

Wastewater and Drinking Water Infrastructure Program Funding Developments

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The condition of municipal water infrastructure and the challenges some communities face in ensuring adequate wastewater and drinking water services continue to generate interest for Congress and for some stakeholders. State estimates of [wastewater infrastructure](#) and [drinking water infrastructure](#) needs—collected and reported by the U.S. Environmental Protection Agency (EPA)—have reinforced this interest.

The 117th Congress altered the federal framework that provides funding for municipal water infrastructure in states and territories. [The 117th Congress](#) restarted providing grant funding for specific projects through community project funding/congressionally directed spending (CPF/CDS), which some call *earmarks*. CPF/CDS was approved for the two primary federal assistance programs for water infrastructure: the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). [The 118th Congress](#) continued this practice in P.L. 118-42 for FY2024, as well as in House-passed H.R. 8998 and the Senate-reported S. 4802, each of which would have provided FY2025 funding for EPA. Through the Continuing Appropriations Act, 2025 (Division A of P.L. 118-83) and the Further Continuing Appropriations Act, 2025 (Division A of P.L. 118-158), the 118th Congress continued FY2024 funding levels, including CPF/CDS, through March 14, 2025.

On March 15, 2025, the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4) was enacted. P.L. 119-4 provides federal agency funding for FY2025, including for [EPA's water infrastructure programs](#). Section 1101(a)(7) of P.L. 119-4 provides funding for EPA for FY2025 at FY2024 levels, with certain exceptions. Section 1801(8) of P.L. 119-4 does not include CPF/CDS items provided in FY2024 from CWSRF and DWSRF appropriations. As such, funding levels for the CWSRF and DWSRF programs are effectively increased for FY2025.

State Revolving Fund (SRFs) and Earmarks

The SRFs are the principal federal programs that help support wastewater and drinking water infrastructure. The [CWSRF](#) provides financial assistance for wastewater (e.g., sewer and stormwater) infrastructure projects to publicly owned treatment works (i.e., sewage treatment plants) and other eligible recipients. The [DWSRF](#) provides assistance to public water systems, which may be publicly or privately

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owned. In both programs, EPA makes grants to states to capitalize a revolving loan fund. States provide a 20% match of the capitalization grant. States are authorized to use the revolving loan funds to provide subsidized loans and additional subsidization (e.g., principal forgiveness) to eligible recipients. CWSRF assistance is available generally for projects needed for constructing or upgrading (including planning and/or designing) publicly owned treatment works, among a [range of other purposes](#). DWSRF assistance is available for [statutorily specified expenditures](#) and those that EPA has determined, through [guidance](#), will facilitate Safe Drinking Water Act (SDWA) compliance or further health protection objectives. States are required to establish priority lists called Intended Use Plans (IUPs) that identify the projects that will receive [CWSRF](#) or [DWSRF](#) assistance in that year.

All [50 states and Puerto Rico](#) implement their own SRF programs. EPA [allots](#) CWSRF funds among states based on a Clean Water Act (CWA) statutory formula, which provides a minimum share of 0.5% to each state. In contrast, [SDWA](#) directs EPA to distribute DWSRF funds among the states based on each state's proportional share of drinking water infrastructure needs, as identified in the most recent quadrennial needs survey, with each state receiving a minimum 1% of the available funds.

Congress reserves a portion of the CWSRF and DWSRF appropriations for CPF/CDS items. As such, the amount of SRF appropriations available for state CWSRF and DWSRF programs was reduced by the amount that Congress dedicated to CPF/CDS. For FY2024, Congress dedicated about half (\$1.4 billion) of the total combined regular SRF appropriations (\$2.8 billion) to grants for 1,022 CPF/CDS projects. This funding dedication [changed](#) the distribution of FY2024 funding for water infrastructure projects compared to a scenario in which Congress did not reserve CPF/CDS from the SRF appropriations.

P.L. 119-4 and SRF Appropriations

P.L. 119-4 provides funding levels for FY2025, using FY2024 funding levels as a baseline with some exceptions. P.L. 119-4 does not dedicate funding to the CPF/CDS projects approved for FY2024. For FY2024, this included \$787.7 million of the CWSRF appropriation and \$631.7 million of the DWSRF appropriation. The absence of such CPF/CDS funding means that the entire amounts for the CWSRF (i.e., \$1.64 billion) and the DWSRF (\$1.13 billion) are available to the programs for FY2025. As such, \$1.4 billion more funding is available for the state SRF programs in FY2025 than in FY2024 even though the total appropriations are the same.

Observations

The practice of utilizing CPF/CDS for water infrastructure in the 117th and 118th Congresses has received attention from policymakers and stakeholders. [Some](#) have raised concerns about its effect on statutorily authorized SRF programs, while others may view the CPF/CDS process as a direct way to fund projects that may have a different priority on a state's IUP. P.L. 119-4 does not reserve CPF/CDS funds from the FY2025 SRF appropriations.

Changing the funding level midway through FY2025 may have implications for several entities. For example, under the SRFs, states are required to provide a 20% match to receive their federal grant. Accordingly, to the extent that state SRF grants are increased, state budgets may need to be revised to provide an increased match. Further, uncertainties may exist for EPA and/or FY2024 CPF/CDS recipients given that prior continuing resolutions included CPF/CDS for FY2024 recipients.

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