risk of lead contamination. If lead concentrations exceed 15 ppb in more than 10% of taps sampled, the system is required, within 60 days, to inform customers about lead’s health effects and sources, and what can be done to reduce exposure. The system must continue to deliver educational materials as long as it exceeds the action level. If the system continues to exceed the action level after installing optimal corrosion control, it must replace 7% of the lead service lines under its ownership each year, and must offer to replace the privately owned portion of a service line (at the owner’s expense).

**Federal and Local Efforts.** EPA, the D.C. Water and Sewer Authority (WASA), and other local officials have worked with the U.S. Army Corps of Engineers to determine the cause of the elevated lead levels in the District of Columbia. (The Corps treats and supplies water from the Washington Aqueduct to the District and several communities.) It appears that changes in treatment processes, made by the Corps to comply with another EPA regulation, may have made the water more corrosive, thus causing more lead to be leached from lead pipes in the distribution system and from lead plumbing inside homes and other buildings. In November 2000, the Corps changed its secondary disinfection treatment from free chlorine to chloramines to comply with an EPA regulation that placed strict limits on disinfection byproducts. Starting with the monitoring period, July 2001 through June 2002, more than 10% of tap water samples taken by WASA exceeded the action level.

EPA has undertaken a national review of lead monitoring by water systems since 2000 to determine whether this problem is widespread. Thus far, EPA has not identified a systemic problem of increased lead levels among water systems. As of June 1, 2004, EPA had received monitoring data for 744 (89%) of the 834 systems that serve more than 50,000 people. EPA reports that 27 of these systems (3.6%) had exceeded the action level at least

once since 2000, and 12 of the systems exceeded the action level during 2003. Most (66%) of the systems serving more than 50,000 people reported that the highest level observed during any monitoring period since 2000 was less than 5 ppb. For systems serving between 3,300 and 50,000 people, 237 (3.4%) of 7,833 systems reporting had exceeded the action level since 2000; 76 systems exceeded the action level for monitoring period ending after January 2003. Most systems (71%) in this size category reported that the highest level observed during any monitoring period since 2000 was less than 5 ppb.

EPA also has reviewed its performance in overseeing and enforcing WASA's compliance with the LCR. In June, EPA determined that WASA had failed to comply with numerous lead sampling, public notification, and reporting requirements. EPA and WASA reached a consent agreement that requires WASA to replace more than 1,600 lead service lines, improve its public education program, and upgrade its database management systems. The Corps of Engineers has been working with a multi-agency work group to develop a new corrosion control treatment process, and began testing a new process in June. If successful, the process will soon be extended throughout the Washington Aqueduct's service area.

On a national level, EPA has been assessing compliance with the lead rule. The agency also is reviewing the rule to determine whether major changes are needed, including whether EPA should replace the action level with an enforceable standard, as some Members of Congress have urged. In May, two companion bills, H.R. 4268 and S. 2377, were introduced to strengthen the regulation of lead in drinking water; hasten the replacement of lead service lines; increase monitoring, public notification and education requirements; and remediate lead in school drinking water. On June 23, 2004, provisions addressing lead contamination were approved by the Senate Environment and Public Works Committee during markup of S. 2550, a water infrastructure financing bill. (See also CRS Report RS21831, *Lead in Drinking Water: Washington, D.C., Issue and Broader Regulatory Implications.*)

**Methyl Tertiary Butyl Ether (MTBE).** An issue that has received attention since the 104<sup>th</sup> Congress concerns the contamination of drinking water by MTBE. For technological and cost reasons, this gasoline additive has been widely used to meet the Clean Air Act requirement that reformulated gasoline (RFG) contain at least 2% oxygen to improve combustion. RFG is required for use in areas that fail to meet the federal ozone standard. However, numerous incidents of water contamination by MTBE in recent years have led to calls for restrictions on its use. Seventeen states, including California and New York, have enacted limits or phase-outs of the additive. There is no federal drinking water standard for MTBE; however, at least 7 states have set their own MTBE drinking water standard.

The primary source of MTBE in drinking water has been petroleum releases from leaking underground storage tank (UST) systems. Once released, MTBE moves through soil and into water more rapidly than other gasoline components, thus making it more difficult and costly to clean up than conventional gasoline leaks. Although MTBE is considered to be less toxic than some other gasoline components (such as benzene), even small amounts of MTBE can render water undrinkable because of its strong taste and odor. These characteristics have made MTBE use an important issue for water suppliers and consumers.

In 1997, EPA issued a drinking water advisory for MTBE based on consumer acceptability (for taste and smell). Advisories provide information on contaminants that have not been regulated under SDWA. They are not enforceable, but provide guidance to water

suppliers and others regarding potential health effects or consumer acceptability. While the MTBE advisory is not based on health effects, EPA states that keeping MTBE levels in the range of 20-40 micrograms per liter ( $\mu\text{g/L}$ ) or lower for consumer acceptability reasons would also provide a large margin of safety from potential adverse health effects.

EPA also has taken steps that could lead to the issuance of a drinking water standard for MTBE. In 1998, EPA included MTBE on a list of contaminants that are potential candidates for regulation. Compounds on the contaminant candidate list are categorized as regulatory determination priorities, research priorities, or occurrence priorities. Because of data gaps on health effects and occurrence, EPA placed MTBE in the category of contaminants for which further occurrence data collection and health effects research are priorities. Thus, although EPA did not select MTBE for regulation, the agency has pursued research to fill data gaps so that a regulatory determination may be made. The next round of determinations is scheduled for 2006, although EPA can make determinations outside of this cycle.

The 108<sup>th</sup> Congress has passed legislation to address drinking water contamination by MTBE. The Senate has passed an underground storage tank bill, S. 195 (S.Rept. 108-13), which authorizes appropriations from the Leaking Underground Storage Tank (LUST) Trust Fund for cleaning up MTBE contamination and adds new leak prevention, inspection, and enforcement requirements to the federal tank regulatory program. The conference report for the Energy Bill, H.R. 6 (H.Rept. 108-375) also would enhance the leak prevention and enforcement provisions of the federal UST program, broaden the allowable uses of the Trust Fund, and authorize Fund appropriations for addressing leaks containing MTBE or other oxygenated fuel additives (e.g., ethanol). It essentially adopts the language of H.R. 3335, which is similar to Senate-passed S. 195. The House passed the conference report on November 18, 2003; however, a cloture vote failed in the Senate. The House passed a nearly identical energy bill, H.R. 4503, on June 15, 2004.

A contentious provision of H.R. 6 would provide a “safe harbor” prohibiting products liability lawsuits, alleging manufacturing or design defects, against producers of fuels containing MTBE and renewable fuels, such as ethanol and bio-diesel. H.R. 6 states that the safe harbor may not be construed to affect liability for remediation costs, drinking water contamination, or negligence. However, with liability for manufacturing and design defects ruled out, plaintiffs would have to demonstrate negligence in the handling of such fuels, a more difficult legal standard to meet. Thus, public water suppliers widely oppose the safe harbor provision and have expressed concern that it could leave communities paying much of the cost for cleaning up contamination by fuels containing MTBE or ethanol. Manufacturers argue that a safe harbor provision is reasonable, given that the fuels are used to meet federal fuel mandates, and that the paramount problem lies with leaking tanks, not with the fuels. S. 2095, a modified version of H.R. 6, was introduced on February 12, 2004, and placed on the Senate Calendar. This bill contains the same UST provisions as H.R. 6, but does not include a defective-product safe harbor for MTBE or renewable fuels. (See also, CRS Report RS21201, *Leaking Underground Storage Tanks: Program Status and Issues*.)

## Drinking Water Infrastructure Funding

**Drinking Water State Revolving Fund.** A persistent SDWA issue concerns the ability of public water systems to upgrade or replace infrastructure to comply with federal drinking water regulations and, more broadly, to ensure the provision of a safe and reliable

water supply. In the 1996 SDWA Amendments, Congress responded to growing complaints about the Act's unfunded mandates and authorized a drinking water state revolving loan fund (DWSRF) program to help water systems finance infrastructure projects needed to meet drinking water standards and address the most serious health risks. The program authorizes EPA to award annual capitalization grants to states. States then use their grants (plus a 20% state match) to provide loans and other assistance to systems. Communities repay loans into the fund, thus making resources available for projects in other communities. Eligible projects include installation and replacement of treatment facilities, distribution systems, and certain storage facilities. Projects to replace aging infrastructure are eligible if they are needed to maintain compliance or to further public health protection goals.

Congress authorized funding totaling \$9.6 billion, including \$1 billion for each of FY1995 through FY2003 for the DWSRF program. Since FY1997, Congress has provided roughly \$6.94 billion, including \$850 million for FY2004 (\$844.9 million when adjusted for an across-the-board 0.59% reduction). The President has requested \$850 million for FY2005. Through June 2003, EPA had awarded more than \$5 billion in capitalization grants that, when combined with the state match, bond proceeds, and other funds, amounted to \$8.04 billion in DWSRF funds available for loans and other assistance. Through that same period, more than 3,100 loans had been made, and 5,333 discrete projects had received assistance. Total assistance provided by the program reached \$6.37 billion. (For more information, see CRS Report 97-677, *Safe Drinking Water Act: State Revolving Fund Program*.)

**Funding Issues.** The DWSRF program is generally well regarded; however, many organizations and state and local officials argue that greater investment in drinking water infrastructure is needed. EPA's latest survey of capital improvement needs for water systems estimated that communities need to invest \$150.9 billion on drinking water infrastructure improvements over 20 years (1999-2018) to comply with existing drinking water regulations and to ensure the provision of safe water. The survey excluded funds needed for compliance with several recent regulations (including the revised arsenic and radium rules) and pending rules for radon and other contaminants; nor did it consider funds needed for security upgrades. These requirements are expected to substantially increase needs estimates.

A related issue is the need for communities to address infrastructure needs that are outside the scope of the DWSRF program and, thus, generally are ineligible for assistance from this source. Ineligible categories include future growth, ongoing rehabilitation, and operation and maintenance of systems. According to EPA, outdated and deteriorated drinking water infrastructure poses a fundamental long-term threat to drinking water safety, and in many communities, basic infrastructure costs could far exceed SDWA compliance costs.

In September 2002, EPA issued *The Clean Water And Drinking Water Infrastructure Gap Analysis*, which identified potential funding gaps between projected needs and spending from 2000 through 2019. This analysis estimated the potential 20-year funding gap for drinking water and wastewater infrastructure capital and operations and maintenance (O&M), based on two scenarios: a "no revenue growth" scenario and a "revenue growth" scenario that assumed spending on infrastructure would increase 3% per year. Under the "no revenue growth" scenario, EPA projected a funding gap for drinking water capital investment of \$102 billion (roughly \$5 billion per year) and an O&M funding gap of \$161 billion (\$8 billion per year). Using revenue growth assumptions, EPA estimated a 20-year capital funding gap of \$45 billion (\$2 billion per year), and no gap for O&M.

Other needs assessments also reveal a funding gap. A Congressional Budget Office study, *Future Investment in Drinking Water and Wastewater Infrastructure*, concluded that current funding from all levels of government, combined with current revenues from ratepayers, will not be sufficient to meet the nation's future demand for water infrastructure. In 2000, the Water Infrastructure Network (WIN) (a coalition of state and local officials, water service providers, environmental groups and others) reported that, over the next 20 years, water and wastewater systems need to invest \$23 billion annually more than current investments to meet SDWA and Clean Water Act health and environmental priorities and to replace aging infrastructure. In the 107<sup>th</sup> Congress, WIN and other groups presented proposals to Congress for a multi-billion dollar investment program in water infrastructure. Others, however, called for more financial self-reliance within the water sector.

The President's budget request for FY2004 addressed EPA's Gap Analysis. The request proposed that funding be continued at a level of \$850 million annually through FY2018. EPA's budget justification explains that this level of support would allow DWSRFs to revolve at a cumulative level of \$1.2 billion (more than double the previous goal of \$500 million) and would help close the funding gap for drinking water infrastructure needs.

In the face of large estimated needs, federal budget constraints, and debate over the federal role in funding water infrastructure, EPA, states, localities, and water utilities have been examining alternative management and financing strategies to address water system costs. Strategies include establishing public-private partnerships (privatization options range from contracting for services to selling system assets), improving asset management, and adopting full-cost pricing for water services.

Drinking water infrastructure financing and related compliance issues continue to be of interest in the 108th Congress, and several bills have been introduced that would increase DWSRF funding levels. On June 23, the Senate Environment and Public Works Committee ordered reported, amended, S. 2550, a drinking water and wastewater infrastructure financing bill that authorizes \$15 billion over five years for the DWSRF, and directs states to reserve a portion of their DWSRF grant to make grants for up to 55% of project costs to qualified communities. The committee adopted several amendments, including an amendment that applies Davis-Bacon prevailing wage requirements to projects receiving any DWSRF assistance, and an amendment that directs the Water Resources Planning Council to conduct a special study on water resources, including water security issues.

## **Drinking Water Security**

Congress addressed drinking water security issues in the Bioterrorism Preparedness of 2002 (P.L. 107-188, H.Rept. 107-481), which amended SDWA to require community water systems to conduct vulnerability assessments and prepare emergency response plans. In the 108<sup>th</sup> Congress, attention has focused on several issues including the progress utilities have made in meeting the requirements of the Bioterrorism Act and in addressing identified vulnerabilities, and whether utilities need more resources to make security improvements. S. 2269, introduced in April 2004, would authorize EPA to make grants for utilities to improve security and authorize funds for the water information sharing and analysis center.

A key provision of the Bioterrorism Act requires each community water system serving more than 3,300 individuals to assess their vulnerability to terrorist attacks or other

intentional acts to disrupt the provision of a safe and reliable drinking water supply. Combined, these systems serve more than 90% of the population served by community water systems. These systems must certify to EPA that they have conducted a vulnerability assessment and give EPA a copy of the assessment. The Act also requires these systems to prepare or revise emergency response plans incorporating the results of the vulnerability assessments no later than six months after completing them. Table 2 outlines the schedule for utilities to submit their assessments to EPA and to complete emergency response plans.

**Table 2. Community Water System Deadlines under the Bioterrorism Act**

<b>System size by population (approx. no. of systems)</b>	<b>Vulnerability assessments must be completed</b>	<b>Emergency response plans must be completed</b>
100,000 or more (425)	March 31, 2003	September 30, 2003
50,000 - 99,999 (460)	December 31, 2003	June 30, 2004
3,301 - 49,999 (7,500)	June 30, 2004	December 31, 2004

The Bioterrorism Act authorized \$160 million for FY2002, and sums as may be needed for FY2003 through FY2005, to provide financial assistance to community water systems to assess vulnerabilities, prepare response plans, and address security enhancements and significant threats. The emergency supplemental appropriations for FY2002 (P.L. 107-117) provided \$90 million for assessing the vulnerabilities of drinking water utilities and other security planning, and \$5 million for state grants for assessing drinking water safety. In FY2002, EPA awarded roughly \$53 million in water security grants to help the largest public water systems complete vulnerability assessments by the March 31, 2003 deadline.

Vulnerability assessments for systems serving between 50,000 and 100,000 were due December 31, 2003. Federal grants were not available for these and smaller systems covered by the Bioterrorism Act's requirements. Instead, EPA, states and water organizations have provided vulnerability assessment tools, guidance documents, training, and technical assistance to support security enhancement efforts among these systems. Similar assistance is also being provided for remaining 84% of community water systems that serve 3,300 or fewer and are not required to do vulnerability assessments and emergency planning.

For FY2003, EPA requested \$16.9 million for vulnerability assessments for small and medium-sized systems and \$5 million for state water security coordinators to work with EPA and utilities in assessing drinking water safety. The Consolidated Appropriations Resolution for FY2003 (P.L. 108-7) provided this amount plus \$2 million for the National Rural Water Association to help small systems conduct vulnerability assessments, and \$1 million to the American Water Works Association to provide drinking water security training.

For FY2004, EPA requested, and received, \$32.4 million for critical water infrastructure protection, including \$5 million for state water security coordination grants. This funding has supported states' efforts to work with water and wastewater systems to develop and enhance emergency operations plans; conduct training in the implementation of remedial plans in small systems; and develop detection, monitoring and treatment technology to enhance water

security. EPA has used funds to assist the nearly 8,000 community water systems that serve water to populations between 3,300 and 100,000 and are subject to the Bioterrorism Act.

For FY2005, EPA requested \$5 million for state water security grants and \$6.1 million for other critical infrastructure protection efforts. This \$21.3 million reduction reflects a shift in priorities from assistance and training on vulnerability assessments. (See also CRS Report RL31294, *Safeguarding the Nation's Drinking Water: EPA and Congressional Actions.*)

## Small Systems Issues

A key SDWA issue involves the financial, technical, and managerial capacity of small systems to comply with SDWA regulations. Roughly 84% of the nation's community water systems are small, serving 3,300 persons or fewer; 57% of the systems serve 500 persons or fewer. EPA and states have documented the problems many small systems face in meeting SDWA rules, and more fundamentally, in ensuring the quality of water supplies. Major problems include deteriorated infrastructure; lack of access to capital; limited customer and rate base; inadequate rates; diseconomies of scale; and limited technical and managerial capabilities. Although these systems serve just 9% of the population served by community water systems, the sheer number of small systems creates challenges for policymakers.

In the earliest SDWA debates, Congress recognized that setting standards based on technologies that are affordable for large cities could pose problems for small systems. During the reauthorization debate leading up to the 1996 amendments, policymakers gave considerable attention to the question of how to help small systems improve their capacity to ensure consistent compliance with the SDWA. The 1996 amendments added provisions aimed at achieving this goal, including a requirement that states establish strategies to assist systems in developing and maintaining the technical, financial and managerial capacity to meet SDWA regulations. Congress also revised provisions on standard-setting, variances, and exemptions to increase consideration of small system concerns.

**Small System Variances.** As amended in 1996, the SDWA requires EPA, when issuing a regulation, to identify technologies that meet the standard and that are affordable for systems that serve populations of 10,000 or fewer. If EPA does not identify "compliance" technologies that are affordable for these systems, then EPA must identify small system "variance" technologies. A variance technology need not meet the standard, but must protect public health. States may grant variances to systems serving 3,300 persons or fewer, if a system cannot afford to comply with a rule (through treatment, an alternative source of water, or other restructuring) and the system installs a variance technology. With EPA approval, states also may grant variances to systems serving between 3,300 and 10,000 people.

To date, EPA has determined that affordable compliance technologies are available for all drinking water regulations. Consequently, the agency has not identified any small system variance technologies, and no small system variances are available. If EPA had identified variance technologies, states still might not make much use of these variances for a number of reasons — a key issue being the existence of a double standard for tap water quality in communities that meet a standard, compared with those that would rely on variances.

**Exemptions.** The Act's exemption provisions also are intended to provide compliance flexibility in certain cases. States or EPA may grant temporary exemptions from a standard

if, due to certain compelling factors (including cost), a system cannot comply on time. For example, all systems are required to comply with the new arsenic standard five years after its promulgation date. An exemption would allow 3 more years for qualified systems. Small systems (serving 3,300 persons or fewer) may be eligible for up to 3 additional two-year extensions, for a total exemption duration of nine years (for a total of up to 14 years to achieve compliance). In the preamble to the arsenic rule published in January 2001, EPA noted that exemptions will be an important tool to help states address the number of systems needing financial assistance to comply with this rule and other SDWA rules (66 *FR* 6988).

**Compliance and Affordability Issues.** Prompted by intense debate over the revised arsenic standard, its potential cost to small communities, and its delay by EPA for further review, the conference report for EPA's FY2002 appropriations (H.Rept. 107-272) barred EPA from using funds to delay the arsenic rule, but also directed EPA to review its affordability criteria and how small system variance and exemption programs should be implemented for arsenic. EPA was required to report to Congress on a review of its affordability criteria, administrative actions, potential funding mechanisms for small system compliance, and possible legislative actions.

EPA's report to Congress, *Small Systems Arsenic Implementation Issues*, discusses the agency's efforts regarding its affordability criteria for water standards, and issues involving the arsenic rule. EPA activities included (1) reviewing the small system affordability criteria and variance process; (2) developing a small community assistance plan to improve access to financial and technical assistance, improve compliance capacity, and simplify the use of exemptions; and (3) implementing a \$20 million research and technical assistance strategy.

Several bills have been introduced to address small system compliance and funding issues. H.R. 3328/S. 1432 would create a grant program at EPA, authorized at \$1.9 billion annually, to help smaller communities and certain other communities comply with drinking water standards. S. 1732 would direct the Secretary of Interior to establish a grant program for rural communities in the Reclamation states, and authorize \$70 million annually for projects to ensure a safe, reliable water supply.

## **LEGISLATION**

### **P.L. 108-136, H.R. 1588 (Hunter)/S. 1050 (Warner)**

The Department of Defense Authorization Act of FY2004 conference report (H.Rept. 108-354) requires an independent epidemiological study and endocrinological review of human exposure to perchlorate in drinking water. Signed into law Nov. 24, 2003.

### **H.R. 6 (Conference Report, H.Rept. 108-375)**

The Energy Policy Act of 2003. Sec. 327 of the conference report adopts the House provision to amend SDWA to specify that the definition of underground injection excludes the injection of fluids used in hydraulic fracturing operations for oil and gas production, thus removing EPA's authority to regulate the underground injection of fluids for hydraulic fracturing purposes. The Senate version of H.R. 6 would have directed EPA to study the effects of hydraulic fracturing on underground sources of drinking water and to determine whether regulation was needed. The House approved the conference report Nov. 18, 2003.



**H.R. 306 (Gary Miller)**

Amends SDWA to provide procedures for claims relating to drinking water; protects drinking water suppliers against lawsuits where utilities are in compliance with drinking water regulations; establishes guidelines for suits involving contaminants that are not regulated under SDWA. Introduced January 8, 2003; referred to Committee on Energy and Commerce and to the Committee on the Judiciary.

**H.R. 1471 (Engel)**

Amends SDWA to allow systems to avoid filtration requirements in certain instances. Introduced March 27, 2003; referred to Committee on Energy and Commerce.

**H.R. 2123 (Capps)**

Preventing Perchlorate Pollution Act of 2003 amends SDWA to require EPA to set a drinking water standard for perchlorate by July 1, 2004. Amends the Clean Water Act to establish safety standards applicable to perchlorate storage facilities. Requires perchlorate discharges to be reported to EPA and the state, and establishes penalties for failure to report. Establishes the Perchlorate Pollution Prevention Fund to be supported by the penalties, and directs EPA to carry out a loan program to help water suppliers and private well owners to attain water that meets federal and state perchlorate drinking water standards. Requires EPA to publish an annual list of perchlorate discharges, and directs EPA to issue regulations requiring perchlorate storage facilities to meet training and operating requirements. Introduced May 15, 2003; referred to Committee on Energy and Commerce.

**H.R. 2771 (Fossella)/S. 1425 (Clinton)**

Amends SDWA to reauthorize the New York City Watershed Protection Program through 2010. Introduced July 17, 2003. H.R. 2771 was referred to the Committee on Energy and Commerce, Subcommittee on Environment and Hazardous Materials; subcommittee hearings and mark-up held April 2, 2004; reported from full committee April 28 (H.Rept. 108-476); passed by the House on May 5, 2004. S. 1425 was referred to the Committee on Environment and Public Works; reported (S.Rept. 108-205), amended, on Nov. 20, 2003.

**H.R. 2804 (Andrews)**

Authorizes a supplemental appropriation of \$85 million for the DWSRF program for FY2003, and requires that state source water assessment programs address nine specific pesticides. Introduced July 21, 2003; referred to the Committee on Appropriations.

**H.R. 3328 (Wilson)/S. 1432 (Domenici)**

Amends SDWA to establish an EPA-administered grant program to help eligible small and certain specified community water systems to comply with drinking water standards. H.R. 3328 was introduced October 16, 2003; referred to the Committee on Energy and Commerce. S. 1432 was introduced July 21, 2003; referred to the Committee on Environment and Public Works.

**H.R. 4268 (Norton)/S. 2377 (Jeffords)**

Lead-Free Drinking Water Act of 2004 amends SDWA to: strengthen the regulation of lead in drinking water; hasten the replacement of lead service lines; increase monitoring, public notification requirements; and remediate lead in school drinking water. Both were introduced May 4, 2004. H.R. 4268 was referred to the Committee on Energy and Commerce. S. 2377 was referred to the Committee on Environment and Public Works.

**H.R. 4717 (Otter)**

Amends SDWA to allow small public water systems to request exemptions from the requirements of any federal drinking water regulation for a naturally occurring contaminant. Introduced June 25, 2004; referred to the Committee on Energy and Commerce.

**S.Amdt. 2784 to S.Con.Res. 95 (Crapo)**

Amendment to concurrent resolution, which set forth the FY2005 budget and budgetary levels for FY2006-FY2009, to increase funding for the Clean Water SRF and DWSRF by \$5.2 billion over five years. Amendment agreed to March 11, 2004; S.Con.Res. 95 was passed by Senate March 14, 2004. The conference report (H.Rept. 108-498), passed by the House on May 19, does not include this assumption.

**S. 502 (Boxer)**

Requires EPA to promulgate a drinking water standard for perchlorate by July 1, 2004. Introduced March 3, 2003; referred to Committee on Environment and Public Works.

**S. 820 (Boxer)**

Perchlorate Community Right-to-Know Act amends the Clean Water Act to establish safety standards for perchlorate storage facilities. Requires perchlorate discharges to be reported to EPA and states, and establishes penalties for failure to report. Creates the Perchlorate Pollution Prevention Fund to be supported by penalties, and directs EPA to carry out a loan program to help water suppliers and private well owners attain water that meets perchlorate standards. Requires EPA to publish annual lists of perchlorate discharges. Introduced April 8, 2003; referred to the Committee on Environment and Public Works.

**S. 1163 (Hutchison)**

Prohibits a U.S.-Mexico border state from receiving federal SRF grants unless the state requires local governments to set and enforce ordinances to prevent colonias development. Introduced June 2, 2003; referred to the Committee on Environment and Public Works.

**S. 1413 (Boxer)**

Authorizes feasibility studies for specific water quality and supply projects in California and authorizes appropriations for the DWSRF for FY2004 at a level of \$2 billion. Introduced July 15, 2003; referred to the Committee on Environment and Public Works.

**S. 1732 (Domenici)**

Directs the Secretary of the Interior to establish a rural water supply program to serve the Reclamation states. Authorizes \$70 million per year for water quality and supply projects. Introduced October 15, 2003; referred to the Committee on Energy and Natural Resources.

**S. 2269 (Bond)**

The Environmental Enforcement and Security Act directs EPA to increase the number of special agents assigned to criminal enforcement and homeland security; authorizes funds for grants to water systems to improve security and funds to operate the Water ISAC. Introduced April 1, 2004; referred to the Committee on Environment and Public Works.

**S. 2550 (Crapo)**

The Water Infrastructure Financing Act amends the Clean Water Act and SDWA to improve drinking water and wastewater infrastructure. Authorizes \$15 billion over five years

for the DWSRF; directs states to reserve a portion of their DWSRF grant to make grants to qualified communities; increases small system technical assistance; applies prevailing wage provisions to water projects, authorizes funding to address lead contamination, and requires a study on water resources. Introduced June 21, 2004; referred to the Committee on Environment and Public Works; ordered to be reported, with amendments, on June 23, 2004.

## **CONGRESSIONAL HEARINGS, REPORTS, AND DOCUMENTS**

U.S. Congress. House. Committee on Energy and Commerce. Subcommittee on Environment and Hazardous Materials. *H.R. 2772, to Amend the Safe Drinking Water Act to Reauthorize the New York City Watershed Protection Program*. Hearing, April 2, 2004, 108<sup>th</sup> Congress, 2<sup>nd</sup> session. 47 p. (108-72)

———*Drinking Water Needs and Infrastructure*. Hearing, April 11, 2002. 107<sup>th</sup> Congress, 2<sup>nd</sup> session. 108 p. (107-107)

———*Drinking Water Needs and Infrastructure*. Hearing, March 28, 2001. 107<sup>th</sup> Congress, 1<sup>st</sup> session. 180 p. (107-59)

U.S. Senate. Committee on Environment and Public Works. *Water Investment Act of 2002*. Report to accompany S. 1961. July 29, 2002. Report 107-228. 116 p.

———*Water and Wastewater Infrastructure Needs*. Hearing, March 27, 2001. 107<sup>th</sup> Congress, 1<sup>st</sup> session. 141 p. (107-316)

## **FOR ADDITIONAL READING**

U.S. Environmental Protection Agency. *The Clean Water and Drinking Water Infrastructure Gap Analysis Report*. Office of Water. Report No. EPA 816-R-02-020. September 2002. 50 p.

U.S. General Accounting Office. *Water Infrastructure: Information on Financing, Capital Planning, and Privatization*. GAO-02-764. August 2002. 83 p.