



Drinking Water State Revolving Fund (DWSRF): Program Overview and Issues

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Summary

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a drinking water state revolving loan fund (DWSRF) program to help public water systems finance infrastructure projects needed to comply with federal drinking water regulations and to meet the act's health objectives. Under the program, states receive capitalization grants to make loans to public water systems (privately and publicly owned) for drinking water projects and certain other SDWA activities. Since FY1997, Congress has provided more than \$11.1 billion for this program. Through June 2008, the DWSRF program had provided a total of \$14.6 billion in assistance and supported 6,177 projects.

The Environmental Protection Agency's (EPA's) latest (2007) survey of capital improvement needs for public water systems indicated that water systems need to invest \$334.8 billion on infrastructure improvements over 20 years to ensure the provision of safe water. EPA reports that this amount is similar to the 2003 needs estimate of \$276.8 billion (\$331.4 billion when adjusted to 2007 dollars). The survey reflects continued improvement in reporting of needs for infrastructure rehabilitation and replacement, and also funding needs related to compliance with several revised regulations and security-related needs.

Key issues related to the DWSRF program include the gap between estimated needs and funding, SDWA compliance costs, and the need for cities to update and maintain water infrastructure, apart from SDWA compliance.

In the 111th Congress, drinking water infrastructure funding generally, and the DWSRF program specifically, have received attention primarily in the context of economic stimulus proposals. The American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5, H.Rept. 111-16) includes \$2 billion for the DWSRF program for drinking water infrastructure projects, and \$4 billion for a similar Clean Water SRF that funds municipal wastewater infrastructure projects. Under the DWSRF program, the stimulus funds will be allocated as capitalization grants to the states, which then provide financial assistance (subsidized loans and grants) to public water systems for infrastructure projects. The conference report modifies several program practices for projects receiving stimulus funds. The 111th Congress also completed FY2009 appropriations work with the Omnibus Appropriations Act, 2009, (P.L. 111-8) which includes \$829 million for the DWSRF program.

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Introduction

Congress substantially revised the Safe Drinking Water Act (SDWA) with the 1996 SDWA amendments (P.L. 104-182). A key provision, section 1452, authorized a drinking water state revolving loan fund (DWSRF) program to help public water systems finance improvements needed to comply with federal drinking water regulations and to address the most serious risks to human health. The law authorized the Environmental Protection Agency (EPA) to make grants to states to capitalize DWSRFs. States must match 20% of their annual grant and develop intended use plans each year indicating how the allotted funds will be used. States may use the DWSRF to provide loans and other assistance to eligible public water systems for expenditures that EPA has determined will facilitate SDWA compliance or significantly further the act's health protection objectives. Eligible projects include installation and replacement of failing 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. Projects to consolidate water supplies also may be eligible. This program is patterned after the Clean Water Act SRF (CWSRF) program for financing municipal wastewater treatment projects that was authorized under the Water Quality Act of 1987.

Public water systems that are eligible to receive DWSRF assistance include community water systems (whether publicly or privately owned) and not-for-profit noncommunity water systems.¹ States generally may not provide DWSRF assistance to systems that lack the capacity to ensure compliance with the act or that are in significant noncompliance with SDWA requirements, unless these systems meet certain conditions to return to compliance. Systems owned by federal agencies are not eligible. Although the law authorizes assistance to privately owned community water systems, some states have laws or policies that preclude privately owned utilities from receiving DWSRF assistance.² Because many of the nation's 52,000 community water systems (especially small systems) are privately owned, this limitation can raise issues in such states.

Funding

The 1996 amendments authorized appropriations for the DWSRF program of \$599 million for FY1994 and \$1 billion for each of FY1995 through FY2003. Since FY1997, Congress has provided more than \$11.1 billion for this program. For each of FY2006 and FY2007, Congress funded the program at \$837.5 million. For FY2008, the President requested \$842.2 million. The Consolidated Appropriations Act, 2008 (P.L. 110-161), included \$829.0 million (\$842.2 million before applying a 1.56% rescission). For FY2009, the President requested \$842 million, and the

¹ A community water system is a system that serves at least 15 service connections used by year-round residents or that regularly serves at least 25 year-round residents. Other public water systems are noncommunity water systems (e.g., schools and workplaces with their own wells).

² Some states have legislative or regulatory restrictions on providing DWSRF assistance to private systems. According to EPA, some states have made a policy decision to restrict assistance to private systems because of concerns about endangering the tax-exempt status of bonds issued to provide the state match. In 2003, EPA reported that 21 states had provided DWSRF assistance to private systems, 12 states had restricted assistance to private systems, and 17 states did not have restrictions, but had not yet provided assistance to private systems. States restricting assistance to private systems include Alabama, Arkansas, Colorado, Georgia, Kansas, Louisiana, Mississippi, Nebraska, North Carolina, Oklahoma, Tennessee, and Wyoming. Source: U.S. Environmental Protection Agency, *The Drinking Water State Revolving Fund Program: Financing America's Drinking Water from the Source to the Tap*, Report to Congress, EPA-918-R-03-009, May 2003, pp. 36-37, http://www.epa.gov/ogwdw/dwsrf/pdfs/dwsrf_congressreport-main.pdf.

program was funded under a continuing resolution (P.L. 110-329) at the FY2008 level through March 6, 2009. The 2009 Omnibus Appropriations Act (P.L. 111-8) affirmed this level, providing \$829 million for FY2009. In the American Recovery and Reinvestment Act (ARRA, P.L. 111-5), Congress provided an additional \$2 billion for the DWSRF program. (See discussion in the “Legislative Activity” section below.) **Table 1** provides annual funding levels for the program since its inception.

Table 1. Drinking Water State Revolving Fund Program Funding, FY1997-2009

(in millions of dollars, nominal dollars and adjusted for inflation)

Fiscal Year	Authorizations	Appropriations
1997	\$1,000.0	\$1,275.0
1998	\$1,000.0	\$725.0
1999	\$1,000.0	\$775.0
2000	\$1,000.0	\$816.9
2001	\$1,000.0	\$823.2
2002	\$1,000.0	\$850.0
2003	\$1,000.0	\$844.5
2004	—	\$845.0
2005	—	\$843.2
2006	—	\$837.5
2007	—	\$837.5
2008	—	\$829.0
2009	—	\$829.0

Sources: Prepared by CRS using information from the following sources: FY1997-FY2000 and FY2002 enacted amounts are from the enacted appropriations bills for those fiscal years. FY2001 enacted amount is the prior year enacted amount specified in EPA’s FY2002 congressional budget justification. FY2003-FY2004 enacted amounts are from EPA’s Office of Water. FY2005-FY2006 enacted amounts are prior year enacted amounts specified in House Appropriations Committee reports on subsequent year appropriations bills. FY2007 and FY2008 enacted amounts are as reported to CRS by the House Appropriations Committee. All enacted amounts reflect rescissions. FY2009 enacted amount is taken from P.L. 111-8.

In contrast to direct grants that are “given and gone,” the revolving fund program was designed to provide seed money to states in the form of capitalization grants to help generate a sustainable source of funding in the states over time. Through June 2008, the EPA had awarded \$8.97 billion in capitalization grants, which, when combined with the 20% state match, bond proceeds, loan principal repayments, and other funds, amounted to \$16.2 billion in DWSRF funds available for loans and other assistance. Through June 2008, 6,177 projects had received assistance, 4,082 of which had been completed. Total assistance provided by the program reached \$14.6 billion.³

³ Program statistics are available at <http://www.epa.gov/safewater/dwsrf/dwnims.html>. For further discussion of the DWSRF program, see EPA Report to Congress, *Drinking Water State Revolving Fund: Investing in a Sustainable Future*, EPA 816-R-08-002, March 2008, <http://www.epa.gov/safewater/dwsrf.html>.

DWSRF Allotments and Set-Asides

Under SDWA section 1452(a)(1), EPA is required to allot DWSRF funds among the states based on the results of the most recent quadrennial needs survey (discussed below). Each state and the District of Columbia must receive at least 1% of available funds, and as much as 0.33% of the total appropriation must be made available for grants to the Virgin Islands, the Commonwealth of the Northern Mariana Islands, American Samoa, and Guam. Before distributing funds among the states, EPA sets aside from the annual DWSRF appropriation \$2 million to pay for monitoring of unregulated contaminants in small and medium systems, and 1.5% for grants to Indian Tribes and Alaska Native Villages (\$12.56 million for FY2007). EPA is also authorized to reserve annually up to \$30 million to reimburse states for operator training and certification costs if separate funding is not provided under section 1419 of the SDWA; EPA reserved the full amount for several years, but reserved none after FY2003, as state training programs had matured. To provide technical assistance to small systems, EPA may reserve up to 2%, with a \$15 million cap; however, funding for this activity is provided under section 1442, and EPA has not set aside funds for this purpose.⁴

The law also includes several set-asides and directives that apply to states. These provisions offer states flexibility in tailoring their individual DWSRF programs to address state priorities. They also demonstrate the emphasis that the 1996 amendments placed on enhancing compliance, especially among smaller systems. The act requires states to make available at least 15% of their annual allotment for loan assistance to systems that serve 10,000 or fewer persons, to the extent that the funds can be obligated to eligible projects. The act also allows states to use up to 30% of their DWSRF grant to provide additional assistance, such as forgiveness of loan principal or negative interest rate loans, to help economically disadvantaged communities (as determined by the state).

Among other optional set-aside provisions, states may reserve as much as 4% of their DWSRF allotment to cover the costs of administering the DWSRF program and an additional portion to help pay the costs of other mandates added by the 1996 law. Specifically, states may set aside as much as 10% for a combination of the following: public water system supervision programs, technical assistance through source water protection programs, state capacity development strategies, and operator certification programs. To use DWSRF funds for these purposes, states must match these expenditures with an equal amount of state funds. States may use an additional 2% of funds to provide technical assistance to systems that serve 10,000 or fewer persons. States also have the option of using as much as 15% for a combination of the following: loans for the acquisition of land or conservation easements; loans to implement voluntary source water protection measures; technical and financial assistance to systems as part of a capacity development strategy; and development and implementation of ground water protection programs. Expenditures may not exceed 10% for any one of these activities. (Other SDWA provisions include funding authority for several of these programs and activities.)

To further enhance public water system compliance, the 1996 amendments added new capacity development and operator certification requirements. The law required EPA to withhold part of the DWSRF grant from any state that did not meet these mandates. Section 1420 required states

⁴ DWSRF state allotments and set asides are available at EPA website, <http://www.epa.gov/safewater/dwsrf/allotments/index.html>.

to establish capacity development programs that include (1) legal authority or other means to ensure that new systems have the technical, financial, and managerial capacity to meet SDWA requirements and (2) a strategy to assist existing systems that are experiencing difficulties in coming into compliance. States also were required to adopt programs for training and certifying operators of community and non-transient non-community water systems.

Congress designed the DWSRF program to give states implementation flexibility. Congress gave states flexibility to set priorities between the SDWA and Clean Water Act SRF programs to accommodate the divergent drinking water and wastewater needs and priorities among the states. The law authorized states to transfer as much as 33% of the annual DWSRF allotment to the CWSRF or an equivalent amount from the CWSRF to the DWSRF. The statute authorized these transfers through FY2001. In 2000, EPA recommended that Congress continue to authorize transfers between the SRF programs to give states flexibility to address their most pressing water infrastructure needs. Subsequent conference reports for EPA appropriations have authorized states to continue transferring funds between these programs.

Drinking Water Infrastructure Needs

SDWA section 1452(h) requires EPA to assess the capital improvement needs of eligible public water systems and to report to Congress every four years. Concurrently, and in consultation with the Indian Health Service and Indian tribes, EPA must assess needs for drinking water treatment facilities to serve Indian tribes (section 1452(I)). EPA is required to distribute the DWSRF funds to the states based on the results of the latest needs survey. Eligible systems include approximately 52,000 community water systems (publicly or privately owned) and 21,400 not-for-profit noncommunity water systems.

EPA conducted its third survey of capital improvement needs for public water systems in 2003.⁵ Based on this survey, EPA estimated that systems needed to invest \$276.8 billion on drinking water infrastructure improvements over 20 years to comply with drinking water regulations and/or to ensure the provision of safe water. That amount exceeded the 2001 needs survey estimate of \$165.5 billion (in 2003 dollars) by more than 60%. EPA attributed the large increase to several factors. The 2003 survey included funds needed for compliance with several regulations (including the revised arsenic and radium rules) and pending rules for radon and other contaminants. It also identified \$1 billion in security-related needs. Most significantly, water systems made efforts to improve their reporting of needs for infrastructure rehabilitation and replacement, which EPA determined had been under-reported in the previous surveys.

The latest (2007) needs survey estimates that public water systems need to invest \$334.8 billion on infrastructure improvements over 20 years (2007 through 2026) to achieve regulatory compliance and ensure the provision of safe water. EPA reports that this amount is similar to the 2003 needs estimate of \$331.4 billion, when adjusted to 2007 dollars. The agency notes that the survey reflects the use of more consistent methodologies for needs estimation among the states,

⁵ Environmental Protection Agency, *Drinking Water Infrastructure Needs Survey and Assessment: Third Report to Congress*, June 2005. EPA 816-R-05-001. This and earlier needs surveys are available online at: <http://www.epa.gov/safewater/needssurvey/index.html>.

and continued improvements in reporting of needs related to infrastructure rehabilitation and replacement.⁶

Although all of the infrastructure projects in the needs assessment would promote the health objectives of the act, EPA reports that just 16% (\$52.0 billion) is attributable to SDWA regulations, while \$282.8 billion (84%) represents nonregulatory costs. Most needs typically involve installing, upgrading, or replacing transmission and distribution infrastructure to allow a system to continue to deliver safe drinking water; systems with such needs usually are not in violation of a drinking water standard. Projects attributable to SDWA regulations (including proposed regulations) typically involve the upgrade, replacement, or installation of treatment technologies.

The survey presents the 20-year needs estimates by category: transmission and distribution, treatment, source, storage, and other. The largest needs category, installation and rehabilitation of transmission and distribution systems, accounts for \$200.8 billion (60%) of total 20-year needs. Water treatment needs constitutes the next largest category, accounting for \$75.1 billion (22%) of total needs, while water storage accounts for \$36.9 (11%) billion, and source (projects needed to obtain safe water supplies, including rehabilitation and installation of wells) accounts for \$19.8 billion (6%) of total 20-year needs.

The 2007 Needs Survey also included \$422 million for projects to address security needs. However, EPA concluded that security-related needs were underestimated, as many water systems incorporate these costs into the costs of broader construction projects rather than report them separately.

For further perspective, the needs survey breaks down the 20-year needs estimates according to system size and ownership. Large community water systems (serving more than 100,000 people) account for \$116.3 billion (36%) of total 20-year need; medium systems (serving from 3,301 to 100,000 people) account for \$145.1 billion (45%); and small systems (serving 3,300 or fewer people) account for \$59.4 billion (19%). Not-for-profit noncommunity water systems have estimated needs of \$4.1 billion. American Indian and Alaska Native Village water systems have combined estimated 20-year needs of \$2.9 billion. The estimated needs reported by American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands totaled \$889.4 million.

EPA notes that the total needs estimate may be conservative for several reasons: (1) systems are required to meet stringent documentation criteria when identifying needs; (2) many systems did not fully understand their security needs at the time of the assessment; (3) capital improvement plans often cover fewer than 10 years, while the survey tries to capture 20-year estimates; and (4) the survey is limited to eligible needs, thus excluding projects related to dams, raw water reservoirs, fire protection, operation and maintenance, and future growth.

Other needs assessments have also been prepared, including EPA's 2002 Gap Analysis. This study identified potential funding gaps between projected needs and spending from 2000 through 2019. EPA estimated a potential 20-year funding gap for drinking water capital and operations and maintenance ranging from \$45 billion to \$263 billion, depending on different scenarios.⁷ (For

⁶ Environmental Protection Agency, 2007 *Drinking Water Infrastructure Needs Survey and Assessment: Fourth Report to Congress*, EPA 816-R-09-001, March 2009, <http://www.epa.gov/safewater/needs.html>.

⁷ U.S. Environmental Protection Agency, *Clean Water and Drinking Water Infrastructure Gap Analysis Report*, EPA (continued...)

more information on this study and other needs assessments, see CRS Report RL31116, *Water Infrastructure Needs and Investment: Review and Analysis of Key Issues*, by Claudia Copeland and Mary Tiemann.)

Program Issues

With the authorization of the DWSRF program, Congress acted to help public water systems finance infrastructure projects needed to achieve or maintain compliance with SDWA requirements and protect public health. While this federal/state program provides an important means for addressing drinking water needs, a substantial gap remains between financing needs and available funds. The 2007 needs survey identified \$334.8 billion in drinking water infrastructure needs over 20 years, while the DWSRF program was authorized at \$9.6 billion over seven years. The appropriated amounts, augmented by the state match, leveraging, repayments, and interest earnings, have created significant financing capacity among the state DWSRFs. However, many expect a funding gap to persist, and new SDWA requirements are expected to drive up future estimates of needs.

Other SDWA mandates are eligible for DWSRF funding and heighten competition for these resources. The DWSRF program embraces competing objectives, and thus, this competition is perhaps unavoidable. On the one hand, the fundamental purpose of the program is to capitalize revolving funds in the states in order to generate a perpetual source of funding for drinking water projects. On the other hand, Congress authorized multiple set-asides to fund other drinking water program priorities and requirements, such as system compliance capacity assurance, operator certification, and small system technical assistance. Overall, states may use as much as 31% of their grant for the set-asides and 30% to provide loan subsidies to economically disadvantaged communities. While these options offer states flexibility to tailor their programs to meet individual needs, using funds for these activities could significantly erode the corpus of state funds and slow the rate at which they become capitalized. A concern for states is that, to the degree that Congress relies on the DWSRF to fund other SDWA requirements instead of providing separate appropriations, the potential of the DWSRF program is diminished.

A separate issue is the need for communities to address drinking water infrastructure needs that are outside the scope of the DWSRF program. Communities typically must address several categories of infrastructure requirements unrelated to SDWA compliance and, thus, ineligible for DWSRF assistance. These categories include future growth, ongoing rehabilitation, and operation and maintenance of systems. EPA has reported that outdated and deteriorated drinking water infrastructure poses a fundamental long-term threat to drinking water safety, and that in many communities, basic infrastructure costs can far exceed SDWA compliance costs. Although the DWSRF program does not address certain categories of needs and excludes many noncommunity water systems from coverage, with this program Congress has added a major tool to the mix of federal, state, and local initiatives intended to help communities ensure the safety of water supplies.

Ongoing drinking water infrastructure issues include the gap between funding and estimated needs; the growing cost of complying with SDWA standards, particularly for small communities;

(...continued)

816-R-02-020, September 2002.

the ability of small or economically disadvantaged communities to afford DWSRF financing; and the broader need for cities to maintain, upgrade, and expand infrastructure unrelated to SDWA compliance. Despite congressional interest in recent years, budgetary constraints have posed challenges to efforts to enact water infrastructure funding legislation. In the face of large needs, scarce federal resources, and debate over the federal role in funding water infrastructure, EPA, states, and utilities have increasingly focused on alternative management and financing strategies to address costs and promote greater financial self-reliance among water systems. Strategies include establishing public-private partnerships, improving asset management, and adopting full-cost pricing for water services. These approaches are improving the sustainability of water systems; however, they may be limited in their ability to fully meet needs, particularly among poorer communities and small water systems. Consequently, interest in exploring new infrastructure financing options and expanding federal assistance remains significant.

Legislative Activity

In the 111th Congress, water infrastructure funding has received attention primarily in the context of economic stimulus proposals. Consideration of such proposals has raised a number of issues. For example, how might project readiness be balanced against traditional program priorities? Given multiple considerations—including speed and efficiency in creating jobs, public health need, economic need, or ensuring urban/rural equity or equity among the states—how will priorities be set? And how many projects are shovel ready? The American Water Works Association has estimated that at least \$10 billion in drinking water infrastructure projects are “ready to go” and could move forward rapidly given funding.⁸ The U.S. Conference of Mayors estimates that \$15.36 billion in identified “ready to go” water and wastewater projects could generate 133,191 jobs.⁹ Although much uncertainty surrounds the estimates associated with the potential benefits of a stimulus package, the backlog of water infrastructure projects is large. Water sector advocates assert that stimulus funding is especially needed to address a backlog of projects pending nationwide that have been hampered by the credit crisis.

H.R. 1, the American Recovery and Reinvestment Act of 2009, as passed by the House, included \$2 billion for capitalization grants for the DWSRF program, and proposed to modify several program provisions for projects receiving stimulus funding. A key program change is that the bill would apply Davis-Bacon prevailing wage requirements to construction projects that receive any assistance from these funds. Additionally, the House-passed version proposed to require states to use 50% of the amount of their capitalization grant to provide additional subsidization of loans (including forgiveness of principal, negative interest loans, and grants) to municipalities for projects on the state priority list.¹⁰ Under the DWSRF program, states normally may use up to 30% of their capitalization grant to provide additional subsidization of loans to public water systems (publicly or privately owned) that serve economically disadvantaged communities (based on state affordability criteria). The bill also waived the requirement that states match 20% of their federal grant, and allowed the Administrator to retain up to 2% of the funds to manage and oversee activities funded by the DWSRF stimulus appropriation.

⁸ American Water Works Association, *Massive Stimulus Program Being readied; Congress Needs to hear from Drinking Water Sector*, Washington, DC, Report, December 11, 2008.

⁹ U.S. Conference of Mayors, *Mainstreet Economic Recovery, “Ready to Go” Jobs and Infrastructure Projects*, p. 1.

¹⁰ The SDWA defines “municipality” to mean “a city, town, or other public body created by or pursuant to state law, or an Indian tribe.”

The Senate version of the stimulus bill similarly included \$2 billion for the DWSRF program, and waived the state 20% cost share requirement. The bill proposed to allow states to use 100% of their stimulus DWSRF grant to provide additional subsidization of loans, including forgiveness of principal and negative interest rate loans (removing the program requirement that limits such subsidization to public water systems that serve disadvantaged communities). It provided that, notwithstanding the priority ranking that projects would otherwise receive under the SRF program, priority for stimulus funds shall be allocated to projects that are ready to proceed to construction within 180 days of enactment. The EPA Administrator would be authorized to reallocate funds that are not obligated for binding commitments to proceed to construction within that timeframe. The Senate report further explains that projects need not be on a state priority list, but must meet the other eligibility requirements of the DWSRF program. Additionally, at least 15% of the funds would have to be designated for green infrastructure, water efficiency improvements or other innovative projects. The report describes such projects to include water conservation and reuse projects. The bill also would allow the EPA Administrator to retain up to 0.25% of the funds for oversight and program support activities, and would permit EPA to transfer those funds to other accounts as needed.

Both the House and Senate bills specified that funds may not be used to purchase land or conservation easements, or for source water protection measures and other activities authorized under SDWA section 1452(k) that normally would be allowed to receive DWSRF program assistance, but would do little to generate jobs. Examples of eligible projects include installation and replacement of treatment facilities and distribution systems, and construction of certain storage facilities.

The American Recovery and Reinvestment Act, as enacted (P.L. 111-5, H.Rept. 111-16) provides \$2 billion for the DWSRF and \$4 billion for the Clean Water SRF. It waives the 20% state match requirement, allows EPA to set aside up to 1% of the combined total funding for management and oversight purposes, and authorizes EPA to transfer funds to the Environmental Programs and Management account as needed. Additionally, the conference report applies Davis-Bacon prevailing wage requirements to all projects that receive stimulus funding; this requirement does not apply to other DWSRF funds. The conference report provides that, notwithstanding the priority rankings projects would otherwise receive, priority for stimulus funds will go to projects on state priority lists that are ready to proceed to construction within 12 months of enactment. The legislation directs the EPA Administrator to reallocate funds that are not under contract or construction within 12 months. Patterned after the House bill, the conference report requires states to use at least 50% of the amount of their capitalization grant to provide additional subsidization of loans (including forgiveness of principal, negative interest loans, and grants) to eligible recipients. Building on Senate language, the conference report requires that, to the extent that there are sufficient project applications, at least 20% of the appropriated funds must be designated for green infrastructure, water efficiency improvements, or other environmentally innovative projects. The law retains the provision from both chambers specifying that funds may not be used to purchase land or for other activities under SDWA section 1452(k), as these activities generally do little to generate jobs.

Beyond the stimulus debate, drinking water and other water infrastructure issues continue to receive attention in this Congress. H.R. 537, the Sustainable Water Infrastructure Investment Act of 2009, would amend the Internal Revenue Code of 1986 to provide that the volume cap for private activity bonds would not apply to bonds for water supply or wastewater facilities. The purposes of this bill include providing alternative financing for water infrastructure investments and promoting the federal partnership with state and local governments. H.R. 1890 has been

introduced to increase the percentage of SRF funds that are reserved for American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the Virgin Islands from 0.33% to 0.5%.

In recent years, House and Senate committees have held hearings on the SRF programs, infrastructure needs, and funding issues. In each of the four preceding Congresses, the Senate Environment and Public Works Committee has reported a water infrastructure financing bill, including S. 3617 (S.Rept. 110-509) in the 110th Congress. Similar to the committee bill from the 109th Congress, S. 3617 would have authorized increased funding for drinking water and wastewater SRF programs (authorizing \$15 billion over five years for the DWSRF), allowed new uses for the funds, and would have created a grant program for small or economically disadvantaged communities for critical water projects. Other reported drinking water infrastructure bills included S. 1933 (S.Rept. 110-475), to create a grant program for small systems, and S. 199 (S.Rept. 110-476), to increase the authorization of appropriations for water and wastewater grants for Alaska's rural and Native villages. None of the bills was enacted.

A broad and persistent question concerns the long-term federal role in water infrastructure financing. A newer subset of questions concerns how the recession and economic recovery efforts might affect the type and level of federal involvement. For example, how might stimulus funding impact ongoing congressional efforts to develop a small system grant program or a sustainable nonfederal funding source, such as a water infrastructure trust fund?

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