

# Federally Supported Projects and Programs for Wastewater, Drinking Water, and Water Supply Infrastructure

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# Federally Supported Projects and Programs for Wastewater, Drinking Water, and Water Supply Infrastructure

For decades, Congress has authorized, modified, and funded federal programs to help communities address water supply and water infrastructure needs. Departments and agencies that administer these assistance programs include the Bureau of Reclamation (Reclamation), the U.S. Army Corps of Engineers (USACE), the Department of Agriculture (USDA), the Environmental Protection Agency (EPA), the Department of Housing and Urban Development (HUD), and the Department of Commerce's Economic Development Administration (EDA).

In general, Congress has utilized two approaches to authorization and funding: individual project authorization and program authorization. Reclamation and USACE administer a number of individual projects pursuant to direct authorizations from Congress. Other agencies administer programs with standing authorizations that establish funding eligibility criteria. As a practical matter, individual project authorizations generally must be funded each year and provide no guarantee of predictable assistance over time. Although the authorized programs are not guaranteed to receive annual appropriations, in recent years Congress has generally provided some level of annual appropriations to the water infrastructure programs identified in this report.

The federal agencies responsible for administering water-related projects and programs undertake these activities pursuant to wide-ranging missions with varying scopes. For example, EPA's authorities relate to protecting public health and the environment, whereas the EDA and HUD focus on community and economic development. Some agencies' activities are national in scope (e.g., USDA and EPA), while others are regionally focused (e.g., Reclamation's programs and projects, which are limited to the 17 "reclamation states" in the West). Some focus primarily on urban areas (HUD), whereas others concentrate mainly on rural areas (USDA).

Federal funding for these programs and projects varies greatly and continues to compete with many other programs that are supported by discretionary spending. Some of these programs have received supplemental appropriations, such as the funds provided in the 2021 Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58). FY2025 appropriations highlights include

- \$1.6 billion for capitalization grants to states under EPA's Clean Water State Revolving Fund (SRF) program and \$1.1 billion for EPA's Drinking Water SRF program (IIJA provided an additional \$2.6 billion for each SRF program);
- \$3.0 billion for EPA's Drinking Water SRF program for lead service line replacement and related activities;
- \$65 million for subsidy costs for the EPA-administered Water Infrastructure Finance and Innovation Act (WIFIA) program, allowing the agency to provide credit assistance up to \$12.5 billion;
- \$479 million for grants and loan subsidies for USDA's rural water and waste disposal programs to, in part, support \$910 million in loan authority for direct loans and guaranteed loans;
- \$3.3 billion for HUD's Community Development Block Grant (CDBG) program (water and wastewater projects are among many eligible uses);
- \$300 million for USACE environmental infrastructure projects;
- \$376 million for Reclamation water storage projects, \$151 million for Reclamation rural water projects, and \$188 million for Reclamation's Title XVI reclamation/recycling projects.

For FY2026, the Trump Administration's discretionary budget request proposed to reduce or eliminate funding for a number of water infrastructure programs identified in this report.

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## Introduction

This report provides background and funding information on water infrastructure projects, including those involving wastewater and drinking water, and water supply projects traditionally funded by the federal government. The report also discusses federal funding programs that provide assistance to communities to support these types of projects and related, eligible activities.

For decades, Congress has authorized, modified, and funded federal programs and projects to help communities address water supply and water infrastructure needs. The approaches and statutory frameworks supporting water infrastructure vary. For example, the Department of the Interior (DOI) Bureau of Reclamation (Reclamation) and the U.S. Army Corps of Engineers (USACE) administer a number of individual projects that require direct, individual project authorizations from Congress prior to being eligible to receive appropriations.<sup>1</sup>

Other agencies administer programs with standing authorizations that establish eligibility criteria rather than identify specific projects. Although these authorized programs are not guaranteed to receive annual appropriations, Congress has generally provided some level of annual appropriations in recent years to the water infrastructure programs identified in this report. Agencies administering such programs covered in this report include

- the U.S. Department of Agriculture (USDA),
- the Environmental Protection Agency (EPA),
- the Department of Housing and Urban Development (HUD), and
- the Department of Commerce's Economic Development Administration (EDA).

In addition, the projects and programs differ due to the varied scopes and missions of the implementing agencies. For example, the statutory requirements for EPA-administered programs generally focus on protecting public health and the environment. The EDA and HUD programs focus on community and economic development. Further, the scope of the specific programs and authorized projects discussed in this report—while all address either water supply or wastewater and drinking water infrastructure to some degree—differ in other respects. Some are national in scope (e.g., USDA and EPA), while others are regionally focused (e.g., Reclamation's programs and projects). Some focus primarily on urban areas (HUD), whereas others concentrate mainly on rural areas (USDA).

For each of the projects and programs discussed, this report describes their purposes, financing mechanisms, eligibility requirements, recent funding, and statutory/regulatory authority. The report does not address special projects and programs aimed specifically at assisting Indian tribes, Alaska Native villages, *colonias*,<sup>2</sup> or other regional programs, such as those associated exclusively with the Appalachian region or U.S. territories.

This report focuses on programs that support drinking water and wastewater infrastructure projects and also municipal and industrial (M&I) water supply projects and activities. This report generally does not address water projects and programs for irrigation, flood control, hydroelectricity, and recreation. However, in some cases (noted below), a federal program or

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<sup>1</sup> For Reclamation, this also includes some projects that must be submitted to, and approved by, Congress prior to funding (but no direct authorization is required).

<sup>2</sup> *Colonias* are typically rural, unincorporated communities or housing developments near the U.S.-Mexico border that lack some or all basic infrastructure, including plumbing and public water and sewer.

agency (e.g., Reclamation and USDA) may primarily support one or more of these other objectives while providing some support for M&I activities, even if only incidentally.

Other federal authorities (e.g., ones administered by Reclamation and USACE) may be available to assist with the provision of emergency water and wastewater needs, such as improving access to water supplies during a drought. Such authorities are generally not discussed in this report.<sup>3</sup>

**Table 1** summarizes financial and other key elements of the projects and program activities discussed in this report. As indicated in the table, the level and scope of federal funding for these programs and projects varies greatly. Congressional funding for the water programs continues to compete with many other federal programs supported by discretionary spending. Stakeholders and others continue to call for increased funding for these programs.

While Congress has maintained or increased federal support in recent years for some traditional financing tools—project grants, formula grants, capitalization grants, direct and guaranteed loans—policymakers have also considered alternative financing approaches and options to encourage private-sector investments and public-private partnerships (e.g., see the “Water Infrastructure Finance and Innovation Act Program” section below). Some supporters of these approaches see them as options to supplement or complement, without replacing, traditional financing tools. In addition, in recent years, Congress has revised some existing programs and authorized new grant programs in an effort to target water infrastructure needs of small and disadvantaged communities.

As **Table 1** indicates, the Administration’s FY2026 discretionary budget request proposed to reduce or eliminate funding for a number of water infrastructure programs.

<sup>3</sup> These programs are not discussed further in this report except for the Emergency Community Water Assistance Grants administered by the U.S. Department of Agriculture (USDA). For more information, see CRS Report R46911, *Drought in the United States: Science, Policy, and Selected Federal Authorities*, coordinated by Charles V. Stern and Eva Lipiec.

**Table 1. Wastewater, Drinking Water, and Water Supply Infrastructure:  
Federal Funding for Projects and Programs**

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IJJA Enacted
<b>DOI Bureau of Reclamation<sup>a</sup></b>	Multipurpose projects, which may include some municipal and industrial (M&I) activities	De facto 40- to 50-year loan	0%/100%, with interest for M&I uses	Not applicable	P.L. 119-4: \$1.9 billion	\$1.3 billion	Not applicable
<b>DOI Bureau of Reclamation Water Infrastructure Improvements for the Nation (WIIN) Act Water Storage Projects</b>	Multipurpose projects, which may include some M&I activities	Direct funding for the federal share of costs, with the reimbursable share of these costs subject to repayment (i.e., de facto loans)	50%/50% for federal projects; 25%/75% for nonfederal projects	Not applicable	IJJA: \$207.25 million	—	IJJA: to be announced
<b>DOI Bureau of Reclamation (Title XVI, P.L. 102-575)<sup>b</sup></b>	Wastewater reclamation and reuse, <sup>c</sup> which may include some M&I activities	De facto grant	Up to 25%/75%; dollar limits may apply	Not readily available	P.L. 119-4: \$4.0 million  IJJA: \$150.6 million	—	IJJA: \$180.6 million
<b>DOI Bureau of Reclamation Rural Water Supply<sup>d</sup></b>	Indian and non-Indian rural water supply	De facto grant, plus loan	Non-Indian projects: range from 75%/25% to 80%/20%; Indian projects: 100%/0%	Not applicable	P.L. 119-4: \$68.5 million  IJJA: \$82.0 million	\$31.8 million	IJJA: to be announced
<b>DOI Bureau of Reclamation Desalination Project Construction</b>	Brackish and seawater desalination, which may include some M&I activities	Grant	Up to 25%/75%; dollar limits may apply	Not readily available	P.L. 119-4: Not readily available IJJA: \$101.7 million	—	IJJA: \$109.2 million

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IJA Enacted
<b>USACE Multipurpose Reservoirs with Storage for M&amp;I Water</b>	Reservoirs may provide M&I water storage through permanent or temporary storage agreements	Upfront federal financing of reservoirs; M&I storage is repaid through fees collected from nonfederal entities	0%/100%, with interest	Not applicable	P.L. 119-4: \$6.5 million	\$5.0 million	Not applicable
<b>USACE Environmental Infrastructure Assistance</b>	Assistance is typically for public drinking water and wastewater infrastructure and source water protection and development	Technical/planning and design services or grants; design and construction services or grants	75%/25% generally; some authorities are 65%/35%	Varies (see report text for details)	P.L. 119-4: Not readily available Disaster Relief Supplemental Appropriations Act, 2025 (Division B of P.L. 118-158): \$300.0 million	—	Not applicable
<b>USDA Rural Utilities Service, Water and Waste Disposal Program</b>	Municipal water supply and treatment, wastewater facilities, and waste disposal	Loans and grants to eligible entities	Up to 75%/25% for grants 0%/100% for loans	Not readily available	P.L. 119-4 Direct loans: \$88.0 million loan subsidy to support \$851.5 million in loan authority Direct loans (1% interest rate): \$2.7 million loan subsidy to support \$8.5 million in loan authority Loan guarantees: No loan subsidy needed to support \$50.0 million in loan authority Grants: \$238.0 million <sup>e</sup>	Direct loans: \$58.5 million loan subsidy to support \$1.229 billion in loan authority Loan guarantees: No loan subsidy needed to support \$50.0 million in loan authority Grants: \$84.0 million <sup>e</sup>	Not applicable



Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IJA Enacted
<b>USDA Rural Utilities Service, Rural Decentralized Water Systems Program</b>	Construction, refurbishing, and servicing of individual household water well systems and decentralized wastewater systems	Grants to private nonprofit organizations for the purpose of providing loans and subgrants to eligible individuals	100%/0%	Loans up to \$15,000 per household	P.L. 119-4 Grants: \$5.0 million	—	Not applicable
<b>USDA Rural Utilities Service, Emergency Community Water Assistance Grants</b>	For water treatment, storage, or distribution projects to secure adequate quantities of safe water	Grants for public or private nonprofit entities	100%/0%	Water source grants up to \$1.0 million Water transmission line grants up to \$150,000	P.L. 119-4 Grants: \$10.0 million	—	Not applicable
<b>USDA Watershed and Flood Prevention Operations Program</b>	Multiple activities but must generally include flood control measures	Project grants and technical advisory services	100%/0% Varies according to purpose of improvement activity	Not applicable	P.L. 119-4: \$14.7 million (discretionary) \$50.0 million (mandatory)	\$0 (discretionary) \$50.0 million (mandatory)	Not applicable
<b>USDA Small Watershed Rehabilitation Program</b>	Dam rehabilitation	Project grants and technical advisory services	100%/0% Varies according to purpose of improvement activity	Not applicable	P.L. 119-4: \$1.0 million	—	Not applicable

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IJJA Enacted
<b>EPA, Clean Water State Revolving Fund (SRF) Loan Program</b>	Municipal wastewater treatment, stormwater infrastructure, and other eligible projects and activities	Grants to states to capitalize loan funds SRF loans made by states to local project sponsors States required to provide a minimum level of additional subsidization (e.g., principal forgiveness) and authorized to provide further subsidization	80%/20% for grants to states to capitalize SRFs 0%/100% <sup>f</sup> (project loans are repaid 100% to states)	Average capitalization grant to states and territories: \$59.0 million (FY2024) <sup>g</sup> Average assistance from SRF to local recipients: \$5.2 million (FY2023) <sup>h</sup>	P.L. 119-4: \$1.639 billion for capitalization grants  IJJA: \$2.603 billion for capitalization grants \$225.0 million for emerging contaminants	\$155.0 million for capitalization grants	IJJA: \$2.603 billion for capitalization grants \$225.0 million for emerging contaminants
<b>EPA, Drinking Water SRF Loan Program</b>	Public water supply projects needed to meet federal drinking water standards and to address serious health risks	Grants to states to capitalize loan funds SRF loans made by states to local project sponsors States required to provide a minimum level of additional subsidization (e.g., principal forgiveness) and authorized to provide further subsidization	80%/20% for grants to states to capitalize SRFs 0%/100% <sup>f</sup> (project loans are repaid 100% to states)	Average capitalization grant to state: \$20.3 million (through FY2023) <sup>i</sup> Average assistance from SRF to local recipients: \$2.9 million (FY2023)	P.L. 119-4: \$1.126 billion for capitalization grants  IJJA: \$2.603 billion for capitalization grants \$3.0 billion for lead service line (LSL) replacement \$800.0 million for emerging contaminants	\$150.0 million for capitalization grants	IJJA: \$2.603 billion for capitalization grants \$3.0 billion for LSL replacement \$800.0 million for emerging contaminants
<b>EPA, Water Infrastructure Finance and Innovation Act (WIFIA) Program</b>	Wastewater and drinking water projects with costs of \$20.0 million or larger (or \$5.0 million for rural areas)	Loans or loan guarantees	In general, WIFIA funding cannot exceed 49% of project costs	\$157 million (average of 140 closed loans) <sup>j</sup>	P.L. 119-4: \$72.3 million	\$8.0 million	Not applicable

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IJA Enacted
<b>EPA, Sewer Overflow and Stormwater Grant Program</b>	Sewer overflow or stormwater infrastructure projects, with priority for financially distressed communities	Grants to states, which make grants to municipalities	55%/45%	Average allotment to states and territories in FY2024 was \$725,000 <sup>k</sup>	P.L. 119-4: \$41.0 million	\$41.0 million	Not applicable
<b>EPA, Technical Assistance for Rural, Small, and Tribal Wastewater Systems</b>	Assist rural, small, and tribal publicly owned treatment works and decentralized wastewater treatment systems to comply with the Clean Water Act and apply for financing from the Clean Water SRF	Grants to qualified nonprofits to provide technical assistance	100%/0%	EPA awarded \$49 million to 6 organizations in 2025 <sup>l</sup>	P.L. 119-4: \$25.5 million	\$10.0 million	Not applicable
<b>EPA, Technical Assistance for Rural, Small, and Tribal Drinking Water Systems</b>	Assist public water systems and particularly small systems (serving 25-10,000 customers) with Safe Drinking Water Act (SDWA) compliance	Grants to qualified nonprofits to provide technical assistance	100%/0%	FY2023 awards were made to three entities, average grant amount was \$9.8 million <sup>m</sup>	P.L. 119-4: \$26.0 million	—	Not applicable
<b>EPA, Small and Disadvantaged Communities Drinking Water Grant Program</b>	Drinking water projects needed to meet federal drinking water standards, household water quality testing, assistance that benefits a community on a per-household basis	Grants to states on behalf of an underserved community, public water systems, tribal water systems	55%/45% for grants (EPA may waive match under certain circumstances)	Appropriations distributed noncompetitively to states	P.L. 119-4: \$28.5 million	—	Not applicable

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IIJA Enacted
<b>EPA, Lead Reduction Projects Grant Program</b>	Drinking water projects and activities to reduce lead in drinking water; replacement of LSLs; corrosion control activities	Grants to community water systems, tribal water systems, states, schools, and municipalities	80%/20% for grants (EPA may waive match under certain circumstances)	EPA awarded an average of \$4.7 million to grant recipients <sup>n</sup>	P.L. 119-4: \$22.0 million	\$20.0 million	Not applicable
<b>EPA, Small Water Systems Resilience and Sustainability Grant Program</b>	Projects that increase water use efficiency, enhance water supply through watershed management or desalination, and increase energy efficiency in the conveyance or treatment of drinking water	Grants to community water systems, tribal water systems, states	90%/10% for grants (EPA may waive match under certain circumstances)	No assistance provided to date	P.L. 119-4: \$6.5 million	\$6.5 million	Not applicable
<b>EPA, Midsize and Large Water Systems Resilience and Sustainability Grant Program</b>	Projects include water conservation, desalination construction, and watershed management activities, among others	50% of grants for water systems serving 10,000 or more to 100,000 individuals, and 50% for systems serving more than 100,000 individuals	100%/0%	No assistance provided to date	P.L. 119-4: \$2.3 million	\$2.3 million	Not applicable
<b>HUD, Community Development Block Grant Program<sup>o</sup></b>	Multipurpose community development projects; may include water and waste disposal	Formula grants, 70% of which are reserved for urban areas, 30% for state grants	100%/0%	Entitlement formula grants: \$2.1 million; average award to state programs: \$20.0 million (for sub-awards to communities) in FY2024	P.L. 119-4: \$3.3 billion	—	Not applicable

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2025 Enacted Funding <sup>a</sup>	FY2026 President Funding Request	FY2026 IJA Enacted
Commerce, EDA, Public Works and Economic Adjustment Assistance (EAA) <sup>p</sup>	Multipurpose economic development projects; may include water and sewer	Project grants	Generally, 60%/40%	Average Public Works grant \$1.4 million; average EAA grant \$650,000 (FY2023)	P.L. 119-4 FY2025 annual appropriations were provided to EDA under full-year continuing resolution legislation <sup>q</sup>	—	Not applicable

**Source:** CRS.

**Notes:** An em dash (—) indicates that the President did not make a funding request; DOI = Department of the Interior; USACE = U.S. Army Corps of Engineers; HUD = Department of Housing and Urban Development; EDA = Economic Development Administration; CPF/CDS = Community Project Funding/Congressionally Directed Spending.

- a. In some cases, funding amounts may address other objectives.
- b. These projects must generally be authorized by Congress prior to construction. Municipal water supply is not the primary purpose of these projects. Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58) funding for Title XVI reflects all funding for these projects under that legislation, including both regular and “large-scale” projects.
- c. Title XVI supports what is generally considered water reuse and reclamation. *Reclamation* is treatment of wastewater or other impaired surface water (e.g., seawater) or groundwater (e.g., groundwater with high levels of contaminants, such as arsenic or salts) to make it usable or reusable for nonpotable or indirect potable use (e.g., potable use after storage and recovery, such as after groundwater recharge). *Reuse* connotes planned beneficial use (e.g., landscape watering, agricultural irrigation, and industrial cooling) of treated municipal wastewater.
- d. These projects must generally be authorized by Congress prior to construction.
- e. U.S. Department of Agriculture (USDA) Rural Development water and waste disposal program grants do not include grants set aside for Native Americans, Native Alaskans, Hawaiian Homelands, and *colonias*.
- f. This ratio does not account for additional subsidization. Under certain conditions, states may provide additional subsidization, including principal forgiveness, negative interest loans, or a combination. In addition, appropriations acts in recent years have required states to use minimum percentages of their allotted funds to provide additional subsidization, including grants.
- g. This figure is based on FY2024 allotments to states and territories from the Consolidated Appropriations Act, 2024 (P.L. 118-42), and IJA (P.L. 117-58). See Memorandum from Bruno Pigott, Acting Assistant Administrator, to Water Division Directors, Regions I-X, “Fiscal Year 2024 Allotments for the State Revolving Fund Provisions of the Bipartisan Infrastructure Law and Base Program Funding,” Attachment I, April 3, 2024, [https://www.epa.gov/system/files/documents/2024-04/fy24-joint-srf-allotments-memorandum\\_0.pdf](https://www.epa.gov/system/files/documents/2024-04/fy24-joint-srf-allotments-memorandum_0.pdf).
- h. This figure is based on FY2023 total dollars of annual assistance provided (\$8.8 billion) and total number of assistance agreements (1,682) from the Clean Water State Revolving Fund (CWSRF) National Information Management System, “National Report,” <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.

- i. “Average annual capitalization grant” includes emergency supplemental appropriations provided by IIJA (P.L. 117-58) directed toward specific project purposes (e.g., lead service line replacement). Environmental Protection Agency (EPA), “Annual Allotment of Federal Funds for States, Tribes, and Territories,” <https://www.epa.gov/dwsrf/annual-allotment-federal-funds-states-tribes-and-territories>.
- j. EPA, “WIFIA Closed Loans,” <https://www.epa.gov/wifia/wifia-closed-loans>.
- k. Memorandum from Raffael Stein, Director, Water Infrastructure Division, to Regional Water Division Directors, “Allocation of Federal Fiscal Year 2024 Funding for the Sewer Overflow and Stormwater Reuse Municipal Grant Program,” April 19, 2024, <https://www.epa.gov/system/files/documents/2024-05/osg-fy-2024-allotment-memorandum.pdf>.
- l. For more information, see EPA, “Training and Technical Assistance (TA) Program for Rural, Small, and Tribal Wastewater Systems,” <https://www.epa.gov/small-and-rural-wastewater-systems/training-and-technical-assistance-ta-program-rural-small-and>.
- m. EPA, “Biden-Harris Administration Announces \$30.7 Million to Support Water Systems in Small and Rural Communities,” May 21, 2024, <https://www.epa.gov/newsreleases/biden-harris-administration-announces-307-million-support-water-systems-small-and>.
- n. EPA, “WIIN Grant: Reduction in Lead Exposure Via Drinking Water,” <https://www.epa.gov/dwcapacity/wiin-grant-reduction-lead-exposure-drinking-water>.
- o. Community Development Block Grant (CDBG) figures in this table do not include Community Development Fund set-asides.
- p. The totals for the EAA program do not include supplemental appropriations or annual appropriations directed to the Assistance to Coal Communities (ACC), Assistance to Biomass Closure Communities (BCC), and Assistance to Energy Communities initiatives.
- q. As of the publication date of this CRS Report, amounts to be allocated for certain EDA programs, such as the Public Works and EAA programs, are undetermined.

## Department of the Interior<sup>4</sup>

### Bureau of Reclamation<sup>5</sup>

The Bureau of Reclamation (Reclamation) was established to implement the Reclamation Act of 1902, which authorized the construction of water works to provide water for irrigation in arid western states.<sup>6</sup> Reclamation owns and manages 475 dams and 337 reservoirs, which are capable of storing 245 million acre-feet of water.<sup>7</sup> These facilities serve approximately 31 million people, delivering a total of approximately 28.5 million acre-feet<sup>8</sup> of water annually in nondrought years. Of this amount, M&I water deliveries total approximately 2.8 million acre-feet annually and have more than doubled since 1970.

Historically, Reclamation primarily supports M&I water supplies as part of larger, multipurpose federal reclamation projects serving irrigation, flood control, power supply, and recreation purposes. However, it has constructed few such projects in recent years. Since 1980, Congress has individually authorized construction of several “rural water supply” projects that have also served these purposes. Further, since 1992 Congress has also authorized nonfederal participation in reclamation wastewater and reuse/recycling projects. These projects, discussed below, are known as Title XVI projects because they were first authorized in 1992 under Title XVI of P.L. 102-575.

Congress has recently expanded Reclamation’s involvement in other types of nonfederal water supply projects. In the 2016 Water Infrastructure Improvements for the Nation Act (WIIN Act; P.L. 114-322), Congress added authority for Reclamation to support nonfederal construction of brackish and seawater desalination projects and added new authority for Reclamation to support water storage project construction (generally referred to here as “WIIN Act water storage projects”) on a cost-shared basis, including construction of nonfederal water storage projects. Each of these areas is discussed below. In P.L. 117-169 (popularly known as the Inflation Reduction Act, or IRA), Congress appropriated \$550.0 million for Reclamation to provide up to 100% of the cost for water projects where the primary purpose is to provide domestic water supplies to disadvantaged communities or households (see text box below).

<sup>4</sup> This section was prepared by Charles V. Stern, Specialist in Natural Resources Policy, Resources, Science, and Industry Division, and Anna E. Normand, Acting Section Research Manager, Resources, Science, and Industry Division.

<sup>5</sup> For more information on Bureau of Reclamation (Reclamation) water supply authorities and activities, see CRS Report R46303, *Bureau of Reclamation: History, Authorities, and Issues for Congress*, by Charles V. Stern and Anna E. Normand.

<sup>6</sup> Reclamation is generally authorized to construct projects only in the 17 western states (Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming) unless otherwise directed by Congress. For example, in 1986, Congress authorized Reclamation to also work in U.S. territories (P.L. 99-396), and §8501(1) of P.L. 116-9 authorized Reclamation to provide grants for water efficiency improvements in Hawaii and Alaska, in addition to other authorized areas.

<sup>7</sup> U.S. Department of the Interior (DOI), *Budget Justifications and Performance Information, Fiscal Year 2016: Bureau of Reclamation*, February 2015, p. 2, [http://www.usbr.gov/budget/2016/FY16\\_Budget\\_Justifications.pdf](http://www.usbr.gov/budget/2016/FY16_Budget_Justifications.pdf).

<sup>8</sup> An acre-foot is the amount of water needed to cover one acre of land one foot deep, or 325,851 gallons.

### **Bureau of Reclamation's Disadvantaged Community Domestic Water Supply Projects<sup>9</sup>**

Section 50231 of P.L. 117-169, commonly referred to as the Inflation Reduction Act, appropriated \$550.0 million, available through FY2031, for the Bureau of Reclamation (Reclamation) to provide up to 100% of the cost for the planning, design, and/or construction of water projects where the primary purpose is to provide domestic water supplies to disadvantaged communities or households in a Reclamation state or territory (43 U.S.C. §391). The funding mechanism may be via grants, contracts, or financial assistance agreements at a cost share determined by the Commissioner of Reclamation. Utilizing Section 50231, Reclamation reported that it had committed \$165 million in funding for domestic water supply projects as of July 2025. This includes funding to assist tribes under a new Tribal Domestic Water Supplies Program for the U.S. territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands for projects to provide domestic water supplies to communities that do not have reliable access to potable water. In addition, Reclamation has supported some eligible proposals for WaterSMART Planning and Project Design Grants and WaterSMART Drought Resiliency Projects above the usual 50% federal cost share.

Historically, Reclamation constructed projects with federal funds, then established a repayment schedule based on the amount of total construction costs allocated to specific project purposes. Reclamation project authorizations typically require 100% repayment, with interest, for the M&I portion of water supply facilities, which makes Reclamation assistance a de facto long-term loan.<sup>10</sup> A similar arrangement is required for the federal portion of WIIN Act water storage projects. For M&I projects under rural water, Title XVI, desalination, and disadvantaged community domestic water supply authorities, Congress has established terms providing some or all federal funding for projects on a nonreimbursable basis.

### **“Traditional” Multipurpose Reclamation Projects<sup>11</sup>**

Reclamation undertakes “traditional” reclamation projects (i.e., projects authorized under the structure laid out in the Reclamation Act of 1902 and related laws) at the explicit direction of Congress. Local project sponsors may approach Reclamation or Congress with proposals for project construction and funding. However, except where blanket feasibility study authorizations exist (e.g., certain program areas described below), specific project feasibility studies must first be authorized by Congress.<sup>12</sup> Once a feasibility study is completed, congressional authorization is typically sought prior to a request for construction appropriations.<sup>13</sup> Because there is no

<sup>9</sup> The sources for this text box are Reclamation Reports on Inflation Reduction Act, July 11, 2025; Reclamation, “Biden-Harris Administration Announces \$320 Million for Tribal Domestic Water Infrastructure,” April 2, 2024, <https://www.usbr.gov/newsroom/news-release/4789>; Reclamation, “Biden-Harris Administration Announces \$11 Million to Bolster Water Supply in U.S. Territories as Part of Investing in America Agenda,” May 23, 2024, <https://www.usbr.gov/newsroom/news-release/4846>; DOI, “Biden-Harris Administration Delivers \$147 Million from Investing in America Agenda for Drought Resiliency and Water Supply Reliability Across the West,” May 6, 2024, <https://www.doi.gov/pressreleases/biden-harris-administration-delivers-147-million-investing-america-agenda-drought#:~:text=DURANGO%2C%20Colo.,42%20projects%20in%20ten%20states>.

<sup>10</sup> Repayment obligations are typically spread over a 40- or 50-year repayment term. In contrast to municipal and industrial (M&I) repayment, Reclamation-built irrigation facilities are generally repaid without interest over similar time periods.

<sup>11</sup> This section discusses “traditional” authority for Reclamation to construct water resources projects. Reclamation also has a similar (but separate) authority to construct new surface water storage projects under Section 4007 of the Water Infrastructure Improvements for the Nation Act (WIIN Act; P.L. 114-322). For more information about how this authority differs from Reclamation’s traditional construction authority, see CRS In Focus IF10626, *Reclamation Water Storage Projects: Section 4007 of the Water Infrastructure Improvements for the Nation (WIIN) Act*, by Charles V. Stern.

<sup>12</sup> See Section 8 of the Federal Water Project Recreation Act of 1965 (P.L. 89-72; 16 U.S.C. §460l-19).

<sup>13</sup> Section 9(a) of the Reclamation Project Act of 1939 (53 Stat. 1193; 43 U.S.C. §485h(a)) provides that, if the (continued...)



“program” per se, there are no general eligibility or program criteria for selecting large, multipurpose projects. Rather, Congress relies on information provided in feasibility studies, including cost-benefit, engineering, and environmental analyses and policy considerations. While Reclamation maintains almost 200 of these projects throughout the country, it has constructed few new reclamation projects in recent years.

### ***Project Purposes***

Individual authorization statutes establish project purposes. Generally, M&I projects are part of larger, multipurpose projects such as those built for irrigation water supply, flood control, and hydropower purposes.

### ***Financing or Funding Mechanism***

Projects are financed and constructed up front by the federal government. Costs for M&I portions of such projects are generally considered reimbursable to the government and are thus scheduled to be repaid in full, with interest, over extended terms. Irrigation districts must also repay their share of project benefits, but such payments are not subject to interest charges. Other water supply costs, such as costs for fish and wildlife enhancement, are considered nonreimbursable pursuant to federal law, and repayment is not required.

### ***Eligibility Requirements***

Generally, local governments and organizations, such as irrigation, water, or conservation districts, may approach Reclamation and/or Congress for project support. All construction project funding must be appropriated by Congress. As noted earlier, Reclamation works only on projects located in the 17 western states (32 Stat. 388; 43 U.S.C. §§391 et seq.) unless otherwise specifically authorized.

### ***Recent Federal Funding***

Funding information for the M&I portions of multipurpose reclamation projects is not readily available. Total discretionary Reclamation appropriations (gross current authority for all Reclamation projects and programs, not including permanent funding) for FY2025 were \$1.90 billion.

The total FY2026 budget request for Reclamation was \$1.27 billion.<sup>14</sup>

### ***Statutory and Regulatory Authority***

Reclamation generally carries out its water supply activities in 17 western states as authorized by the Reclamation Act of 1902, as amended (32 Stat. 388; 43 U.S.C. §§391 et seq.), as well as through hundreds of individual project authorization statutes.

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Secretary of the Interior finds that the allocable benefits of the project equal or outweigh anticipated costs, then the project shall be deemed authorized. Even so, the Secretary of the Interior has first sought congressional approval for large construction projects in recent decades. In any case, Congress would need to provide appropriations for any new project construction.

<sup>14</sup> These amounts include funding requests for Rural Water and Title XVI programs, discussed below.

## WIIN Act Water Storage Projects<sup>15</sup>

Congress enacted new authority for Reclamation to support surface and groundwater storage projects (i.e., authority apart from the aforementioned “traditional” project authority) under Section 4007 of the WIIN Act.<sup>16</sup> Congress authorized \$335.0 million in discretionary appropriations for these projects, and approved a different approach than the traditional reclamation law process of federal project study and construction with full, up-front federal funding for individual projects.

Funding for water storage projects under Section 4007 is available for two primary project types. *Federally owned storage projects* (surface water storage projects to which the United States holds title and which were authorized to be constructed pursuant to reclamation law and regulations) may be no more than 50% federally funded. *State-led storage projects* (surface water or groundwater storage projects constructed, operated, and maintained by states or political subdivisions) may be no more than 25% federally funded. Prior to the WIIN Act, Congress had not authorized Reclamation to fund state-led water storage projects.

Before projects can receive federal support under the WIIN Act authority, several milestones must be met. The Secretary of the Interior must find that the project is feasible and provides benefits proportionate to the federal government’s cost share, and project sponsors must agree to pay their portion of project costs up front. Appropriations under the Section 4007 authority are available to individual projects only after the Secretary transmits a list of recommended projects and funding levels to Congress and Congress designates those projects by name in an enacted appropriations act.<sup>17</sup>

Any project that meets the aforementioned criteria is eligible for funding allocations by Reclamation. However, Congress also stipulated that in order to move forward, the Secretary must find projects feasible by January 1, 2021.<sup>18</sup> As of May 2025, Reclamation had recommended funding for 13 projects in three states; Reclamation also recommended 8 of these projects for construction prior to the aforementioned WIIN Act deadline. These projects are eligible for construction funding moving forward.

## Project Purposes

Congress did not specify purposes for WIIN Act water storage projects, only that a project must be feasible and have federal benefits “in accordance with the reclamation laws.”<sup>19</sup> To date, projects receiving funding under this authority are expected to provide benefits related to agricultural irrigation and/or M&I uses, among other things.

## Financing or Funding Mechanism

Water storage projects determined by Reclamation to be eligible under Section 4007 of the WIIN Act may receive direct, up-front federal funding in amounts recommended by Reclamation and approved by Congress, subject to the WIIN Act’s authorized cost shares (i.e., 50% for federal

<sup>15</sup> For more on this authority, see CRS In Focus IF10626, *Reclamation Water Storage Projects: Section 4007 of the Water Infrastructure Improvements for the Nation (WIIN) Act*, by Charles V. Stern; CRS Report R47987, *Bureau of Reclamation Support for Water Storage Projects*, by Charles V. Stern.

<sup>16</sup> 43 U.S.C. §390b note.

<sup>17</sup> For more information, see P.L. 114-322, §4007(a) and (b).

<sup>18</sup> P.L. 114-322, §4007(i).

<sup>19</sup> P.L. 114-322, §4007(b)(3)(A), §4007(c)(2)(B)(i).

projects, 25% for nonfederal projects). Similar to the “traditional” multipurpose federal reclamation projects discussed above, the federal share for WIIN Act storage projects is subject to a cost allocation by Reclamation during the study process that determines which portions of the federal cost share are reimbursable and nonreimbursable. Reimbursable costs, which include the portions of benefits estimated to accrue to M&I agricultural water supplies, must be repaid by project sponsors over a 40-year period (with interest for M&I water supply benefits, and without interest for agricultural irrigation benefits). Nonreimbursable costs, such as water supplies for fish and wildlife purposes and flood control, are considered federal benefits and do not have to be repaid.

### ***Eligibility Requirements***

Eligible projects must be located in the 17 western states and territories authorized in reclamation law and may include federal projects—projects to which the United States holds title and were authorized and constructed pursuant to reclamation laws. “State-led” projects—projects constructed, operated, and maintained by any state, department of a state, subdivision of a state, or public agency organized pursuant to state law—are also eligible for funding under this section.<sup>20</sup>

### ***Recent Federal Funding***

Similar to funding for traditional reclamation projects, there is no funding breakdown available for the M&I portions of WIIN Act water storage projects. Reclamation included no funding for WIIN Act Section 4007 projects under its operating plan for FY2025.

The Administration requested no funding for these projects in its FY2026 budget request.

Apart from regular appropriations, Congress has also made supplemental appropriations for Reclamation water storage projects, including Section 4007 projects. Congress appropriated \$1.05 billion for water storage projects from FY2022 to FY2026 in the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58), and Reclamation allocated \$811.0 million in funding for these projects in FY2022-FY2025 IIJA spend plans.<sup>21</sup> In the 119<sup>th</sup> Congress, the reconciliation law commonly known as the One Big Beautiful Bill Act (P.L. 119-21) appropriated another \$1.0 billion for projects that increase the capacity of existing Reclamation surface water storage facilities.

### ***Statutory and Regulatory Authority***

Water storage projects are authorized under Subtitle J, Section 4007, of the WIIN Act (130 Stat. 1863-1866, 43 U.S.C. §390b note).

### ***Rural Water Supply Projects***<sup>22</sup>

Similar to its traditional multipurpose projects, Reclamation has undertaken individual rural water projects, largely at the explicit direction of Congress. In lieu of the project-based approach to authorizing new rural water projects, Congress authorized a rural water supply program in the Reclamation Rural Water Supply Act of 2006 (Title I of P.L. 109-451; 42 U.S.C. §§2401 et seq.).

<sup>20</sup> P.L. 114-322, §4007(a)(1)-(2).

<sup>21</sup> FY2022-FY2025 Reclamation Infrastructure Investment and Jobs Act (IIJA) spend plans are available at <https://www.usbr.gov/bil/2022-spendplan.html>.

<sup>22</sup> See also CRS Report R46308, *Bureau of Reclamation Rural Water Projects*, by Anna E. Normand.

Under the program, Reclamation was authorized to work with rural communities and Indian tribes to identify M&I water needs and options to address such needs through appraisal investigations and, in some cases, feasibility studies. In 2008, Reclamation published an interim final rule establishing future program criteria.<sup>23</sup> According to Reclamation, between 2006 and 2016, it used this authority to study approximately 22 projects to varying extents. It did not recommend any projects for construction, as authorized by Congress. No projects have been constructed under this authority, which expired at the end of FY2016 and has not been renewed. Congress continues to provide funding for previously authorized rural water projects and those authorized thereafter.<sup>24</sup>

### ***Project Purposes***

Individual authorization statutes have established rural water project purposes. Some rural water project authorizations meet obligations under Indian water settlements or otherwise provide benefits to Indian tribes.

### ***Financing or Funding Mechanism***

Projects are generally cost shared between the federal government and local sponsors. The federal government pays up to 100% of the cost of Indian rural water supply projects, including operation and maintenance, and the federal cost share for current nontribal projects ranges from 75% to 80%. Reclamation requests and distributes funding from Congress generally based on prioritization criteria aimed to reflect both the priorities identified in the statutes that authorized individual projects and the goals of the Reclamation Rural Water Supply Act of 2006.

### ***Eligibility Requirements***

Local governments and organizations such as water and conservation districts or associations, including tribes, may approach Reclamation and/or Congress for project support. Currently, all construction project funding must be authorized at the project level and appropriated by Congress. As noted earlier, Reclamation works only on projects located in the 17 western states (32 Stat. 388; 43 U.S.C. §§391 et seq.) unless specifically authorized by Congress.

Reclamation previously published an interim final rule (43 C.F.R. Part 404) that established criteria for developing new rural supply projects.<sup>25</sup> However, the authority for the program has since expired, and Congress last authorized a project in 2009.<sup>26</sup> The rule does not apply to

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<sup>23</sup> 43 C.F.R. Part 404.

<sup>24</sup> The Clean Water for Rural Communities Act (Section 1110 of Title XI of Division FF of P.L. 116-260) directed the Secretary of the Interior to enter into a cooperative agreement to provide assistance at a 65% federal cost share for the planning, design, and construction of the Musselshell-Judith Rural Water System and authorized appropriations at \$56.7 million subject to cost indexing for the 2014 cost estimate of the feasibility report. The act also authorized \$5.0 million for reviewing the Dry-Redwater Regional Water Authority System submitted to Reclamation on September 1, 2010, and for completing any additional work to ensure the study complied with Reclamation's feasibility standards. Congress has appropriated funding for the Musselshell-Judith Rural Water System.

<sup>25</sup> DOI, "Reclamation Rural Water Supply Program," 73 *Federal Register* 67782, November 17, 2008, <http://edocket.access.gpo.gov/2008/pdf/E8-26584.pdf>.

<sup>26</sup> DOI, "Reclamation Rural Water Supply Program," 73 *Federal Register* 67778-67791, November 17, 2008, <http://edocket.access.gpo.gov/2008/pdf/E8-26584.pdf>. Under the rule, priority was given to domestic, residential, and municipal uses. Communities or groups of communities with populations under 50,000 were also eligible. The use of water for commercial irrigation purposes was not allowed.

previously authorized projects. As previously stated, ongoing rural water construction activities are limited to individually authorized projects.

### ***Recent Federal Funding***

Congress enacted FY2025 annual appropriations for Reclamation as part of a full-year continuing appropriations act (commonly known as a continuing resolution, or CR). The Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), directed DOI and other agencies to report to the House and Senate Appropriations Committees on allocations of enacted full-year CR funding. Reclamation released an operating plan providing funding information for projects and activities for FY2025.<sup>27</sup> The plan listed funding for eight rural water projects totaling \$68.5 million. Reclamation previously released an FY2025 spend plan for IJA appropriations that detailed the allocation of \$82.0 million among rural water projects.<sup>28</sup> Therefore, the total FY2025 allocation for rural water supply projects is \$150.5 million.

The Administration's FY2026 budget proposal requested \$31.8 million for three authorized rural water projects.<sup>29</sup> As of the publication date of this CRS Report, Reclamation has not released an FY2026 IJA spend plan with allocations to rural water projects.<sup>30</sup> Given the total IJA appropriations for Reclamation rural water projects and the funding allocated through FY2025, approximately \$112.0 million remains unallocated.<sup>31</sup>

### ***Statutory and Regulatory Authority***

The Rural Water Supply Program was authorized by the Reclamation Rural Water Supply Act of 2006. This programmatic authority expired at the end of FY2016 and has not been renewed. Construction and operations and maintenance are ongoing for several geographically specific projects that were authorized under various individual acts.

### ***Title XVI Projects***

Title XVI of the Reclamation Projects Authorization and Adjustment Act of 1992 (P.L. 102-575) directs the Secretary of the Interior to develop a program to “investigate and identify” opportunities to reclaim and reuse wastewater and naturally impaired ground and surface water. Water reclaimed via Title XVI projects is primarily used for M&I water supply (nonpotable and indirect potable purposes only). Other uses include irrigation supply, groundwater recharge, fish and wildlife enhancement, and outdoor recreation.

<sup>27</sup> Reclamation, *Bureau of Reclamation FY2025 Operating Plan*, April 29, 2025, <https://www.usbr.gov/budget/2025/FY-2025-BOR-Op-Plan.pdf>.

<sup>28</sup> Reclamation, *Implementation of the Infrastructure Investment and Jobs Act, Addendum: WaterSMART Large-Scale Title XVI, Planning & Design Project Grants, Aquatic Ecosystem Restoration Project Grants, Environmental Water Resources Grants, Cooperative Watershed Grants, Drought Contingency Plan for Lower Colorado, Rural Water, Storage and Conveyance Projects and Aging Infrastructure Spend Plan*, January 17, 2025, <https://www.usbr.gov/bil/docs/spendplan-2025/Reclamation-BIL-Spend-Plan-Addendum-01-17-2025.pdf>.

<sup>29</sup> See “Bureau of Reclamation” in DOI, *Fiscal Year 2026: The Interior Budget in Brief*, May 2025, pp. BOR-1 to BOR-11, [https://www.doi.gov/sites/default/files/documents/2025-06/fy26bibentire-book508060125\\_0.pdf](https://www.doi.gov/sites/default/files/documents/2025-06/fy26bibentire-book508060125_0.pdf).

<sup>30</sup> Reclamation, *Budget Justifications and Performance Information, Fiscal Year 2025*, p. W&RR - 4, <https://www.usbr.gov/budget/2025/FY-2025-Bureau-of-Reclamation-Budget-Justifications.pdf>.

<sup>31</sup> Reclamation, *Bipartisan Infrastructure Law (BIL), Annual Spend Plan Update, 2025 OMB Submission*, <https://www.usbr.gov/bil/docs/spendplan-2025/FY-2025-Reclamation-BIL-Spend-Plan.pdf>.

The original Title XVI legislation authorized construction of five reclamation wastewater projects and six wastewater and groundwater recycling/reclamation studies. The act has been amended on multiple occasions, resulting in a total of 53 projects individually authorized for construction.

Amendments to Title XVI enacted in the WIIN Act made changes to the program, including authorizing the Secretary of the Interior to accept and review nonfederal feasibility studies for potential planning, design, and construction projects.<sup>32</sup> The WIIN Act also authorized a competitive grant program for construction of projects approved under this authority.<sup>33</sup>

In IIJA, Congress further amended the Title XVI authority and created a new category of “large-scale” Title XVI projects, defined as projects with total costs in excess of \$500.0 million.<sup>34</sup> In contrast to “regular” Title XVI projects (which are generally limited to the lesser of \$20.0 million or 25% federal cost share), projects under this section are entitled to a federal cost share of 25% of project costs, with no dollar cap on federal support. As a result, Reclamation currently supports three types of water reuse and recycling projects: congressionally authorized Title XVI projects; WIIN Act Title XVI projects, and large-scale water reuse/recycling projects.

### ***Project Purposes***

The general purpose of Title XVI projects is to provide supplemental water supplies by recycling/reusing agricultural drainage water, wastewater, brackish surface and groundwater, and other sources of contaminated water. Projects may be permanent or for demonstration purposes.

### ***Financing or Funding Mechanism***

Title XVI projects are funded through grants that are available only to authorized projects (i.e., projects with individual authorizations from Congress or approved by the Administration and Congress pursuant to the WIIN Act). Title XVI project construction costs are shared by the federal government and a local project sponsor or sponsors. The federal share is nonreimbursable, and is generally limited to the lesser of \$20.0 million (1996 dollars) or 25% of total project costs.<sup>35</sup> The exception is large-scale water reuse and recycling projects funded pursuant to IIJA, which are eligible to receive up to 25% of project costs, with no comparable cost cap.

### ***Eligibility Requirements***

Similar to other Reclamation activities, the Title XVI water reclamation and wastewater recycling program is limited to projects and studies in the 17 western states, unless otherwise specified.<sup>36</sup> Prior to enactment of the WIIN Act, Administration requests for construction funding had generally been limited to individual congressionally authorized projects where (1) an appraisal investigation and feasibility study had been completed and approved by the Secretary, (2) the Secretary determined that the project sponsor was capable of funding the nonfederal share of

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<sup>32</sup> These guidelines were published in Reclamation, *Reclamation Manual Directive and Standard WTR 11-01*, February 8, 2017, <https://www.usbr.gov/recman/wtr/wtr11-01.pdf>.

<sup>33</sup> While selection criteria for WIIN Act grants have generally been the same as those for “traditional” Reclamation projects, the two groups of projects are typically allocated funding amounts separately by Congress, and Reclamation solicits grant proposals for each category separately.

<sup>34</sup> See Title IX, §40905 of P.L. 117-58.

<sup>35</sup> The exceptions are individually authorized projects where Congress authorized costs shares that differ from this amount, and large-scale water recycling and reuse projects receiving support under IIJA (authorized to receive up to 25% of total costs, with no dollar cap).

<sup>36</sup> For example, Congress has authorized three projects for construction in Hawaii (P.L. 109-70).



project costs, and (3) the local sponsor entered into a cost-share agreement with Reclamation. The WIIN Act provided DOI with additional authority to accept nonfederal feasibility studies and to approve and consider these projects for construction funding if they meet Title XVI program criteria.<sup>37</sup> These criteria require that (1) the study comply with federal laws and regulations applicable to water reuse and recycling studies, and (2) the project is technically and financially feasible and provides a federal benefit in accordance with Reclamation laws. The WIIN Act authority has essentially rendered unnecessary the prior practice of obtaining specific authorizations for individual Title XVI projects before Reclamation can pursue funding, although Congress may still choose to authorize individual projects where it wishes to alter the terms for federal support.

Over time, Reclamation has issued and revised multiple documents outlining evaluation criteria for prioritizing Title XVI projects. Reclamation posted the most recent evaluation criteria for Title XVI projects in March 2018.<sup>38</sup>

### ***Recent Federal Funding***

Total regular appropriations allocated for the Title XVI program in FY2025 under Reclamation's FY2025 operating plan were \$4.0 million. Reclamation also allocated \$511.0 million in IJA funding for Title XVI projects in FY2022-FY2025 IJA spend plans, plus an additional \$308.0 million for large-scale Title XVI projects in FY2022-FY2025 IJA spend plans.<sup>39</sup>

The Administration's FY2026 budget request contained no proposed funding for Title XVI projects. An additional \$39 million in IJA funding remains to be allocated for traditional projects in FY2026, and \$142 million remains to be allocated for large-scale projects.<sup>40</sup>

### ***Statutory and Regulatory Authority***

The original statutory authority for the Reclamation wastewater and reuse program is the Reclamation Wastewater and Groundwater Study and Facilities Act, Title XVI of P.L. 102-575, as amended (43 U.S.C. §§390h et seq.). Other statutes that authorized individual Title XVI projects include the Reclamation Recycling and Water Conservation Act of 1996 (P.L. 104-266); the Oregon Public Land Transfer and Protection Act of 1998 (P.L. 105-321); the 1999 Water Resources Development Act (WRDA; P.L. 106-53, §595); the Consolidated Appropriations Act, 2001 (P.L. 106-554, Division B, §106); a bill amending the Reclamation Wastewater and Groundwater Study and Facilities Act (P.L. 107-344); the Consolidated Appropriations Resolution, 2003 (P.L. 108-7, Division D, §211); the Emergency Wartime Supplemental Appropriations Act of 2003 (P.L. 108-11); the Irvine Basin Surface and Groundwater Improvement Act of 2003 (P.L. 108-233); the Williamson County Water Recycling Act of 2004 (P.L. 108-316); the Hawaii Water Resources Act of 2005 (P.L. 109-70); the Consolidated Appropriations Act, 2008 (P.L. 110-161); the Consolidated Natural Resources Act of 2009 (P.L. 110-229); and the Omnibus Public Land Management Act of 2009 (P.L. 111-11, Title IX, Subtitle B). Programmatic authority for Reclamation to approve studies and grant funding for individual

<sup>37</sup> See generally P.L. 114-322, §4009(c).

<sup>38</sup> Reclamation, *Title XVI Water Reclamation and Reuse Program, Updated Evaluation Criteria for Review and Comment*, March 2018, <https://www.usbr.gov/watersmart/title/docs/2018/Title%20XVI-Evaluation-Criteria-Review.pdf>.

<sup>39</sup> FY2022-FY2025 Reclamation IJA spend plans are available at <https://www.usbr.gov/bil/2022-spendplan.html>.

<sup>40</sup> CRS analysis of Reclamation IJA FY2025 spend plan update data, available at Reclamation, *Bipartisan Infrastructure Law (BIL), Annual Spend Plan Update, 2025 OMB Submission*, <https://www.usbr.gov/bil/docs/spendplan-2025/FY-2025-Reclamation-BIL-Spend-Plan.pdf>.

Title XVI projects was provided in the WIIN Act (P.L. 114-322, Title III, Subtitle J) and IJA (P.L. 117-58).

## **Desalination Projects**

Desalination projects develop and supplement water supplies through the treatment of ocean or brackish water. Water supplies created by desalination projects are primarily used for M&I and irrigation water supply, but they may also be used for other purposes. Congress authorized the Secretary of the Interior, through Reclamation, to support nonfederal construction of ocean or brackish water desalination projects in Section 4009(a) of the WIIN Act. Similar to congressionally authorized Title XVI projects, this funding is awarded as grants to projects with a completed feasibility study that has been submitted to Reclamation and that meets all of the requirements in Reclamation's Directive and Standard for feasibility study review of Title XVI and Desalination Projects.<sup>41</sup>

### ***Project Purposes***

The general purpose of desalination construction projects is to provide supplemental water supplies by treating seawater or brackish water. Projects may be permanent or for demonstration purposes.<sup>42</sup>

### ***Financing or Funding Mechanism***

Desalination projects are funded through grants, which are available only to projects that have submitted a feasibility study to Reclamation. Project construction costs are shared by the federal government and a local project sponsor or sponsors. The maximum federal share is 25% of total project costs; thus, nonfederal sponsors must be capable of funding 75% of project costs.<sup>43</sup> These costs may be made available through cash, costs contributed by the applicant, or third-party in-kind contributions. Other federal funding may *not* be counted toward the required nonfederal cost share, unless the statute authorizing a program stipulates that it may be made available for matching cost-share requirements.

### ***Eligibility Requirements***

Like other Reclamation activities, support for nonfederal desalination projects is limited to nonfederally owned and operated projects and studies in the 17 western United States or territories identified in the Reclamation Act of 1902, as amended. Projects must meet several other requirements, including having completed feasibility studies that have been submitted to Reclamation and that meet all of the requirements in Reclamation's Directive and Standard for feasibility study review of Title XVI and Desalination Projects.<sup>44</sup> Projects must also be included in a state-approved plan or, as an alternative, be requested by the governor of the state in which it

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<sup>41</sup> Reclamation, *Title XVI Water Reclamation and Reuse Program and Desalination Construction Program Feasibility Study Review Process*, Reclamation Manual, WTR 11-01, October 18, 2019, <https://www.usbr.gov/recman/wtr/wtr11-01.pdf>.

<sup>42</sup> See generally P.L. 114-322, §4009(a).

<sup>43</sup> Cost shares and other requirements under this section were established administratively. For more information, see Reclamation, "WaterSMART: Desalination," <https://www.usbr.gov/watersmart/desalination/index.html>.

<sup>44</sup> Reclamation, *Title XVI Water Reclamation and Reuse Program and Desalination Construction Program Feasibility Study Review Process*, Reclamation Manual, WTR 11-01, October 18, 2019, <https://www.usbr.gov/recman/wtr/wtr11-01.pdf>.



is located. The sponsor of any project in a western state that meets the aforementioned criteria may be eligible to apply for grants under this authority.

Several types of projects are not eligible for funding under this authority, including projects with water reuse and recycling components (some of which may be eligible for funding from the aforementioned Title XVI program), research and/or demonstration projects, and operations, maintenance, and repair projects.

### ***Recent Federal Funding***

Grants for desalination project construction are funded through Reclamation's research and development program for desalination and water purification; total appropriations for that program under Reclamation's FY2025 operating plan were \$7.0 million. Congress also appropriated \$250.0 million for these projects in IJA from FY2022 to FY2026. Reclamation funded \$141.0 million for desalination projects in FY2022-FY2025 IJA spend plans, including \$101.7 million for these projects in its FY2025 IJA spend plan.

The Administration requested \$6.8 million for the desalination research and development program in its FY2026 budget, and \$109.2 million in IJA desalination construction funds remain to be allocated for the program in FY2026.<sup>45</sup>

### ***Statutory and Regulatory Authority***

Desalination projects were authorized under the Water Desalination Act of 1996 (P.L. 104-298, as amended by Section 4009(a) of Title II, Subtitle J, of the WIIN Act, P.L. 114-322).

## **Department of Defense<sup>46</sup>**

### **U.S. Army Corps of Engineers (USACE) Civil Works**

#### **USACE Civil Works Projects**

#### ***Storage at USACE Authorized and Constructed Reservoirs***

As part of its civil works activities, USACE constructs and operates water resource projects throughout the country. USACE civil works projects and authorities are concentrated on three principal missions—navigation, flood risk management, and aquatic ecosystem restoration. Some USACE activities may support M&I water supply storage (e.g., for agricultural use or M&I use), hydroelectric generation, fish and wildlife, and recreation, in addition to addressing one or more of the three principal missions. The most common way that USACE infrastructure supports M&I water supply is through providing storage of M&I water at a USACE reservoir.<sup>47</sup> M&I water

<sup>45</sup> CRS analysis of Reclamation IJA FY2025 spend plan update data, available at Reclamation, *Bipartisan Infrastructure Law (BIL), Annual Spend Plan Update, 2025 OMB Submission*, <https://www.usbr.gov/bil/docs/spendplan-2025/FY-2025-Reclamation-BIL-Spend-Plan.pdf>.

<sup>46</sup> This section was prepared by Anna E. Normand, Acting Section Research Manager, Resources, Science, and Industry Division, and Nicole T. Carter, Specialist in Natural Resources Policy, Resources, Science, and Industry Division.

<sup>47</sup> Congress has established that construction costs associated with the M&I water supply components of USACE reservoirs are 100% nonfederal and 0% federal (33 U.S.C. §2213(c)(2), P.L. 114-322).

supply is generally not a USACE reservoir's or project's primary purpose.<sup>48</sup> These projects are discussed further under the heading "Storage of M&I Water at Multipurpose USACE Reservoirs."

Congress passed the Grace F. Napolitano Priority for Water Supply, Water Conservation, and Drought Resiliency Act of 2024, as Title I, Subtitle B, of Division A of P.L. 118-272, the Thomas R. Carper Water Resources Development Act of 2024 (WRDA 2024). The water supply provisions of the act include a declaration of U.S. policy for USACE to maximize opportunities for water supply and conservation measures and drought resilience efforts at and in the operation of the agency's water resource projects. The act also directs the Secretary of the Army to give full consideration to requests and proposals by nonfederal sponsors for USACE to use its authorities to further such measures and efforts in alignment with the authorized purposes of the agency's projects. WRDA 2024 also authorized USACE to conduct certain single-purpose water supply feasibility studies, among other provisions.<sup>49</sup> How implementation of the act may affect USACE water supply activities remains to be seen.

### *Specific Projects*

Congress has authorized two USACE civil works projects to have significant water supply components. Both projects are located in Arkansas and address groundwater overdraft: the Grand Prairie Area Demonstration Project and the Bayou Meto Basin Project. These projects received USACE funding most recently in FY2024 at \$20.0 million and \$19.0 million, respectively; they were not funded in FY2025. These specific projects are not discussed further in this report.

### *Study and Construction Authority*

In Section 155 of the WRDA of 2020 (Division AA of the Consolidated Appropriations Act, 2021, P.L. 116-260; 33 U.S.C. §2347c), Congress authorized USACE to carry out small water storage projects,<sup>50</sup> including for water supply.<sup>51</sup> In Section 8108 of the WRDA of 2022 (Title LXXXI of Division H of P.L. 117-263; 33 U.S.C. §2357), Congress authorized USACE to perform up to 10 feasibility studies (at 90% federal cost and 10% nonfederal cost) on managed

<sup>48</sup> USACE developed a document in response to congressional direction to provide the authorizing committees a report on benefits and consequences of including water supply and water conservation as a primary mission of USACE projects. See USACE, *Water Resources Development Act of 2020: Section 221: Study on Water Supply and Water Conservation at Water Resources Development Projects*, August 2023, <https://usace.contentdm.oclc.org/utis/getfile/collection/p16021coll5/id/37142>.

<sup>49</sup> WRDA 2024's Section 1201(a) included five single-purpose water supply feasibility studies (which were in Michigan, New Mexico, Oklahoma, Tennessee, and Texas/Oklahoma) and a feasibility study for "alternate water supply" in Pennsylvania. Additionally, WRDA 2024's Section 1201(b) authorized a study of modifications to a USACE dam in California to include "water supply recharge and storage," as well as improved flood risk management. Section 1208 directed USACE to study whether to include water supply as a purpose for a USACE project in the Colorado River Basin within Arizona, if such a study is requested by the project's nonfederal sponsors or the Governor of Arizona (if there is no nonfederal sponsor). Section 1229 also authorized a USACE study, in coordination with relevant federal and state agencies and nonfederal interests, on water supply, availability, drought resilience, aquifer recharge, and causes of aquifer depletion, for those regions overlying the Ogallala Aquifer. These WRDA 2024 studies were not funded in FY2025 and are not discussed further in this report.

<sup>50</sup> The provision provides various criteria for the maximum size of the storage projects and other specific project and program requirements (e.g., federal project costs are limited to \$65.0 million; M&I costs are 100% nonfederal).

<sup>51</sup> The water storage capacity of a project under the program is to be not less than 2,000 acre-feet and not more than 30,000 acre-feet. The Assistant Secretary of the Army for Civil Works (ASACW) implementation guidance for the Section 155 program indicates that the policy of USACE not conducting single-purpose water supply studies is superseded for purposes of this program. Memorandum from Michael L. O'Connor, ASACW, to Commanding General, USACE, "Implementation Guidance for Section 155 of the Water Resources Development Act of 2020, Small Water Storage Projects," April 25, 2022, <https://usace.contentdm.oclc.org/utis/getfile/collection/p16021coll5/id/35987>.

aquifer recharge projects in drought-prone or water-scarce areas.<sup>52</sup> No projects appear to have been funded under these two authorities; these two authorities are not discussed further in this report.

## USACE Assistance for Nonfederal Projects

### *Environmental Infrastructure (EI) Assistance*

At the direction of Congress, USACE also provides assistance for municipal EI, which typically consists of assistance with municipal drinking water and wastewater infrastructure projects and municipal source water protection and development. These authorities are discussed further under the heading “Environmental Infrastructure Assistance.”

### *USACE Credit Assistance Program*

The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) authorizes USACE and EPA to provide credit assistance—loans or loan guarantees—for a broad range of water projects.<sup>53</sup> USACE’s program is known as Corps Water Infrastructure Financing Program (CWIFP) to differentiate it from EPA’s WIFIA program. The program is authorized to offer long-term, low-cost loans with flexible repayment options for creditworthy nonfederal borrowers. Various state, local, and tribal government entities and various private entities (e.g., corporations, partnerships, and trusts) that are publicly sponsored are eligible for CWIFP loans.<sup>54</sup>

In December 2021, Congress created an account—the Water Infrastructure Finance and Innovation Program (WIFIP)—for USACE to implement its WIFIA authority. From FY2021 through FY2023, Congress provided USACE with a total of \$81.0 million for credit assistance, as well as funding for program administration. Congress has limited the available appropriations for credit assistance to nonfederal dam safety projects (based on dam ownership information in the National Inventory of Dams).<sup>55</sup> Dam safety projects can include work to upgrade, repair, and maintain a dam, and can include dam removals.<sup>56</sup> USACE identifies 12 selection criteria for its CWIFP credit assistance, including the extent to which the project is nationally or regionally significant in generating public benefits (e.g., water quality and quantity, including aquifer recharge, and protection of drinking water, including source water protection). In the fall of 2023, USACE solicited preliminary applications from prospective borrowers seeking credit assistance

<sup>52</sup> The ASACW released implementation guidance for this provision; it indicates that the managed aquifer recharge portion of a study undertaken pursuant to this authority uses the 10% nonfederal cost share and that construction costs follow existing USACE cost sharing for water supply set out at 33 U.S.C. §2213, which is 100% nonfederal for M&I water supply and 35% nonfederal for agricultural water supply. Assistant Secretary of the Army (Civil Works), Memorandum from Jaime A. Pinkham, Acting ASACW, to Commanding General, USACE, “Implementation Guidance for Section 8108(b) of the Water Resources Development Act of 2022, Managed Aquifer Recharge Feasibility Studies,” January 17, 2025, <https://usace.contentdm.oclc.org/utis/getfile/collection/p16021coll5/id/38410>.

<sup>53</sup> WIFIA 2014, Title V, Subtitle C, of P.L. 113-121; 33 U.S.C. §§3901-3914, as amended by P.L. 115-270.

<sup>54</sup> 33 U.S.C. §3907(a)(4).

<sup>55</sup> Congress authorized USACE’s program for a broader set of activities than have been funded (33 U.S.C. §3905). Congress authorized USACE to provide credit assistance for water resource projects, such as flood control, hurricane and storm damage reduction; aquatic ecosystem restoration; and navigation; and multipurpose projects that are supported by USACE and the Environmental Protection Agency (EPA) WIFIA authorities (e.g., drinking water, wastewater, desalination, managed aquifer recharge, and/or stormwater system improvements).

<sup>56</sup> An eligible dam safety project must also be a project for flood damage reduction, hurricane and storm damage reduction, environmental restoration, coastal or inland harbor navigation improvement, or inland and intracoastal waterways navigation improvement that the Secretary of the Army determines is technically sound, economically justified, and environmentally acceptable.

under CWIFP for nonfederal dam safety projects.<sup>57</sup> After evaluating the preliminary applications for the support available through FY2023, USACE in September 2024 invited 18 prospective borrowers to complete their applications for an estimated almost \$3.2 billion in loans. The first loans were expected to close roughly two years later; however, according to the Trump Administration’s FY2026 budget documents, funding for the WIFIP account is proposed to be eliminated because “there is no demonstrated need in the private market” for this federal assistance, and it is “duplicative of other” federal programs. It also stated that the program is “arguably outside of the Corps’ mission, which is to provide engineering expertise for military construction and civil works projects—not serve as a creditor to private entities.”<sup>58</sup>

In FY2025, the full-year CR provided USACE \$7.2 million for CWIFP; \$5.0 million is for program administration, and \$2.2 million is to WIFIP for credit assistance for nonfederal dam safety and levee projects. Given the program’s current focus on nonfederal dam safety and levee projects, CWIFP is not discussed further in this report. For more information on USACE’s program, see CRS Insight IN12021, *Corps Water Infrastructure Financing Program (CWIFP)*, by Nicole T. Carter. For more information on the EPA WIFIA program, see “Water Infrastructure Finance and Innovation Act Program” in the EPA portion of the report.

## Storage of M&I Water at Multipurpose USACE Reservoirs

A total of 136 USACE reservoirs have roughly 9.8 million acre-feet of storage designated for M&I water.<sup>59</sup> Most of this water was allocated to M&I purposes when the projects were constructed. Around 0.9 million acre-feet of this storage space has been assigned to M&I use from existing USACE reservoirs using USACE’s general water supply authorities.<sup>60</sup> The storage of M&I water at USACE reservoirs, as discussed below, is subject to availability of storage space, and the associated costs are 100% a local, nonfederal responsibility.<sup>61</sup> For its projects, USACE policy is that the agency does not acquire water rights for either M&I or agricultural water supply and conservation purposes. Rather, the water user is responsible for securing water rights.

In addition to the WRDA 2024 direction and authorities previously discussed, Congress has given USACE limited general authority for M&I water supply under two statutes:

1. The Water Supply Act of 1958 authorized USACE (and Reclamation) to recommend economically justified M&I water supply storage space in new or existing reservoirs.<sup>62</sup>
2. The Flood Control Act of 1944 authorizes USACE to provide, through temporary agreements, surplus water from USACE reservoirs.<sup>63</sup> Surplus water contracts have generally been limited to five-year terms with options to extend.

<sup>57</sup> USACE, Department of Defense, “Notice of Funding Availability for Applications for Credit Assistance Under the Corps Water Infrastructure Financing Program,” 88 *Federal Register* 64892-64897, September 20, 2023.

<sup>58</sup> Office of Management and Budget (OMB), “Major Discretionary Funding Changes,” in letter from Russell T. Vought, OMB Director, to Sen. Susan Collins, May 2, 2025, p. 36, <https://www.whitehouse.gov/wp-content/uploads/2025/05/Fiscal-Year-2026-Discretionary-Budget-Request.pdf>.

<sup>59</sup> U.S. Army Engineer Institute for Water Resources, *FY 2016 Municipal, Industrial, and Irrigation Water Supply Database Report*, 2017-R-02, Alexandria, VA, June 2017, p. 6, <https://publibrary.planusace.us/#/document/e71cd9b9-faff-4d63-8d42-8ee1baa3cc7f>.

<sup>60</sup> U.S. Army Engineer Institute for Water Resources, *FY 2016 Municipal, Industrial, and Irrigation Water Supply Database Report*, 2017-R-02, Alexandria, VA, June 2017, p. 8.

<sup>61</sup> 33 U.S.C. §2213(c)(2).

<sup>62</sup> 43 U.S.C. §390b.

<sup>63</sup> 33 U.S.C. §708.

Pursuant to these statutes, the agency can enter into agreements with nonfederal entities for water supply storage.

While much of USACE's water supply activities are conducted using the above general authorities, Congress has also at times authorized M&I water supply activities at specific USACE projects, principally USACE reservoirs.

### ***Project Purposes***

As previously noted, Congress authorized USACE to allocate a portion of its multipurpose reservoirs for permanent M&I storage or to provide M&I water from USACE reservoirs under temporary agreements for surplus water.<sup>64</sup> Under these authorities, USACE delivers water if it is available and if delivery does not substantially affect other authorized purposes.

### ***Financing or Funding Mechanism***

Most agreements for new M&I water supply storage are associated with existing USACE reservoirs. USACE policy generally is to obtain full payment of M&I allocated costs from nonfederal entities prior to or during construction.<sup>65</sup>

### ***Eligibility Requirements***

For USACE's water supply activities conducted using the above general authorities, nonfederal entities can contact USACE directly about pursuing water supply activities under the general authorities. Otherwise, nonfederal entities may submit a proposal to add or adjust water supply aspects of specific USACE projects through an annual public proposal submission process;<sup>66</sup> Congress may draw from these proposals when developing USACE authorization legislation.

For new USACE projects with M&I water supply, existing law and agency policy require that the water supply allocation for anticipated demand at any project not exceed 30% of the total estimated construction cost.<sup>67</sup> Congress has enacted occasional exceptions to USACE's general authority, which is generally limited to storage of water supply at existing projects that does not "seriously affect" other project purposes.<sup>68</sup>

### ***Recent Federal Funding***

USACE primarily uses annual appropriations for administration of its water supply authorities. From FY2025 annual appropriations, USACE planned to use \$6.5 million for USACE's costs for implementing its reservoir-related water supply authorities.<sup>69</sup> Information on the amount of USACE's FY2025 annual appropriations that is planned for implementing its reservoir-related water supply authorities is not publicly available.

<sup>64</sup> 43 U.S.C. §390b; 33 U.S.C. §708.

<sup>65</sup> USACE, *Policy for Conducting Civil Works Planning Studies*, Engineer Regulation (ER) 1105-2-103, November 2023, p. 77. For more on payments for reallocation to M&I at existing USACE projects, see ER 1105-2-103, p. 78.

<sup>66</sup> For more information, see CRS Insight IN11118, *U.S. Army Corps of Engineers: Section 7001 Report on Future Studies and Projects*, by Anna E. Normand.

<sup>67</sup> 43 U.S.C. §390b; USACE, *Policy for Conducting Civil Works Planning Studies*, ER 1105-2-103, p. 77.

<sup>68</sup> 43 U.S.C. §390b(e).

<sup>69</sup> This does not include such costs for projects in the explanatory statement funded from prior unobligated IJA appropriations.



The Administration's FY2026 budget request included \$5.0 million for USACE's implementation costs.<sup>70</sup>

### ***Statutory Authority***

Statutory authority is provided in the Water Supply Act of 1958 (Title III, 72 Stat. 320, as amended; 43 U.S.C. §390b),<sup>71</sup> the Flood Control Act of 1944 (§6, 58 Stat. 890, as amended, 33 U.S.C. §708), and project-specific authorities in WRDAs or similar legislation.

## **Environmental Infrastructure Assistance**

### ***Project Purpose***

Since 1992, Congress has enacted more than 600 authorizations allowing USACE to provide designated communities, counties, and states with design and construction assistance for drinking water and wastewater infrastructure (including treatment and distribution/collection facilities), source water protection and development, and other nonfederal projects. This assistance is known as *environmental infrastructure* (EI) assistance.<sup>72</sup> The authorizations of federal appropriations for these activities have varied widely, from \$0.1 million for a water monitoring station to \$1.1 billion for a seven-state EI program.

### ***Financing or Funding Mechanism***

Under most USACE EI assistance authorizations, federal assistance typically requires a 75% federal and 25% nonfederal cost share. Congress typically provides the federal portion in annual Energy and Water Development Appropriations acts. How USACE and nonfederal financing is managed varies according to the specifics of the authorization. USACE is authorized to perform design and/or construction work with appropriated funds and, generally for programmatic authorities, may use appropriated funds to reimburse nonfederal sponsors for work they perform.

### ***Eligibility Requirements***

Because EI assistance activities are not part of a national USACE program per se, there are no general eligibility criteria. Most USACE EI authorities specify a specific geographic location (e.g., a city, county, or state) and a type of project (e.g., municipal drinking water) as the principal eligibility requirements. Consequently, USACE evaluates an activity's eligibility by identifying whether there is an authorization for the geographic area of the activity and whether the type of activity is eligible under that authorization. Based on a review of enacted legislation likely to include EI assistance authorities, CRS identified authorized EI assistance in at least 46 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands. CRS did not identify authorities for EI assistance in Iowa, Maine, Nebraska, Rhode Island, and other U.S. territories. Because this assistance is not associated with traditional

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<sup>70</sup> USACE, *Fiscal Year 2025: Civil Works Budget of the U.S. Army Corps of Engineers*, March 2024, p. 6, <https://usace.contentdm.oclc.org/utils/getfile/collection/p16021coll6/id/2476>.

<sup>71</sup> For information on USACE's civil works program, see USACE, "Missions: Civil Works," <https://www.usace.army.mil/Missions/Civil-Works/>. For more information on the process associated with USACE water resources projects, see CRS Report R47946, *Process for U.S. Army Corps of Engineers (USACE) Projects*, by Nicole T. Carter and Anna E. Normand.

<sup>72</sup> For more information, see CRS Report R47162, *Overview of U.S. Army Corps of Engineers Environmental Infrastructure (EI) Assistance*, by Anna E. Normand.

USACE water resources projects, it is not subject to USACE planning requirements (e.g., a benefit-cost analysis is not performed).

### ***Recent Federal Funding***

Only a portion of the authorized USACE EI activities has received appropriations. Congress typically funds EI assistance through USACE's Construction account in Energy and Water Development and Related Agencies annual appropriations acts and sometimes in supplemental appropriations acts. Presidential budget requests typically do not include funding for EI assistance, with an exception for FY2024. For FY2025, Congress enacted annual appropriations for USACE civil works activities as part of a full-year continuing appropriations act (commonly known as a CR). The Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), directed USACE to allocate funding in a work plan for certain USACE accounts, including the Construction account. USACE's FY2025 work plan did not allocate Construction funding to EI assistance projects.<sup>73</sup> However, the Disaster Relief Supplemental Appropriations Act, 2025 (Division B of the American Relief Act, 2025, P.L. 118-158), previously provided emergency supplemental appropriations of \$300 million for FY2025 to fund EI assistance. As directed, USACE allocated that funding in a work plan.<sup>74</sup>

For FY2026, President Trump's budget does not request funding for EI assistance.<sup>75</sup>

### ***Statutory Authority***

Prior to 1992, USACE was generally not widely involved with municipal drinking water treatment and distribution and wastewater collection and treatment. The agency is now authorized to contribute to more than 600 EI projects and programs. A WRDA or similar legislation is the typical legislative vehicle for USACE authorizations. Beginning with WRDA 1992 (P.L. 102-580), Congress has authorized USACE to assist local interests with planning, design, and construction assistance for EI projects. Subsequent USACE authorization acts have included new EI assistance activities and raised the authorized funding ceilings for previously authorized projects. Most recently, WRDA 2024 (Division A of P.L. 118-272) provided a combined increase in authorization of appropriations of \$5.4 billion for these authorities. In WRDAs, Congress has also authorized various processes to deauthorize existing authorities meeting certain criteria. In two instances, these processes have resulted in the deauthorization of EI assistance authorities.<sup>76</sup>

<sup>73</sup> See FY2025 USACE Construction Work Plan at <https://usace.contentdm.oclc.org/utis/getfile/collection/p16021coll6/id/2548>.

<sup>74</sup> Construction—Environmental Infrastructure Work Plan, available at USACE, “Disaster Relief Supplemental Appropriations Act of 2025,” <https://www.usace.army.mil/Missions/Civil-Works/Supplemental-Work/DRSAA25/>.

<sup>75</sup> USACE, *Fiscal Year 2026: Civil Works Budget of the U.S. Army Corps of Engineers*, May 2025, <https://usace.contentdm.oclc.org/utis/getfile/collection/p16021coll6/id/2554>.

<sup>76</sup> While EI assistance authorities have been deauthorized through processes established by Congress and implemented by the Secretary of the Army, CRS did not identify any enacted provisions where Congress in statute deauthorized specific EI assistance authorities.

## Department of Agriculture

### Rural Utilities Service (Water and Waste Disposal Programs)<sup>77</sup>

USDA administers a variety of water and waste disposal<sup>78</sup> programs that provide loans and grants for drinking water, sanitary sewer, and storm drainage facilities in rural communities. Eligibility is limited to rural communities with populations of 10,000 or fewer for grants and direct loans and 50,000 or fewer for guaranteed loans.<sup>79</sup> These programs are administered at the national level by the Rural Utilities Service (RUS) at USDA. RUS allocates program funds to the USDA State Rural Development offices through an allocation formula based on rural population, poverty, and unemployment. Loans originate at USDA's State Rural Development offices. In FY2024, RUS obligated \$1.6 billion in loans and grants for 705 water and waste disposal projects.<sup>80</sup>

### Water and Wastewater Loans and Grants

#### *Program Purpose*

The purpose of these programs is to provide basic human amenities, alleviate health hazards, and promote the orderly growth of the nation's rural areas by meeting the need for new and improved rural water and waste disposal facilities. Eligible projects can include drinking water facilities, sanitary sewers, and stormwater drainage and disposal facilities. Funds may be used for installation, repair, improvement, or expansion of rural water facilities, including costs of distribution lines and well-pumping facilities.

USDA is required to use 3% to 5% of the water and waste grants appropriation to make grants to qualified nonprofits to provide technical assistance and training to help communities identify solutions to water and waste problems, prepare applications for grants and loans, and improve operation and maintenance of existing water and waste disposal facilities in rural areas.<sup>81</sup>

#### *Financing or Funding Mechanism*

USDA supports water and waste disposal projects through direct loans, guaranteed loans, and grants. USDA provides loans and grants for water and waste disposal projects that are to serve the "most financially needy communities."<sup>82</sup>

**Water and Waste Disposal Loans.** Water and Waste Disposal Program loans (direct and guaranteed) can be used for projects for the development, storage, treatment, purification, or

<sup>77</sup> This section was prepared by Lisa S. Benson, Specialist in Agricultural Policy, Resources, Science, and Industry Division.

<sup>78</sup> The programs' official titles contain "Waste Disposal," but the vast majority of the waste disposal projects are for wastewater infrastructure. A very small amount of funding, typically less than 1%, goes to technical assistance related to solid waste management, although Congress authorizes annual appropriations for solid waste management grants.

<sup>79</sup> With direct loan programs, the USDA Rural Utilities Service (RUS) issues loans to borrowers. With loan guarantees, intermediary lenders issue loans to borrowers. RUS guarantees to pay intermediary lenders a percentage of the losses the lenders may incur.

<sup>80</sup> USDA, Office of Budget and Program Analysis, *2026 USDA Explanatory Notes – Rural Utilities Service*, pp. 33-54, <https://www.usda.gov/sites/default/files/documents/33-2026-CJ-RUS.pdf>.

<sup>81</sup> 7 U.S.C. §1926(a)(14)(C), Rural Water and Wastewater Technical Assistance Training Programs.

<sup>82</sup> 7 C.F.R. §1780.2.



distribution of water or the collection, treatment, or disposal of waste in low-income rural areas.<sup>83</sup> Applicants must certify in writing that they are unable to obtain financing for the project through commercial credit institutions at reasonable rates and terms.<sup>84</sup> Loans are repayable in not more than 40 years or the useful life of the facilities, whichever is less.<sup>85</sup> USDA makes either direct loans to applicants or guarantees up to 90% of loans made by third-party lenders such as banks and savings and loan associations.

Loan interest rates are based on the community's economic capacity and health environment. Interest rates are designated as poverty, market, or intermediate. Poverty-rate loans are made in areas where the median household income (MHI) falls below 80% of the statewide nonmetropolitan MHI or the poverty level, whichever is higher, and where the project is needed to meet health or sanitary standards.<sup>86</sup> By law, this rate is set at 80% of the market rate and cannot exceed 5% annually.<sup>87</sup> The intermediate rate applies to loans that do not meet the criteria for the poverty rate and where the MHI is not more than 100% of the statewide nonmetropolitan MHI.<sup>88</sup> By law, this rate is set at 80% of the market rate and cannot exceed 7% annually.<sup>89</sup> The market rate applies to all loans that do not qualify for poverty-rate loans or intermediate-rate loans.<sup>90</sup> The market rate is set using the Bond Buyer Index.<sup>91</sup>

**Water and Waste Disposal Grants.** Water and Waste Disposal Program grants can be used for projects for the development, storage, treatment, purification, or distribution of water or for the collection, treatment, or disposal of waste in low-income rural areas.<sup>92</sup> The authorization of appropriations for this program is \$15.0 million annually through FY2025.<sup>93</sup>

Grant funds may be available for up to 75% of the cost of a project.<sup>94</sup> Priority is given to projects that (1) serve rural areas with lower populations, (2) support health initiatives, and (3) support populations with lower MHIs.<sup>95</sup>

### ***Eligibility Requirements***

Eligible entities are municipalities, counties, and other political subdivisions of a state; associations, cooperatives, and organizations operated on a not-for-profit basis; Indian tribes on federal and state reservations; and other federally recognized tribes.<sup>96</sup> USDA's loan and grant programs are limited to community service areas (including areas in cities or towns) with populations of 10,000 or fewer for grants and direct loans and 50,000 or fewer for guaranteed

<sup>83</sup> 7 U.S.C. §1926(a)(1).

<sup>84</sup> 7 C.F.R. §1780.7(d).

<sup>85</sup> 7 C.F.R. §1780.13(e).

<sup>86</sup> 7 C.F.R. §1780.13(b).

<sup>87</sup> 7 C.F.R. §1780.13(b).

<sup>88</sup> 7 C.F.R. §1780.13(c).

<sup>89</sup> 7 C.F.R. §1780.13(c).

<sup>90</sup> 7 C.F.R. §1780.13(d).

<sup>91</sup> 7 C.F.R. §1780.13(d).

<sup>92</sup> 7 U.S.C. §1926(a)(2).

<sup>93</sup> The Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334) provided authorization of appropriations for the program through FY2023. The Further Continuing Appropriations and Other Extensions Act, 2024 (P.L. 118-22), extended the authorization of appropriations through FY2024, and the American Relief Act, 2025 (P.L. 118-158, Division D), extended the authorization of appropriations through FY2025.

<sup>94</sup> 7 C.F.R. §1780.10(c).

<sup>95</sup> 7 C.F.R. §1780.17.

<sup>96</sup> 7 C.F.R. §1780.7.

loans.<sup>97</sup> To be eligible for assistance, communities must be unable to get financing for the proposed projects from their own resources or through commercial credit at reasonable rates and terms.<sup>98</sup>

### ***Statutory and Regulatory Authority***

Statutory authority for the water and waste disposal loan and grant programs, water technical assistance, and other rural water assistance programs is the Consolidated Farm and Rural Development Act, as amended (P.L. 87-128 §306, 7 U.S.C. §1926). Regulations for these programs are codified at Title 7, Parts 1779-1780, of the *Code of Federal Regulations*.<sup>99</sup>

### ***Recent Federal Funding***

FY2025 appropriations for USDA's water and waste disposal programs and related programs were provided by the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4). The full-year CR provided appropriations to USDA water and waste disposal accounts at the FY2024 appropriations level with one exception. Division A, Title II, of P.L. 119-4 provided \$478.5 million in budget authority for grants and loan subsidies to support \$910.0 million in loan authority total for FY2025.<sup>100</sup> The full-year CR did not provide funding for Community Project Funding/Congressionally Directed Spending (CPF/CDS).<sup>101</sup>

The appropriations included \$238.0 million in water and waste disposal grants; \$1.0 million for grants to capitalize revolving funds for water and waste disposal projects; and \$65.0 million for water and waste disposal grants for Native Americans, Alaska Natives, Hawaiian Homelands, and *colonias*.<sup>102</sup> Congress provided an \$88.0 million loan subsidy to support \$851.5 million in loan authority for direct loans, a \$2.7 million loan subsidy to support \$8.5 million for 1% interest rate direct loans, and \$50.0 million in loan authority for water and waste disposal loan guarantees (no loan subsidy was needed to support the loan authority).<sup>103</sup> Congress also included \$35.0 million for water and waste disposal technical assistance grants and \$21.8 million for the Circuit Rider Program.<sup>104</sup>

<sup>97</sup> 7 C.F.R. §1780.3 and 7 C.F.R. §5001.3.

<sup>98</sup> 7 C.F.R. §1780.7(d).

<sup>99</sup> For additional information on RUS water and environmental programs, see USDA, "Water & Waste Disposal Loan & Grant Program," <http://www.rd.usda.gov/programs-services/water-waste-disposal-loan-grant-program>.

<sup>100</sup> Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), and U.S. Congress, House Committee on Appropriations, *Consolidated Appropriations Act, 2024*, committee print, 118<sup>th</sup> Cong., 1<sup>st</sup> sess., H.Rept. 118-122.

<sup>101</sup> In FY2024, the House and Senate allowed Members to identify funding for specific projects, recipient entities, or both in annual appropriations acts. The House Committee on Appropriations refers to this type of funding as *Community Project Funding*, and the Senate Committee on Appropriations refers to it as *Congressionally Directed Spending*. Collectively, this type of spending is commonly referred to as "earmarks" for commonality and brevity.

<sup>102</sup> U.S. Congress, Senate Appropriations Committee, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, 2026*, report to accompany S. 2256, 119<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 119-37, July 10, 2025, pp. 199-200.

<sup>103</sup> U.S. Congress, Senate Appropriations Committee, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, 2026*, report to accompany S. 2256, 119<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 119-37, July 10, 2025, p. 200.

<sup>104</sup> U.S. Congress, Senate Appropriations Committee, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, 2026*, report to accompany S. 2256, 119<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 119-37, July 10, 2025, p. 200. For more information about the Circuit Rider Program, see USDA, "Circuit Rider Program – Technical Assistance for Rural Water Systems," <https://www.rd.usda.gov/programs-services/water-environmental-programs/circuit-rider-program-technical-assistance-rural-water-systems>.

For FY2026, the Administration requested \$202.5 million in budget authority for grants and loan subsidies to support \$1.423 billion in loan authority for USDA's water and waste disposal programs.<sup>105</sup> The request included \$84.0 million in water and waste disposal grants and \$40.0 million for water and waste disposal grants for Native Americans, Alaska Natives, Hawaiian Homelands, and *colonias*. The request included a \$58.5 million loan subsidy to support \$1.229 billion in loan authority for water and waste disposal direct loans. The request also included \$50.0 million in loan authority for water and waste disposal loan guarantees (no loan subsidy is needed to support the loan authority). The request included \$20.0 million for the Circuit Rider Program, which provides technical assistance for rural water systems.

## Emergency Community Water Assistance Grants

RUS is also authorized to help eligible communities prepare for or recover from an emergency that threatens the availability of safe, reliable drinking water.<sup>106</sup> Grants ranging from \$10,000 to a maximum of \$1.0 million are provided for projects to serve a rural area with a population of 10,000 or fewer that has an MHI not in excess of the statewide nonmetropolitan MHI. Grants for repairs, partial replacement, or significant maintenance of an established system cannot exceed \$150,000. Communities may use the funds for new systems, waterline extensions, construction of water source and treatment facilities, and repairs or renovation of existing systems, and may be awarded for 100% of project cost. Applicants are to compete on a national basis for available funding. Funding for this program is provided primarily through a reservation of 5%-7% of appropriated water and waste disposal grant funds. The authorization of appropriations for this program is \$50.0 million annually through FY2025.<sup>107</sup>

Statutory authority for the emergency community water assistance grant program is the Consolidated Farm and Rural Development Act, as amended, Section 306A (7 U.S.C. §1926a). Regulations for this program are codified at Title 7, Part 1778, of the *Code of Federal Regulations*.

Congress provided \$10.0 million for the Emergency Community Water Assistance Grant Program for FY2025.<sup>108</sup> The FY2026 Administration request did not include funding for the program.<sup>109</sup>

## Rural Decentralized Water Systems Grants

USDA is also authorized to make grants to private nonprofit organizations for the purpose of providing loans to eligible individuals for construction, refurbishing, and servicing of "individual household water well systems and individually owned decentralized wastewater systems."<sup>110</sup>

<sup>105</sup> USDA, Office of Budget and Program Analysis, *2026 USDA Explanatory Notes – Rural Utilities Service*.

<sup>106</sup> 7 U.S.C. §1926a.

<sup>107</sup> The 2018 farm bill (P.L. 115-334) provided authorization of appropriations for the program through FY2023. The Further Continuing Appropriations and Other Extensions Act, 2024 (P.L. 118-22), extended the authorization of appropriations through FY2024, and the American Relief Act, 2025 (P.L. 118-158, Division D), extended the authorization of appropriations through FY2025.

<sup>108</sup> U.S. Congress, Senate Appropriations Committee, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, 2026*, report to accompany S. 2256, 119<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 119-37, July 10, 2025, p. 200. S.Rept. 119-37 refers to the program as 306A(i)(2).

<sup>109</sup> USDA, Office of Budget and Program Analysis, *2026 USDA Explanatory Notes – Rural Utilities Service*.

<sup>110</sup> 7 U.S.C. §1926e.

Loans are limited to \$15,000 per household. The authorization of appropriations for this program is \$20.0 million annually through FY2025.<sup>111</sup>

Statutory authority for the rural decentralized water systems grant program is the Consolidated Farm and Rural Development Act, as amended, Section 306E (7 U.S.C. §1926e). Regulations for this program are codified at Title 7, Part 1776, of the *Code of Federal Regulations*.

Congress provided \$5.0 million for the Rural Decentralized Water Systems Grant Program for FY2025.<sup>112</sup>

The FY2026 Administration request did not include funding for this program.<sup>113</sup>

## Natural Resources Conservation Service<sup>114</sup>

The USDA provides assistance for watershed activities under four closely related authorities that are administered by the Natural Resources Conservation Service (NRCS). The Watershed and Flood Prevention Operations Program (WFPO) consists of two authorities—P.L. 83-566 and P.L. 78-534. Projects funded under these authorities are referred to as “P.L. 566” and “P.L. 534” projects, respectively. These authorize NRCS to provide technical and financial assistance to state and local organizations to plan and install measures to prevent erosion, sedimentation, and flood damage and to conserve, develop, and utilize land and water resources. Dams constructed under the WFPO program may also be eligible to receive assistance under the Small Watershed Rehabilitation Program. The fourth watershed authority is an emergency program that is not discussed in this report.<sup>115</sup>

## Watershed and Flood Prevention Operations

The WFPO program consists of projects built under two authorities—the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566) and the Flood Control Act of 1944 (P.L. 78-534). The majority of the projects have been built pursuant to the authority of P.L. 83-566 (and are referred to as “P.L. 566” projects). This law authorizes the chief of the NRCS to approve construction of smaller projects (defined below), while statute indicates that appropriations for larger projects shall not be made unless plans have received congressional committee approval. Eleven specific projects were authorized by P.L. 78-534 (referred to as “P.L. 534” projects). They are much larger and more expensive than P.L. 566 projects. In total, the P.L. 534 projects

<sup>111</sup> The 2018 farm bill (P.L. 115-334) provided authorization of appropriations for the program through FY2023. The Further Continuing Appropriations and Other Extensions Act, 2024 (P.L. 118-22), extended the authorization of appropriations through FY2024, and the American Relief Act, 2025 (P.L. 118-158, Division D), extended the authorization of appropriations through FY2025.

<sup>112</sup> U.S. Congress, Senate Appropriations Committee, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill, 2026*, report to accompany S. 2256, 119<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 119-37, July 10, 2025, p. 200.

<sup>113</sup> USDA, Office of Budget and Program Analysis, *2026 USDA Explanatory Notes – Rural Utilities Service*.

<sup>114</sup> This section was prepared by Megan Stubbs, Specialist in Agricultural Conservation and Natural Resources Policy, Resources, Science, and Industry Division.

<sup>115</sup> The Emergency Watershed Protection (EWP) program is used to restore the natural functions of a watershed after a natural disaster has occurred and to minimize the risks to property and life posed by floods by purchasing easements on flood plains. For more information on the EWP program, see CRS Report R42854, *Emergency Assistance for Agricultural Land Rehabilitation*, by Megan Stubbs.

encompass almost 37.9 million acres and are divided into component projects in sub-watersheds. As of September 2024, there were over 2,100 WFPO projects in all 50 states and Puerto Rico.<sup>116</sup>

### ***Program Purpose***

The purpose of the WFPO program is to provide technical and financial assistance to states and local organizations to plan and install watershed projects. Both P.L. 566 and P.L. 534 projects have similar objectives and are implemented following similar procedures. Both project types fund land treatment and nonstructural and structural facilities for flood prevention, erosion reduction, agricultural water management, public recreation development, fish and wildlife habitat development, and municipal or industrial water supplies. Structural measures can include dams, levees, canals, and pumping stations. Local sponsors agree to operate and maintain completed projects.

### ***Financing or Funding Mechanism***

USDA provides partial project grants plus technical advisory services. Financing for water projects under the WFPO program varies depending on project purposes. The federal government pays all costs related to construction for flood control purposes only. Costs for nonagricultural water supply must be repaid by local organizations. However, up to 50% of costs for land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with program funds. Additionally, sponsors may apply for RUS Water and Waste Program loans to finance the local share of project costs. Participating state and local organizations pay all operation and maintenance costs.<sup>117</sup>

### ***Eligibility Requirements***

P.L. 566 projects are sometimes referred to as “small watershed projects” because no project may exceed 250,000 acres and no structure may exceed more than 12,500 acre-feet of floodwater detention capacity or 25,000 acre-feet of total capacity. For projects that need an estimated federal contribution of more than \$25.0 million for construction or include a storage structure with a capacity in excess of 2,500 acre-feet, the statute includes a provision that no appropriations are to be provided unless the plan is approved by the Senate and House Agriculture Committees.<sup>118</sup> Statute states that for a single structure with a capacity in excess of 4,000 acre-feet, no appropriations are to be provided unless the plan (including the plan for the structure) is approved by the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee.<sup>119</sup> There are no population or community income-level limits on applications for P.L. 566 projects, but at least 20% of the total benefits of the project must directly relate to agriculture (including rural communities).<sup>120</sup>

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<sup>116</sup> National Watershed Coalition, *USDA Watershed Program Resource Packet*, September 2024, p. 3, <https://watershedcoalition.org/wp-content/uploads/2024/10/USDA-Watershed-Program-Resource-Packet-10-2024.pdf>.

<sup>117</sup> For additional information on financing requirements, see USDA, NRCS, “Watershed Programs – Sponsor Guide,” <https://www.nrcs.usda.gov/sites/default/files/2022-08/Sponsor%20Guide.pdf>.

<sup>118</sup> 16 U.S.C. §1002.

<sup>119</sup> 16 U.S.C. §1002.

<sup>120</sup> 16 U.S.C. §1002.

## Recent Federal Funding

The FY2025 Full-Year Continuing Appropriations and Extensions Act (P.L. 119-4, Division A, Title II), provided WFPO with \$14.7 million. This was \$20.3 million less than provided in the FY2024 appropriations act (P.L. 118-42), which reflects the absence of previously provided CPF/CDS projects.<sup>121</sup>

For FY2026, the Administration requested no discretionary funding for the WFPO program.<sup>122</sup>

In addition to discretionary funding through appropriations, the 2018 farm bill permanently authorizes \$50.0 million annually from mandatory sources.<sup>123</sup> This mandatory funding will be available unless otherwise amended by Congress. Mandatory funds are authorized for P.L. 566 projects as well as rehabilitation work under the Small Watershed Rehabilitation Program.

## Statutory and Regulatory Authorities

The WFPO program consists of two authorities: the Flood Control Act of 1944, P.L. 78-534, as amended, 58 Stat. 905 (33 U.S.C. §701b-1); and the Watershed Protection and Flood Prevention Act of 1954, P.L. 83-566, as amended, 68 Stat. 666 (16 U.S.C. §§1001-1008). Regulations are codified at Title 7, Part 622, of the *Code of Federal Regulations*.<sup>124</sup>

## Small Watershed Loans

As part of its lending responsibilities, RUS makes loans to local organizations to finance the local share of the cost of installing, repairing, or improving facilities, purchasing sites and easements, and related costs for P.L. 566 and P.L. 534 projects (see discussion above). Loans are limited to \$10.0 million, they must be repaid within 50 years, and the cost-share assistance may not exceed the rate of assistance for similar projects under other USDA conservation programs. NRCS and the local organization must also agree on a plan of work before a loan is obligated. Over the life of the program, 495 RUS loans have been made.<sup>125</sup>

## Small Watershed Rehabilitation

Some of the oldest P.L. 566 projects that have exceeded their design life (dams were constructed starting in 1948) need rehabilitation work to continue to protect public health and safety by reducing any possibility of dam failure and to meet changing resource needs. By the end of 2025, 6,782 watershed dams will have reached the end of their designed life spans. In response to this concern, Congress created a dam rehabilitation program, known as the Small Watershed Rehabilitation Program, in Section 313 of the Grain Standards and Warehouse Improvement Act of 2000 (P.L. 106-472), which revised the WFPO program. In FY2024, NRCS allocated over \$36

<sup>121</sup> For more information, see CRS Report R48471, *Agriculture Appropriations: Earmarks Disclosed from FY2022 to FY2024*, coordinated by Lisa S. Benson.

<sup>122</sup> USDA, *2026 USDA Explanatory Notes – Natural Resources Conservation Service*, [https://www.obpa.usda.gov/explan\\_notes.html](https://www.obpa.usda.gov/explan_notes.html).

<sup>123</sup> The 2018 farm bill authorizes mandatory funding from the Commodity Credit Corporation, a government-owned entity that finances programs supporting U.S. agriculture. For more information, see CRS Report R44606, *The Commodity Credit Corporation (CCC)*, by Megan Stubbs.

<sup>124</sup> For information on the program, see NRCS, “Watershed and Flood Prevention Operations (WFPO) Program,” <https://www.nrcs.usda.gov/programs-initiatives/watershed-and-flood-prevention-operations-wfpo-program>.

<sup>125</sup> *2026 USDA Explanatory Notes – Natural Resources Conservation Service*.



million to 175 dam projects. Of these projects, 105 are in the assessment phase, 41 are in the planning phase, 16 are in the design phase, and 13 are in the construction phase.<sup>126</sup>

### ***Program Purpose***

The purpose of rehabilitation is to extend the service life of the dams and bring them into compliance with applicable safety and performance standards or to decommission the dams so they no longer pose a threat to life and property.

### ***Financing or Funding Mechanism***

Partial project grants, plus provision of technical advisory services, are provided. NRCS may provide 65% of the total rehabilitation costs but no more than 100% of the actual construction cost and is prohibited from funding operation and maintenance expense. Rehabilitation projects also provide an opportunity to modify projects to provide additional benefits, including municipal water supplies. Local watershed project sponsors provide 35% of the cost of a rehabilitation project and obtain needed land rights and permits. The source of these funds varies from state to state and may include bonds, local taxing authority, state appropriations, or in-kind technical services.<sup>127</sup>

### ***Eligibility Requirements***

Only dams constructed under the P.L. 83-566 authority, the Resource Conservation and Development program, and pilot watershed projects from 1953 are eligible for assistance under the Small Watershed Rehabilitation Program.<sup>128</sup>

### ***Recent Federal Funding***

The Small Watershed Rehabilitation Program has discretionary funding authority of up to \$85.0 million annually through the end of FY2025.<sup>129</sup> Congress appropriated \$1.0 million for FY2025, the same as provided in FY2024.

The Administration's FY2026 budget requests no discretionary funding for the program, stating that rehabilitation is the responsibility of local dam owners and that unobligated funding from the IJA remains available.<sup>130</sup>

Mandatory funds authorized for WFPO through the 2018 farm bill may also be used for rehabilitation work under the Small Watershed Rehabilitation Program.<sup>131</sup> The mandatory funding authority is permanent.

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<sup>126</sup> Government Accountability Office, *Watershed Dams: Better Program Management Would Improve Safety*, GAO-25-107404, July 17, 2025, <https://www.gao.gov/products/gao-25-107404>.

<sup>127</sup> For additional information on financing requirements, see USDA, NRCS, "Watershed Programs – Sponsor Guide," <https://www.nrcs.usda.gov/sites/default/files/2022-08/Sponsor%20Guide.pdf>.

<sup>128</sup> 16 U.S.C. §1012.

<sup>129</sup> The program is authorized through omnibus farm bills, most recently the 2018 farm bill (P.L. 115-334). Congress enacted a one-year extension (P.L. 118-22, Division B, §102) of farm bill authorizations through FY2024, which includes the Small Watershed Rehabilitation Program's discretionary funding authority. For additional information on farm bill expiration and extension, see CRS Report R47659, *Expiration of the 2018 Farm Bill and Extension for 2025*, by Jim Monke, Randy Alison Aussenberg, and Megan Stubbs.

<sup>130</sup> 2026 USDA Explanatory Notes – Natural Resources Conservation Service.

<sup>131</sup> For additional information, see CRS Report R45698, *Agricultural Conservation in the 2018 Farm Bill*, by Megan Stubbs.

## Statutory and Regulatory Authorities

The Small Watershed Rehabilitation Program is authorized by the Watershed Protection and Flood Prevention Act of 1954, P.L. 83-566, as amended by Section 313 of the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, 114 Stat. 2077 (16 U.S.C. §1012). Regulations are codified at Title 7, Part 622, of the *Code of Federal Regulations*.<sup>132</sup>

## Environmental Protection Agency

### Clean Water State Revolving Fund Loan Program<sup>133</sup>

In 1987, Congress amended the Clean Water Act (CWA)<sup>134</sup> to establish the Clean Water State Revolving Fund (CWSRF) program.<sup>135</sup> The CWSRF program is a federal and state partnership: all 50 states, plus Puerto Rico, implement their own program.<sup>136</sup> EPA receives annual appropriations to support the CWSRF program and distributes grants to the states based on a CWA statutory formula.<sup>137</sup> States provide matching funds equal to 20% of the federal grant to capitalize their revolving loan funds and use their funds primarily to provide loans to cities and other eligible recipients. Over the long term, the loan programs are intended to be sustained through repayment of loans to states, thus creating a continuing source of assistance for other communities. According to the most recent estimate by EPA and states (published in 2024 and based on data from 2022), an additional \$630.1 billion nationwide is needed over the next 20 years for all types of projects eligible for funding through the CWSRF program.<sup>138</sup>

EPA data indicate that since 1988, 68% of all awarded agreements (i.e., loans and other assistance) have gone to assist communities with 10,000 people or fewer. These loans and assistance have accounted for 23% of total CWSRF funding.<sup>139</sup>

### Program Purpose

The CWSRF program provides assistance in constructing and upgrading publicly owned municipal wastewater treatment plants and related equipment (including stormwater infrastructure), implementing nonpoint pollution management programs, developing and

<sup>132</sup> For information on the program, see NRCS, “Watershed Rehabilitation Program,” <https://www.nrcs.usda.gov/programs-initiatives/watershed-rehabilitation>.

<sup>133</sup> This section was prepared by Jonathan L. Ramseur, Specialist in Environmental Policy, Resources, Science, and Industry Division.

<sup>134</sup> Although the statute is commonly referred to as the Clean Water Act, the official statutory name is the Federal Water Pollution Control Act (P.L. 92-500), as amended, codified at Title 33, Sections 1251 et seq., of the *U.S. Code*.

<sup>135</sup> Prior to 1989 (when the CWSRF program became effective), EPA states used their annual allotment to make grants to cities and other eligible recipients.

<sup>136</sup> U.S. territories, Indian tribes, and the District of Columbia receive grants from EPA under separate CWA authorities.

<sup>137</sup> For more information, see CRS Report RL31073, *Allocation of Wastewater Treatment Assistance: Background and Formula History*, by Jonathan L. Ramseur.

<sup>138</sup> EPA, *2022 Clean Watersheds Needs Survey*, 2024, <https://www.epa.gov/cwns/clean-watersheds-needs-survey-cwns-2022-report-and-data>. The previous survey (issued in 2016 and based on 2012 data) estimated needs of \$271.0 billion over an analogous time period. See EPA, *Clean Watersheds Needs Survey 2012*, 2016, <https://www.epa.gov/cwns/clean-watersheds-needs-survey-cwns-past-reports-and-data>.

<sup>139</sup> Based on data in EPA’s National Information Management System (February 2024) at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.



implementing management plans under the National Estuary Program, and supporting a range of other eligible activities that were added to the program in 2014 and in subsequent amendments.

### ***Financing or Funding Mechanism***

EPA grants (from appropriated funds) and state matching funds help capitalize state CWSRF programs. These programs may provide seven general types of financial assistance: making loans; buying or refinancing existing local debt obligations; guaranteeing or purchasing insurance for local debt obligations; guaranteeing CWSRF debt obligations (i.e., to be used as security for leveraging the assets in the CWSRF); providing loan guarantees for local government revolving funds; earning interest on fund accounts; and supporting reasonable costs of administering the CWSRF.<sup>140</sup> Loans are made at or below market interest rates, including zero interest loans, as determined by the state in negotiation with the applicant.

Although the CWSRF program is generally a loan program, states may (under certain conditions) provide “additional subsidization”—such as principal forgiveness, negative interest loans, or a combination—to eligible entities that meet the state’s affordability criteria and for particular projects, such as those that implement water or energy efficiency goals or mitigate stormwater runoff. IIJA (P.L. 117-58) amended the CWSRF statutory provisions to direct states to use at least 10% of their capitalization grants for additional subsidization under certain conditions.<sup>141</sup>

Prior to the enactment of IIJA, appropriations acts in recent years have required states to use minimum percentages of their allotted funds to provide additional subsidization. This trend began with the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), which required states to use at least 50% of their funds for this purpose. Recent appropriations acts included an identical condition, requiring 10% of the CWSRF grants be used “to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).”<sup>142</sup> In an EPA memorandum on May 12, 2022, EPA interprets the additional subsidization provided in appropriations act to be “additive” to the 10% floor in the CWA.<sup>143</sup> Therefore, as long as these appropriations acts’ provisions continue, states are effectively required to provide at least 20% of their annual financing as additional subsidization.

All principal and interest payments on loans must be credited directly to the SRF, and loans are to be repaid within 30 years of a project’s completion, not to exceed the project’s useful life. States are required to ensure that CWSRF-funded projects use American iron and steel products and apply the prevailing wage requirements of the Davis-Bacon Act.<sup>144</sup>

### ***Eligibility Requirements***

In general, eligible loan recipients for CWSRF assistance are any municipal, intermunicipal, interstate, or state agency. Private utilities are not eligible to receive funds for construction of wastewater treatment works and most other eligible activities, but in some cases, privately owned

<sup>140</sup> 33 U.S.C. §1383(d).

<sup>141</sup> For more information, see CRS Report R46892, *Infrastructure Investment and Jobs Act (IIJA): Drinking Water and Wastewater Infrastructure*, by Elena H. Humphreys and Jonathan L. Ramseur.

<sup>142</sup> For example, see the Consolidated Appropriations Act, 2024 (P.L. 118-42); the Consolidated Appropriations Act, 2023 (P.L. 117-328); and the Consolidated Appropriations Act, 2022 (P.L. 117-103).

<sup>143</sup> Memorandum from Michael Deane, EPA Office of Wastewater Management, to EPA Regions, “FY 2022 CWSRF Base Allotment Availability,” May 12, 2022, <https://www.epa.gov/system/files/documents/2022-05/FY%202022%20CWSRF%20Base%20Allotment%20Availability.pdf>.

<sup>144</sup> For more information, see U.S. Department of Labor, “Davis-Bacon and Related Acts,” <https://www.dol.gov/whd/govcontracts/dbra.htm>.

projects are eligible for certain types of activities (e.g., decentralized wastewater treatment projects; projects to manage, reduce, or treat stormwater; or development of watershed management projects).

Projects or activities eligible for funding were initially those needed for constructing or upgrading (and planning and designing) publicly owned municipal wastewater treatment plans. As defined in Section 212 of the CWA, devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage are eligible.<sup>145</sup> These include construction or upgrading of secondary or advanced treatment plants; construction of new collector sewers, interceptor sewers, or storm sewers; and projects to correct existing problems of sewer system rehabilitation, infiltration/inflow of sewer lines, and combined sewer overflows. Operation and maintenance are not eligible activities. All funds in the CWSRF resulting from federal capitalization grants are first to be used to assure compliance with enforceable deadlines, goals, and requirements of the act, including municipal compliance.<sup>146</sup> After satisfying the “first use” requirement, funds may be used to implement other eligible uses. The statutory list of eligible activities initially included nonpoint source management programs and estuary activities in approved State Nonpoint Management Programs and estuarine Comprehensive Conservation and Management Plans, respectively.<sup>147</sup> The Water Resources Reform and Development Act of 2014 (WRRDA; P.L. 113-121) amended the list of eligible projects by adding several types of projects and activities, including

- replacement of decentralized treatment systems (e.g., septic tanks),
- energy-efficiency improvements at treatment works,
- reuse and recycling of wastewater or stormwater, and
- security improvements at treatment works.

In 2018, the America’s Water Infrastructure Act of 2018 (AWIA; P.L. 115-270) amended the list of eligible activities to allow qualified nonprofits to provide assistance to certain individuals for the repair or replacement of existing decentralized wastewater treatment systems or for the connection of an individual household to a centralized publicly owned treatment works.

### ***Recent Federal Funding***

According to EPA’s national CWSRF funding data report, federal funds—together with state matching contributions, repaid loans, and other funds—have provided SRF assistance to support approximately 49,000 SRF loans and debt refinance agreements.<sup>148</sup>

The FY2024 CWSRF appropriation included both supplemental appropriations from IIJA of \$2.402 billion (and \$225.0 million for SRFs to address emerging contaminants) and regular appropriations of \$1.639 billion (P.L. 118-42), a portion of which will not go directly to the CWSRF program. P.L. 118-42 also included CPF/CDS items, setting aside 48% (\$787.7 million) of the FY2024 CWSRF appropriation to CPF/CDS.

<sup>145</sup> 33 U.S.C. §1292.

<sup>146</sup> 33 U.S.C. §1382(b)(5).

<sup>147</sup> For a detailed breakdown of SRF funding by category that is updated annually, see EPA, *Clean Water SRF Program Information, National Summary*, <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.

<sup>148</sup> This figure includes funds through the end of FY2023, as it is based on data in EPA’s National Information Management System (February 2024) at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.

The CPF/CDS funds are to be distributed directly to recipients, instead of to states' SRF programs. Thus, the reservation of funds effectively decreases the total amount available for allotment as state capitalization grants.<sup>149</sup>

The FY2025 CWSRF appropriation includes both supplemental appropriations from IIJA of \$2.603 billion (and \$225.0 million for SRFs to address emerging contaminants) and regular appropriations of \$1.639 billion. Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), provides EPA funding for FY2025 at FY2024 enacted levels, with certain exceptions. The act does not include CPF/CDS items.

For FY2026, the President requested \$155 million for the CWSRF program.<sup>150</sup> This would be in addition to the FY2026 supplemental appropriations of \$2.603 billion provided by IIJA (and \$225 million for SRFs to address emerging contaminants).

Through a separate process, EPA provides direct grants for the District of Columbia, the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands.<sup>151</sup> EPA also provides direct grants to Indian tribes.<sup>152</sup> The funding for the District of Columbia, U.S. territories, and Indian tribes is part of the SRF appropriations to EPA.

### ***Statutory and Regulatory Authority***

Statutory authority for the clean water SRF program is the CWA, as amended, Sections 601-609 (33 U.S.C. §§1381-1389). Regulations are codified at Title 40, Section 35.3100, of the *Code of Federal Regulations*.

## **Drinking Water State Revolving Fund Loan Program<sup>153</sup>**

The Safe Drinking Water Act (SDWA) requires public water systems to comply with federal drinking water regulations promulgated by EPA.<sup>154</sup> Through these regulations, EPA has set standards to control the levels of 100 contaminants in drinking water, and more regulations are under development. To help communities meet these federal mandates and to meet the act's public health objectives, Congress amended SDWA in 1996 to establish a Drinking Water State Revolving Fund (DWSRF) loan program.<sup>155</sup> The program is patterned closely after the CWSRF and authorizes EPA to make grants to states to capitalize drinking water state revolving loan funds. States use their DWSRFs to provide assistance to public water systems for infrastructure and other drinking water projects.<sup>156</sup> States may use a portion of their annual grants to administer

<sup>149</sup> For more information, see CRS Report R47633, *The Role of Earmarks in CWSRF and DWSRF Appropriations in the 117th Congress*, by Elena H. Humphreys, and CRS Report R48066, *The Role of Earmarks in SRF Appropriations in the 118th Congress*, by Elena H. Humphreys.

<sup>150</sup> EPA, *Fiscal Year 2026: Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>. For more information, see CRS Report R48575, *U.S. Environmental Protection Agency FY2026 President's Budget Request: In Brief*, coordinated by Angela C. Jones.

<sup>151</sup> See 33 U.S.C. §1384 note.

<sup>152</sup> See 33 U.S.C. §1377.

<sup>153</sup> This section was prepared by Elena H. Humphreys, Analyst in Environmental Policy, Resources, Science, and Industry Division.

<sup>154</sup> See CRS Report RL31243, *Safe Drinking Water Act (SDWA): A Summary of the Act and Its Major Requirements*, by Elena H. Humphreys.

<sup>155</sup> P.L. 104-182.

<sup>156</sup> Private, residential wells are not regulated under the SDWA and are generally not eligible for assistance through this program.

the DWSRF program and to implement other SDWA requirements.<sup>157</sup> States must match 20% of the federal capitalization grant.<sup>158</sup>

Each year, states are required to develop an “intended use plan” that includes a list of projects the state intends to fund through the DWSRF.<sup>159</sup> The law generally directs states to give funding priority to projects that (1) address the most serious health risks; (2) are needed to ensure compliance with SDWA regulations; and (3) assist systems most in need on a per household basis, according to state affordability criteria.<sup>160</sup> The law also directs states to make available at least 15% of their annual allotment to public water systems that serve 10,000 or fewer persons (to the extent the funds can be obligated to eligible projects).<sup>161</sup> Over the life of the program, roughly 70% of DWSRF assistance agreements and 35% of funds have gone to these smaller systems.<sup>162</sup> Capitalization grants are allotted among the states according to the results of the most recent quadrennial survey of the capital improvements needs of eligible water systems.<sup>163</sup> Needs surveys are prepared by EPA and the states, and the most recent survey (2023) indicates that public water systems need to invest at least \$625 billion (2021 dollars) in infrastructure improvements over 20 years (\$31.25 billion annually) to ensure the provision of safe drinking water and compliance with federal standards.<sup>164</sup>

### ***Program Purpose***

This state-administered program provides assistance for infrastructure projects and other expenditures that facilitate compliance with federal drinking water regulations or that promote public health protection. SDWA directs states to give funding priority to infrastructure projects that are needed to achieve or maintain compliance with SDWA requirements, protect public health, and assist systems with economic need. Further, states may use a portion of the capitalization grant for specified purposes, including programs for protecting sources of drinking water and improving the managerial and technical capacity of water systems.

### ***Financing or Funding Mechanism***

States may use the DWSRF to make low- or zero-interest loans to public water systems. Loan recipients must generally repay the entire loan plus any interest to the state. DWSRFs may also be used to buy or refinance local debt obligations, guarantee or purchase insurance for a local obligation, provide revenue or security for payment of principal and interest on state revenue or

<sup>157</sup> 42 U.S.C. §300j-12(a)(2).

<sup>158</sup> 42 U.S.C. §300j-12(e).

<sup>159</sup> 42 U.S.C. §300j-12(b).

<sup>160</sup> 42 U.S.C. §300j-12(b)(3).

<sup>161</sup> 42 U.S.C. §300j-12(a)(2)(F).

<sup>162</sup> Detailed national and state program data are available at EPA, “Drinking Water State Revolving Fund National Information Management System Reports,” [https://sdwis.epa.gov/ords/sfdw\\_pub/t/sfdw/owsrf\\_public/dw-state-national-report](https://sdwis.epa.gov/ords/sfdw_pub/t/sfdw/owsrf_public/dw-state-national-report).

<sup>163</sup> EPA, “EPA’s 7<sup>th</sup> Drinking Water Infrastructure Needs Survey and Assessment,” 2023, <https://www.epa.gov/dwsrf/epas-7th-drinking-water-infrastructure-needs-survey-and-assessment>.

<sup>164</sup> This estimate is not adjusted for inflation. EPA, 7<sup>th</sup> *Drinking Water Infrastructure Needs Survey and Assessment*, April 2023, [https://www.epa.gov/system/files/documents/2023-04/Final\\_FAQ\\_DWINSAs\\_4.4.23.v1.pdf](https://www.epa.gov/system/files/documents/2023-04/Final_FAQ_DWINSAs_4.4.23.v1.pdf). For more details, see CRS Report R47878, *Drinking Water Infrastructure Needs: Background and Issues for Congress*, by Elena H. Humphreys.

general obligation bonds if the proceeds of bond sale are deposited into the DWSRF, and earn interest on DWSRF accounts.<sup>165</sup>

The statute authorizes states to use up to 35% of their annual DWSRF grants to provide additional subsidies (e.g., principal forgiveness and negative interest rate loans) to help economically disadvantaged communities of any size.<sup>166</sup> The Consolidated Appropriations Act, 2024 (P.L. 118-42), required states to use 14% of their DWSRF capitalization grants for additional subsidization to eligible recipients. Because the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), continued FY2024 appropriations for the DWSRF for FY2025, EPA states that there is no change in the 14% required additional subsidization.<sup>167</sup> In an EPA memorandum from 2025, the agency clarified its interpretation that the appropriations act's additional subsidization percentage is additive to the SDWA additional subsidization statutory floor of 12% for the DWSRF, meaning that states are required to dedicate 26% of their capitalization grant amounts to additional subsidization.<sup>168</sup>

### *Eligibility Requirements*

Drinking 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. Federally owned systems are not eligible to receive assistance from this program.<sup>169</sup>

Projects eligible for DWSRF assistance include (1) capital investments to rehabilitate or replace infrastructure in order to continue providing the public with safe drinking water (e.g., storage facilities and transmission and distribution pipes); (2) projects needed to address violations of SDWA regulations (e.g., treatment facilities); and (3) project design and planning and associated preconstruction activities.<sup>170</sup> Assistance may also be available for construction of new wells to replace contaminated wells, source water protection, land acquisition, security measures (including infrastructure improvements), and consolidation of water supplies (e.g., in cases where individual homes or public water systems have a water supply that is contaminated or a system is unable to maintain compliance for financial or managerial reasons).<sup>171</sup>

Projects and activities not eligible for funding include projects primarily intended to serve future growth or to provide fire protection, construction of dams or reservoirs (except reservoirs for treated water), monitoring, and operation and maintenance. Ineligible systems include those that lack the financial, technical, or managerial capacity to maintain SDWA compliance and systems

<sup>165</sup> 42 U.S.C. §300j-12(a)(2).

<sup>166</sup> SDWA, §1452(d)(2)(B) (42 U.S.C. §300j-12(d)(2)(B)) conditionally requires states to use at least 12% of their capitalization grants to further subsidize DWSRF loans. A disadvantaged community is one in which the service area of a public water system meets state-established affordability criteria. For more details, see CRS Report R47935, *Changes to the Drinking Water State Revolving Fund (DWSRF) Program*, by Elena H. Humphreys.

<sup>167</sup> Memorandum from Peggy S. Browne, Acting Assistant Administrator, EPA, to Water Division Directors, Regions I-X, "Fiscal Year 2025 Allotments for the State Revolving Fund Provisions of the Infrastructure Investment and Jobs Act and Base Program Funding," May 15, 2025, [https://www.epa.gov/system/files/documents/2025-05/fy2025-allotments-for-the-srf-provisions-of-the-infrastrure-investment-and-jobs-act-and-base-program-funding\\_4\\_0.pdf](https://www.epa.gov/system/files/documents/2025-05/fy2025-allotments-for-the-srf-provisions-of-the-infrastrure-investment-and-jobs-act-and-base-program-funding_4_0.pdf).

<sup>168</sup> Memorandum from Peggy S. Browne, Acting Assistant Administrator, EPA, to Water Division Directors, Regions I-X, "Fiscal Year 2025 Allotments for the State Revolving Fund Provisions of the Infrastructure Investment and Jobs Act and Base Program Funding," May 15, 2025, [https://www.epa.gov/system/files/documents/2025-05/fy2025-allotments-for-the-srf-provisions-of-the-infrastrure-investment-and-jobs-act-and-base-program-funding\\_4\\_0.pdf](https://www.epa.gov/system/files/documents/2025-05/fy2025-allotments-for-the-srf-provisions-of-the-infrastrure-investment-and-jobs-act-and-base-program-funding_4_0.pdf).

<sup>169</sup> 42 U.S.C. §300j-12(a)(2)(A).

<sup>170</sup> 42 U.S.C. §300j-12(a)(2)(B).

<sup>171</sup> For more information, see EPA's website "DWSRF Eligibility Handbook" at <https://www.epa.gov/dwsrf/dwsrf-eligibility-handbook>.



in significant noncompliance with any SDWA regulation (unless the project is likely to ensure compliance).

### ***Recent Federal Funding***

For FY2024, two acts provided appropriations for the DWSRF program. IIJA (P.L. 117-58) provided three appropriations for the DWSRF. It included \$2.403 billion for the DWSRF program, \$3.000 billion through the DWSRF for lead service line replacement projects and related activities, and \$800.0 million through the DWSRF for grants to support projects to address emerging contaminants with a focus on per- and polyfluoroalkyl substances (PFAS). The Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$1,126.1 million for the DWSRF. Of this total appropriation, \$631.7 million is dedicated to earmarks and the remaining \$494.4 million is for the DWSRF program.

Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), provides EPA funding for FY2025 at FY2024 enacted levels, with certain exceptions. For FY2025, Section 1801(8) of P.L. 119-4 provides specific appropriations and does not include CPF/CDS items that were provided in FY2024. Thus, for FY2025, P.L. 119-4 provides \$1.1261 billion for the DWSRF. In addition, for FY2025, IIJA (P.L. 117-58) provides three appropriations for FY2025 of

1. \$2.6030 billion for the DWSRF program,
2. \$3.0000 billion through the DWSRF for lead service line replacement projects and related activities,<sup>172</sup> and
3. \$800.0 million through the DWSRF for grants to support projects to address emerging contaminants with a focus on PFAS.

For FY2026, the President requested \$150.0 million for the DWSRF program.<sup>173</sup>

From FY1997 through FY2024, more than 21,611 projects had received DWSRF financial assistance, and 14,729 had been completed.<sup>174</sup>

### ***Statutory and Regulatory Authority***

The statutory authority for the DWSRF program is the Safe Drinking Water Act Amendments of 1996 (P.L. 104-182, §1452, 42 U.S.C. §300j-12). Regulations are codified at Title 40, Section 35.3500, of the *Code of Federal Regulations*.<sup>175</sup>

<sup>172</sup> For more information, see CRS Report R47717, *Lead Service Lines (LSLs) Replacement: Funding Developments*, by Elena H. Humphreys.

<sup>173</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>. For more information, see CRS Report R48575, *U.S. Environmental Protection Agency FY2026 President's Budget Request: In Brief*, coordinated by Angela C. Jones.

<sup>174</sup> Detailed national and state program data are available at EPA, "State Revolving Fund Public Portal Home," [https://sdwis.epa.gov/ords/sfdw\\_pub/r/sfdw/owsrf\\_public/home](https://sdwis.epa.gov/ords/sfdw_pub/r/sfdw/owsrf_public/home).

<sup>175</sup> DWSRF program information, regulations, facts, and statistics are available at <https://www.epa.gov/dwsrf>.

## Water Infrastructure Finance and Innovation Act Program<sup>176</sup>

Localities are primarily responsible for providing water infrastructure services, which include both drinking water and wastewater infrastructure. According to the most recent estimates by states and EPA, funding needs for projects eligible for CWSRF or DWSRF funding—described in the sections above (i.e., projects needed to address water quality and public health-related problems or regulations)—total over \$1.2 trillion over a 20-year period.<sup>177</sup> However, many water infrastructure capital needs are ineligible for assistance through the SRF programs or are too large or otherwise not suited for those programs.

WIFIA authorizes EPA to provide credit assistance—secured (direct) loans or loan guarantees—for a broad range of drinking water and wastewater projects.<sup>178</sup> In contrast to SRF programs, EPA provides credit assistance directly to eligible recipients. Thus far, EPA has provided credit assistance in the form of secured loans.

Section 4201 of AWIA (P.L. 115-270) amended WIFIA to authorize EPA to enter into agreements with relevant federal agencies to administer and service loans that such agencies are authorized to make.<sup>179</sup> Section 4301 of AWIA directs EPA and Reclamation to enter into such an agreement. In October 2019, EPA and Reclamation entered into a memorandum of understanding for administering and servicing credit instruments. Under this agreement, EPA is responsible for providing support in administering and servicing Reclamation federal credit instruments, including determining project creditworthiness and loan terms, among other responsibilities.<sup>180</sup>

### *Program Purpose*

WIFIA provides an additional source of financing for water infrastructure projects, including projects eligible for CWSRF and DWSRF assistance. Some stakeholders have argued that the clean water and drinking water SRF programs are structured in a way that makes them useful primarily for smaller communities and smaller projects. The WIFIA program can provide credit assistance to large water infrastructure projects that otherwise have difficulty obtaining financing. Moreover, SRF funding is generally limited to projects that promote CWA or SDWA compliance and other statutory objectives. WIFIA can provide capital at a low cost to the borrower, because Treasury rates are typically lower than traditional municipal bonds.

### *Financing or Funding Mechanism*

In federal budgetary terms, WIFIA assistance has much less of an impact on federal spending than a grant, which is not repaid to the U.S. Treasury. The volume of loans and other types of

<sup>176</sup> This section was prepared by Jonathan L. Ramseur, Specialist in Environmental Policy, Resources, Science, and Industry Division.

<sup>177</sup> These estimates are not adjusted for inflation. EPA published its most recent estimate of capital needs for wastewater infrastructure in 2024. See EPA, *2022 Clean Watersheds Needs Survey*, 2024, <https://www.epa.gov/cwns/clean-watersheds-needs-survey-cwns-2022-report-and-data>. EPA published its most recent survey of drinking water needs in 2023. See EPA, *7th Drinking Water Infrastructure Needs Survey and Assessment*, April 2023, [https://www.epa.gov/system/files/documents/2023-04/Final\\_FAQ\\_DWINS\\_4.4.23.v1.pdf](https://www.epa.gov/system/files/documents/2023-04/Final_FAQ_DWINS_4.4.23.v1.pdf).

<sup>178</sup> The Water Resources Reform and Development Act of 2014 established a five-year WIFIA pilot program. In 2018, AWIA (P.L. 115-270) amended the WIFIA provisions to remove the pilot designation from the program. For more details, see CRS Report R43315, *Water Infrastructure Financing: The Water Infrastructure Finance and Innovation Act (WIFIA) Program*, by Jonathan L. Ramseur, Mary Tiemann, and Elena H. Humphreys.

<sup>179</sup> 33 U.S.C. §3909(g).

<sup>180</sup> See EPA's WIFIA website at <https://www.epa.gov/wifia/mou-administering-and-servicing-federal-credit-instruments>.



credit assistance that the programs can provide is determined by the size of congressional appropriations and calculation of the subsidy amount. WIFIA defines the *subsidy amount* as follows:

The amount of budget authority sufficient to cover the estimated long-term cost to the Federal Government of a Federal credit instrument, as calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays in accordance with the Federal Credit Reform Act of 1990 (2 U.S.C. §661 *et seq.*).<sup>181</sup>

Although subsidy rates are project-specific, the Office of Management and Budget (OMB) listed a 0.91% subsidy rate for WIFIA in FY2025.<sup>182</sup> At this subsidy rate, \$10.0 million in appropriations could support direct loans totaling \$990.0 million.<sup>183</sup> Thus, one advantage of the WIFIA program is that it can provide a large amount of credit assistance relative to the amount of budget authority provided.

### *Eligibility Requirements*

WIFIA credit assistance is available to state infrastructure financing authorities for a group of projects and individual project sponsors, which may include

- a corporation;
- a partnership;
- a joint venture;
- a trust; or
- a federal, state, local, or tribal government (or consortium of tribal governments).

Categories eligible for assistance by EPA include

- wastewater treatment and community drinking water facilities;
- enhanced energy efficiency of a public water system or wastewater treatment works;
- repair or rehabilitation of aging wastewater and drinking water systems;
- desalination, water recycling, aquifer recharge, or development of alternative water supplies to reduce aquifer depletion;
- prevention, reduction, or mitigation of the effects of drought;<sup>184</sup> or
- a combination of eligible projects.

The act authorizes EPA to provide credit assistance for a range of wastewater and drinking water projects. Generally, project costs must be \$20.0 million or larger to be eligible for credit

<sup>181</sup> 33 U.S.C. §3901(13).

<sup>182</sup> OMB, *Technical Supplement to the 2026 Budget: Credit Supplement*, Table 1, <https://www.govinfo.gov/content/pkg/BUDGET-2026-FCS/pdf/BUDGET-2026-FCS.pdf>.

<sup>183</sup> The subsidy rate, which is often expressed in percentage terms or as a ratio, largely determines the amount of credit assistance that can be made available to project sponsors. For example, if a project's subsidy rate is 10% and is the only charge against available budget authority, a \$20.0 million budgetary allocation could theoretically support a \$200.0 million loan. A lower subsidy rate would support a larger loan amount.

<sup>184</sup> The WIIN Act (P.L. 114-322) expanded WIFIA eligibility to include projects involving aquifer recharge; development of alternative water supplies to reduce aquifer depletion; and prevention, reduction, or mitigation of the effects of drought.

assistance. For projects in less populous communities (defined by WIFIA as populations of 25,000 or fewer), project costs must be \$5.0 million or more.<sup>185</sup>

To receive funding, a prospective borrower submits a letter of interest to EPA. The letter must document project eligibility, financial creditworthiness, engineering feasibility, and alignment with EPA's policy priorities. From these submittals, the agency selects projects for funding.<sup>186</sup> In 2023, EPA's WIFIA website announced that the program has funding available on an "ongoing basis" that allows for a "rolling selection process."<sup>187</sup> Prior to this announcement, EPA provided funding on an annual basis, with notices of funding in the *Federal Register*.

### **Recent Federal Funding**

For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$72.3 million for WIFIA (including \$7.6 million for administrative costs).<sup>188</sup> For FY2025, the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), provides EPA funding for FY2025 at FY2024 enacted levels: \$72.3 million for WIFIA (including \$7.6 million for administrative costs).

For FY2026, the President requested \$8.0 million for the WIFIA program.<sup>189</sup>

### **Statutory and Regulatory Authority**

The statutory authority for the WIFIA program is WRRDA (P.L. 113-121, Title V, codified at 33 U.S.C. §§3901-3914). The Fixing America's Surface Transportation Act (FAST Act; P.L. 114-94) and AWIA amended WIFIA provisions in 2015 and 2018, respectively. EPA promulgated an interim final rule for the program on December 19, 2016 (81 *Federal Register* 91822). Regulations are codified at Title 40, Section 35.10000, of the *Code of Federal Regulations*.

### **Other EPA Water Infrastructure Funding Programs<sup>190</sup>**

In recent WRDAs and in IIJA (P.L. 117-58), Congress has authorized several new drinking water and wastewater infrastructure funding programs. These programs are discussed below.<sup>191</sup>

#### **Sewer Overflow and Stormwater Grant Program**

In 2000, the Consolidated Appropriations Act, 2001, authorized EPA to establish a new grant program in the CWA to address overflows from municipal combined sewer systems and from

<sup>185</sup> 33 U.S.C. §3907(a).

<sup>186</sup> For more up-to-date details of project selection, see EPA's WIFIA website at <https://www.epa.gov/wifia>.

<sup>187</sup> See EPA, "WIFIA Available Funding," <https://www.epa.gov/wifia/wifia-available-funding>.

<sup>188</sup> EPA, *Fiscal Year 2025 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R24002, March 2024, <https://www.epa.gov/system/files/documents/2024-03/fy-2025-congressional-justification-all-tabs.pdf>.

<sup>189</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.

<sup>190</sup> This section was prepared by Elena H. Humphreys, Analyst in Environmental Policy, Resources, Science, and Industry Division, and Jonathan L. Ramseur, Specialist in Environmental Policy, Resources, Science, and Industry Division.

<sup>191</sup> Other drinking water grant programs include the Voluntary Lead Testing in Drinking Water at Schools and Child Care Program Grant Program (authorized in SDWA §1464(d), added by P.L. 114-322, §2107) and the Drinking Water Fountain Replacement for Schools Grant Program (authorized in SDWA §1465, added by P.L. 115-270, §2006(b)).

municipal separate sanitary sewers (“wet weather” projects).<sup>192</sup> At that time, Congress authorized annual appropriations of \$750.0 million for FY2002 and FY2003, but the program never received appropriations.

In 2018, AWIA Section 4106 amended the grant program by modifying the eligibility provisions to include stormwater infrastructure, among other changes.<sup>193</sup> In addition, AWIA reauthorized appropriations for the grant program for \$225.0 million for FY2019 and FY2020.<sup>194</sup> IIJA reauthorized appropriations for \$280.0 million annually for FY2022 through FY2026.<sup>195</sup>

Under this program, EPA provides grants to states, which in turn, provide sub-awards to eligible entities. The grants to states are allocated based on a formula prepared by EPA.<sup>196</sup> In April 2024, EPA announced FY2024 funding, providing approximately \$41 million to the states and territories.<sup>197</sup>

### ***Recent Federal Funding***

For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$41.0 million for the program. For FY2025, the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), provides EPA funding for FY2025 at FY2024 enacted levels—\$41.0 million.

For FY2026, the President requested \$41.0 million for this program.<sup>198</sup>

### ***Statutory Authority***

The statutory authority for this program is CWA Section 221 (codified at 33 U.S.C. §1301). The Consolidated Appropriations Act, 2001 (P.L. 106-554), amended the CWA in 2000 to provide this authority. CWA Section 221 was subsequently amended in 2018 by AWIA (P.L. 115-270).

### **Technical Assistance for Rural, Small, and Tribal Wastewater Systems**

In 2018, AWIA amended the CWA (adding Section 104(b)(8)) to authorize EPA to make grants to qualified nonprofits to provide technical assistance to help rural, small, and tribal publicly owned treatment works and decentralized wastewater treatment systems to comply with the CWA and apply for financing from the CWSRF.<sup>199</sup> For this purpose, AWIA authorized appropriations of \$25.0 million per year for FY2019 through FY2023. IIJA reauthorized appropriations of \$75.0 million per year for FY2022 through FY2026 to carry out grant programs in Section 104(b)(8), as

<sup>192</sup> P.L. 106-554.

<sup>193</sup> P.L. 115-270.

<sup>194</sup> AWIA §4106.

<sup>195</sup> IIJA §50204.

<sup>196</sup> EPA, “State Formula Allocations for Sewer Overflow and Stormwater Reuse Grants,” 86 *Federal Register* 11287, February 24, 2021, <https://www.federalregister.gov/documents/2021/02/24/2021-03756/state-formula-allocations-for-sewer-overflow-and-stormwater-reuse-grants>.

<sup>197</sup> Memorandum from Raffael Stein, Director, Water Infrastructure Division, to Regional Water Division Directors, “Allocation of Federal Fiscal Year 2024 Funding for the Sewer Overflow and Stormwater Reuse Municipal Grant Program,” April 19, 2024, <https://www.epa.gov/system/files/documents/2024-05/osg-fy-2024-allotment-memorandum.pdf>.

<sup>198</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.

<sup>199</sup> For more information, see EPA, “Technical Assistance for Treatment Works,” <https://www.epa.gov/dwcapacity/training-and-technical-assistance-small-systems-funding>.

well as Section 104(b)(3) and Section 104(g). These latter two programs have not received appropriations in recent years.

### ***Recent Federal Funding***

For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$25.5 million for the program. For FY2025, the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), provides EPA funding for FY2025 at FY2024 enacted levels—\$25.5 million.

For FY2026, the President requested \$10.0 million for this program.<sup>200</sup>

### ***Statutory Authority***

The statutory authority for this technical assistance is CWA Section 104(b)(8) (codified at 33 U.S.C. §1254(b)(8)). This provision was added to the CWA in 2018 by AWIA (P.L. 115-270, §4106).

### **Technical Assistance for Small, Rural, and Tribal Drinking Water Systems**

Added in 1996, SDWA Section 1442(e) authorizes EPA and states to provide compliance assistance to public water systems and particularly to small systems (serving 25-10,000 customers).<sup>201</sup> Accounting for 91% of community water systems, these small systems frequently lack both economies of scale and the financial, managerial, and technical capacity to meet statutory requirements.

This technical assistance is intended to enable small systems to achieve and maintain compliance with drinking water regulations. Assistance may include circuit-rider and multistate regional technical assistance programs, training, and assistance in implementing regulations; source water protection plans; monitoring plans; and water security enhancements. The WIIN Act (P.L. 114-322) amended Section 1442 to specify that technical assistance grants to tribes may be used for operator training and certification.

### ***Recent Federal Funding***

For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$26.0 million for this grant program.<sup>202</sup> Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), generally provides EPA funding for FY2025 at FY2024 enacted levels.

For FY2026, the President did not request funds for this program.

### ***Statutory Authority***

The statutory authority for this technical assistance is SDWA Section 1442(e) (codified at 42 U.S.C. §300j-1(e)).

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<sup>200</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.

<sup>201</sup> 42 U.S.C. §300j-1(e).

<sup>202</sup> P.L. 118-42 also provides \$3.45 million to EPA for grants to qualified nonprofits for technical assistance to private well owners.

## Small and Disadvantaged Communities Drinking Water Grant Program

In 2016, Congress amended SDWA to add a drinking water grant program to help assist disadvantaged or small communities afford projects needed to comply with SDWA regulations.<sup>203</sup> Eligible projects include investments needed for SDWA compliance, household water quality testing, and assistance that benefits a community on a per-household basis.<sup>204</sup> Eligible grant recipients include public water systems or tribal water systems that serve a disadvantaged community or a community of 10,000 or fewer individuals or a state on behalf of an underserved community.<sup>205</sup> For the purposes of this grant program, *underserved community* is defined to mean “a political subdivision of a State that, as determined by the Administrator, has an inadequate system for obtaining drinking water.”<sup>206</sup> This grant program requires a cost share of no less than 10% of total project costs in the form of monetary funding, services, materials, supplies, or other in-kind services.<sup>207</sup> EPA may waive this matching requirement if the grant recipient would experience significant financial hardship from providing the nonfederal share.<sup>208</sup>

In April 2019, EPA announced the distribution of FY2018 and FY2019 funding for these grants among the states and territories, using a formula similar to the DWSRF allotment formula, with a 2% allotment for tribes.<sup>209</sup> EPA reports that states need to develop a list of fundable projects that meet the grant program’s eligibility criteria to receive their allotment of funding.<sup>210</sup> For FY2020, EPA announced that the agency would distribute \$20.0 million for public water systems serving tribal communities.<sup>211</sup> For FY2021 funding, EPA allotted \$23.2 million among the states by using “an algorithmic formula that includes factors for population below poverty, small water systems, and underserved communities,” after reserving 10% of available funds for projects serving Indian tribes and Alaska Native villages.<sup>212</sup> For the FY2022 and FY2023 funding, EPA waived the 10% statutory cost share and allotted \$50.4 million among the states, after reserving \$5.6 million for projects serving Indian tribes and Alaska Native villages.<sup>213</sup> For the FY2024 funding, EPA allotted \$25.1 million among the states and territories after reserving \$2.85 million for projects

<sup>203</sup> P.L. 114-322.

<sup>204</sup> 42 U.S.C. §300j-19a(c).

<sup>205</sup> 42 U.S.C. §300j-19a(c).

<sup>206</sup> 42 U.S.C. §300j-19a(a)(2).

<sup>207</sup> 42 U.S.C. §300j-19a(h).

<sup>208</sup> 42 U.S.C. §300j-19a(h).

<sup>209</sup> EPA, “Final Allotments of FY2018 and FY2019 Appropriations for the Assistance to Small and Disadvantaged Communities Grants, Authorized Under Section 2104 of the Water Infrastructure Improvements for the Nation Act,” April 29, 2019, [https://www.epa.gov/sites/production/files/2019-04/documents/wiin\\_2104\\_allotment\\_memo\\_april\\_2019.pdf](https://www.epa.gov/sites/production/files/2019-04/documents/wiin_2104_allotment_memo_april_2019.pdf).

<sup>210</sup> EPA, *Assistance for Small and Disadvantaged Communities Drinking Water Grant Program: Grant Implementation Document*, August 2019, [https://www.epa.gov/sites/production/files/2019-08/documents/assistance\\_for\\_small\\_and\\_disadvantaged\\_communities\\_grant\\_implementation\\_document\\_08\\_27\\_19.pdf](https://www.epa.gov/sites/production/files/2019-08/documents/assistance_for_small_and_disadvantaged_communities_grant_implementation_document_08_27_19.pdf).

<sup>211</sup> EPA, “WIIN Act Section 2104: Assistance for Small and Disadvantaged Communities Tribal Grant Program,” <https://www.epa.gov/tribaldrinkingwater/wiin-act-section-2104-assistance-small-and-disadvantaged-communities-tribal>.

<sup>212</sup> EPA, “Final Allotments of FY2021 Appropriations for the Assistance to Small and Disadvantaged Communities Grants, Authorized Under Section 2104 of the Water Infrastructure Improvements for the Nation Act,” July 27, 2021, <https://www.epa.gov/system/files/documents/2021-08/fy2021-initial-state-allotment-memo.pdf>.

<sup>213</sup> EPA, “Allotments for Fiscal Year 2022 and 2023 for the Assistance to Small, Underserved and Disadvantaged Communities Grant, Authorized Under Section 1459A of the Safe Drinking Water Act, as Amended by Section 2104 of the Water Infrastructure Improvements for the Nation Act,” June 23, 2023, [https://www.epa.gov/system/files/documents/2023-06/SUDC%20Grant%20Allotments%20for%20Fiscal%20Year%202022%20and%202023\\_0.pdf](https://www.epa.gov/system/files/documents/2023-06/SUDC%20Grant%20Allotments%20for%20Fiscal%20Year%202022%20and%202023_0.pdf).

serving Indian tribes and Alaska Native villages.<sup>214</sup> For FY2025, EPA allotted \$24.9 million to states and territories, after reserving \$2.8 million for projects serving Indian tribes and Alaska Native villages.<sup>215</sup>

### ***Recent Federal Funding***

Beginning in FY2018, Congress has appropriated funds each year to support this grant program. For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$28.5 million for this grant program. Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), generally provides EPA funding for FY2025 at FY2024 enacted levels. In addition, IIJA provided this grant program with \$1.0 billion dedicated to emerging contaminant projects each year between FY2022 and FY2026.

For FY2026, the President did not request funds for this grant program.<sup>216</sup>

### ***Statutory Authority***

The statutory authority for the Assistance for Small and Disadvantaged Communities Drinking Water Grant program is SDWA Section 1459A (codified at 42 U.S.C. §300j-19a, added by the WIIN Act, P.L. 114-322, §2104).

### ***Lead Reduction Projects Grant Program***

In 2016, Congress amended SDWA to direct EPA to establish a grant program for projects and activities that reduce lead in drinking water.<sup>217</sup> These grants may be used to replace a publicly owned lead service line; to test, plan, or perform other relevant activities to control lead in drinking water; and to provide assistance to low-income homeowners to replace their portions of lead service lines.<sup>218</sup> Eligible grant recipients include public water systems; tribal water systems; qualified nonprofits with experience in lead reduction; and local, state, or municipal governments.<sup>219</sup> This grant program generally requires recipients to provide a 20% match. EPA may waive this matching requirement for reasons of affordability.

<sup>214</sup> Following direction in the FY2024 appropriations act, EPA announced that states or territories could use this grant for “one or more owners of drinking water wells that are not public water systems or connected to a public water system.” See EPA, “Allotments for Fiscal Year (FY) 2024 for the Assistance to Small, Underserved, and Disadvantaged Communities (SUDC) Grant, Authorized Under Section 1459A of the Safe Drinking Water Act (SDWA), as Amended by Section 2104 of the Water Infrastructure Improvements for the Nation Act,” May 20, 2024, [https://www.epa.gov/system/files/documents/2024-05/fy24-allotments\\_sudc\\_05092024.pdf](https://www.epa.gov/system/files/documents/2024-05/fy24-allotments_sudc_05092024.pdf).

<sup>215</sup> Memorandum from Marietta Echeverria, Director, Drinking Water Capacity and Compliance Assistance Division, EPA, to EPA Regional Water Division Directors, Regions 1-10, “Allotments for Fiscal Year (FY) 2025 for the Assistance to Small, Underserved, and Disadvantaged Communities (SUDC) Grant Program, Authorized Under Section 1459A(a)-(j) of the Safe Drinking Water Act (SDWA),” May 15, 2025, [https://www.epa.gov/system/files/documents/2025-05/sudc-grant-allotments-for-fiscal-year-2025\\_0.pdf](https://www.epa.gov/system/files/documents/2025-05/sudc-grant-allotments-for-fiscal-year-2025_0.pdf).

<sup>216</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.

<sup>217</sup> P.L. 114-322.

<sup>218</sup> 42 U.S.C. §300j-19b(a)(2).

<sup>219</sup> 42 U.S.C. §300j-19b(a)(1).



### ***Recent Federal Funding***

Congress first appropriated funds for this grant program in FY2018. For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$22.0 million for this grant program. Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), generally provides EPA funding for FY2025 at FY2024 enacted levels.

For FY2026, the President requested \$20 million for this grant program.<sup>220</sup>

### ***Statutory Authority***

The statutory authority for this grant program is SDWA Section 1459B (codified at 42 U.S.C. §300j-19b, added by the WIIN Act, P.L. 114-322, §2105).

### **Small Water System Resilience and Sustainability Grant Program**

In 2018, Congress amended SDWA to authorize EPA to establish the Drinking Water System Infrastructure Resilience and Sustainability Program, a grant program for small and disadvantaged public water systems.<sup>221</sup> EPA is to award grant funds to eligible public water systems for projects that increase resilience to natural hazards, including hydrologic changes. Eligible projects include those that increase water use efficiency, enhance water supply through watershed management or desalination, and increase energy efficiency in the conveyance or treatment of drinking water.<sup>222</sup> This grant program generally requires recipients to provide a 10% cost share that EPA can waive.<sup>223</sup>

### ***Recent Federal Funding***

Congress first appropriated funds for this grant program in FY2020. For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$6.5 million. Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), generally provides EPA funding for FY2025 at FY2024 enacted levels.

For FY2026, the President requested \$6.5 million for this grant program.<sup>224</sup>

### ***Statutory Authority***

The statutory authority for the Small Water System Resilience and Sustainability grant program is SDWA Section 1459A(l) (codified at 42 U.S.C. §300j-19a(l), added by AWIA (P.L. 115-270, §2005)).

<sup>220</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.

<sup>221</sup> P.L. 115-270.

<sup>222</sup> 42 U.S.C. §300j-19a(l)(3).

<sup>223</sup> 42 U.S.C. §300j-19a(l)(5).

<sup>224</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.



## Midsize and Large Drinking Water System Infrastructure Resilience and Sustainability Program

In 2021, Congress amended SDWA to direct EPA to establish a grant program for public water systems serving 10,000 or more individuals to improve resilience to natural hazards and to address cybersecurity vulnerabilities.<sup>225</sup> Eligible uses of funds include various water conservation, desalination construction, and watershed management activities, among others.<sup>226</sup> EPA is directed to use 50% of amounts available for grants for water systems serving 10,000 or more to 100,000 individuals, and 50% for systems serving more than 100,000 individuals.<sup>227</sup>

### *Recent Federal Funding*

Congress first provided appropriations for this grant program for FY2023. For FY2024, the Consolidated Appropriations Act, 2024 (P.L. 118-42), provided \$2.3 million for this grant program. Section 1101(a)(7) of the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), generally provides EPA funding for FY2025 at FY2024 enacted levels.

For FY2026, the President requested \$2.3 million for this program.<sup>228</sup>

### *Statutory Authority*

The statutory authority for the Midsize and Large Drinking Water System Resilience and Sustainability grant program is SDWA Section 1459F (codified at 42 U.S.C. §300j-19g, added by IIJA (P.L. 117-58, §50107)).

## Department of Housing and Urban Development<sup>229</sup>

### Community Development Block Grants

HUD administers assistance in support of neighborhood revitalization, including infrastructure improvements, primarily under the Community Development Block Grant (CDBG) program, for states, local governments, and insular areas (i.e., U.S. territories). The program's primary objective is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate income. CDBG grantees use program funds for a broad range of neighborhood revitalization and community and economic development activities intended to meet one of three national objectives. Specifically, eligible activities must

1. principally benefit low- or moderate-income persons,
2. aid in preventing or eliminating slums and blight, or

<sup>225</sup> P.L. 117-58.

<sup>226</sup> 42 U.S.C. §300j-19(g)(1)(c).

<sup>227</sup> 42 U.S.C. §300j-19(g)(1)(f).

<sup>228</sup> EPA, *Fiscal Year 2026 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R25002, June 2025, <https://www.epa.gov/system/files/documents/2025-06/fy-2026-epa-congressional-justification.pdf>.

<sup>229</sup> This section was prepared by Joseph V. Jaroscak, Analyst in Economic Development Policy, Government and Finance Division.

3. address an imminent threat to the health and safety of residents.<sup>230</sup>

The program statute requires that at least 70% of a grantee's funds must benefit low- and moderate-income persons.<sup>231</sup>

As a block grant, the CDBG program provides grantee discretion in selecting the eligible activities to be undertaken in pursuit of national objectives. CDBG grantees may distribute program funds across several broad activity categories, including the acquisition and demolition of real property, planning and administrative activities, housing, public services, and public improvements such as water and wastewater treatment facilities. From FY2019 to FY2023, water and sewer improvements accounted for an average of 12% of the annual total of CDBG expenditures. CDBG expenditures for public improvements overall—including water, sewer, and related improvements—accounted for approximately 36% of all CDBG expenditures, annually, during the same five-year span.<sup>232</sup>

Congress has also used the program to provide supplemental appropriations to assist communities and states in response to certain events, including natural disasters, the mortgage foreclosure crisis of 2008, economic recessions, terrorist attacks, and the Coronavirus Disease 2019 (COVID-19) pandemic. Since 1993, for example, Congress has appropriated supplemental CDBG funding to assist targeted states and local governments in their recovery and mitigation efforts, as CDBG-Disaster Recovery (CDBG-DR) and CDBG-Mitigation (CDBG-MIT) funding.<sup>233</sup>

### ***Program Purpose***

As noted, the primary goal of the CDBG program is the development of viable communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for low- and moderate-income persons. Funds may also be used to aid in preventing or eliminating slums and blight or to address an imminent threat to residents of the impacted area.

### ***Financing or Funding Mechanism***

The CDBG funding allocation process is outlined in the program's statute.<sup>234</sup> After amounts specified in an appropriations act are allocated, 70% of CDBG funds (the entitlement program) are allocated by formula to entitlement communities.<sup>235</sup> *Entitlement communities* are defined as principal cities of metropolitan areas, metropolitan cities with populations of 50,000 or more, and statutorily defined urban counties.<sup>236</sup> These funds are not available for projects in rural communities. Funds are awarded to entitlement communities based on the higher yield from one of two weighted formulas. The first formula uses population, overcrowded housing, and poverty data, while the second formula allocates funds based on an entitlement community's relative

<sup>230</sup> 24 C.F.R. §570.208.

<sup>231</sup> 42 U.S.C. §5301(c).

<sup>232</sup> Between FY2019 and FY2023, disbursements by CDBG recipients for water and sewer improvements averaged \$404.7 million per year. See Department of Housing and Urban Development (HUD), *CDBG Expenditure Reports, National Expenditure Reports (FY2001-FY2023), All CDBG Disbursements*, <https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/>.

<sup>233</sup> HUD, *CDBG Grant History Report* (as of June 2024), at [https://www.hud.gov/program\\_offices/comm\\_planning/cdbg-dr/reports](https://www.hud.gov/program_offices/comm_planning/cdbg-dr/reports).

<sup>234</sup> 42 U.S.C. §5306.

<sup>235</sup> HUD, *Awards and Allocations*, <https://www.hudexchange.info/grantees/allocations-awards/>.

<sup>236</sup> 42 U.S.C. §5302.

share of poverty, housing built before 1940, and the lag in population growth rate relative to the total for all entitlement communities.

The remaining 30% of CDBG funding (the state program) is allocated by a similar formula process to the states for distribution to nonentitlement communities for use in areas that are not part of a CDBG entitlement community allocation. These funds, which are administered by each state, may be available for rural community water projects, among other eligible activities.<sup>237</sup>

In order to receive CDBG funds, eligible grantees are required to participate in HUD's Consolidated Plan process, in which grantees assess conditions and needs related to community development and housing to inform the selection of program activities. Under this process, grantees submit three- to five-year consolidated plans as well as annual strategic plans that must be developed with community input and conform to HUD specifications. Grantees also report annually on performance against their stated goals for the previous year through a Comprehensive Annual Performance Evaluation Report (CAPER).<sup>238</sup>

States do not undertake eligible CDBG activities directly. Instead, states act as fiscal agents charged with three distinct responsibilities: (1) determining the method or methods to be used to distribute funds to nonentitlement communities, including seeking the input of affected local governments; (2) selecting local governments that will receive funds; and (3) monitoring local government grant recipients and project implementation to ensure compliance with rules governing the program.

Before funds are allocated to states and entitlement communities, a statutory amount of \$7.0 million is set aside annually for the U.S. territories or insular areas of Guam, the Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands. These funds are awarded annually based on each insular area's relative share of aggregate population for all insular areas.

### ***Eligibility Requirements***

There are three categories of recipients eligible for direct allocations of CDBG program funds: entitlement communities, states (for distribution to nonentitlement communities), and insular areas.

Eligible activities include a wide range of projects, such as public facilities and improvements, housing, public services, economic development, and brownfields redevelopment. Grantees must ensure that each activity meets one of the program's three national objectives: benefiting low- and moderate-income persons (the primary objective), aiding in the prevention or elimination of slums or blight, or assisting other community development needs that present a serious and immediate threat to the health or welfare of the community. Under the state program that assists smaller communities, states develop their own program and funding priorities and have considerable latitude to define community eligibility and criteria, within general criteria in law and regulations.

<sup>237</sup> HUD, *CDBG Expenditure Reports, National Expenditure Reports (FY2001-FY2020), All CDBG Disbursements*, <https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/>.

<sup>238</sup> HUD, *Consolidated Plan Process, Grant Programs, and Related HUD Programs*, <https://www.hudexchange.info/programs/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/>; for more information on the HUD Consolidated Plan, see CRS Report R48073, *HUD's Consolidated Planning Process: An Overview*, coordinated by Joseph V. Jaroscak.

## ***Recent Federal Funding***

The Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), provides \$3.43 billion for the Community Development Fund (CDF),<sup>239</sup> including \$3.3 billion in CDBG entitlement, nonentitlement, and insular area funds.

For FY2026, the Administration did not request funding for the CDF.<sup>240</sup>

## ***Statutory and Regulatory Authority***

Statutory authority for the CDBG program is Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. §§5301 et seq.). Regulations are codified at Title 24, Part 570, of the *Code of Federal Regulations*. Regulations covering the CDBG state program for nonentitlement communities are codified at Title 24, Part 570, Subpart I (§570.480).<sup>241</sup> CDBG has operated under an expired authorization since 1994.

## **CDBG Section 108 Loan Guarantees**

Authorized under the same title (Title I of the Housing and Community Development Act of 1974) as the formula-based CDBG program, the Section 108 Loan Guarantee program provides loan guarantees to CDBG grantees. The program allows entitlement communities, states (on behalf of a nonentitlement community), and insular areas to leverage its annual CDBG allocation in support of large-scale economic development and housing rehabilitation projects and the construction, reconstruction, or installation of public facilities.

## ***Program Purpose***

Consistent with the goals and objectives of the CDBG program, Section 108 loan guarantees are intended to supplement CDBG program activities. The program allows entitlement communities, states, and insular areas to extend the reach of the formula-based CDBG program, giving them access to additional financial resources to undertake large-scale, transformative neighborhood revitalization efforts.

Eligible activities include acquiring and rehabilitating publicly owned real property; housing rehabilitation; economic development activities, including those carried out by for-profit and nonprofit entities; debt service reserves; payment of interest on the guaranteed loan; issuance cost of the public offering; and the acquisition, construction, reconstruction, and installation of public facilities, including water and sewer improvements.<sup>242</sup>

## ***Financing or Funding Mechanism***

Upon approval of a Section 108 Loan Guarantee application, HUD generates loan documents and coordinates with the recipient on any necessary revisions. Typically, Section 108 loans are financed initially through an interim variable rate product. Periodically, HUD releases public

<sup>239</sup> The CDBG program is funded in an account called the Community Development Fund.

<sup>240</sup> OMB, *Technical Supplement to the 2026 Budget: Appendix*, p. 469, <https://www.govinfo.gov/content/pkg/BUDGET-2026-APP/pdf/BUDGET-2026-APP.pdf>.

<sup>241</sup> For more program information on CDBG entitlements grants, see HUD Exchange, “CDBG Entitlement Program Eligibility Requirements,” 2024, <https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/>. For information on the CDBG state program, see HUD Exchange, “CDBG State Program,” 2024, <https://www.hudexchange.info/programs/cdbg-state/>.

<sup>242</sup> 42 U.S.C. §5308(a).

offerings for permanent financing of Section 108 loans, once a sufficient aggregate amount in loan guarantees has been awarded.

Section 108 loans can be repaid over periods of up to 20 years. Repayment structures vary depending on the individual project and borrower. The interest rates for Section 108 interim loans are based on the three-month Treasury Auction Bill Rate. Interest rates for loans funded by a public offering are fixed and are based on U.S. Treasury borrowing rates.

Under the program, entities are allowed to borrow up to five times their annual CDBG allocation, minus any existing Section 108 commitments or outstanding principal balances. CDBG grantees applying for Section 108 loans must pledge their current and future CDBG allocations as security against default of the bonds or notes. Section 108 funds are made available on an ongoing basis, allowing communities to apply for funds any time during the year. Section 108 loan funds are made available to eligible public entities that may reloan the funds to private participants in a redevelopment project. Applicants are encouraged to meet with HUD staff prior to submitting a formal application.

### ***Eligibility Requirements***

Only CDBG grantees are eligible to apply for Section 108 loan guarantees. However, recipients of Section 108 loans may execute planned activities directly or relend the funds to a third party, including private companies, to carry out the eligible activities.

All eligible activities must meet at least one of the three national objectives of the regular CDBG program: the project must principally benefit low- and moderate-income persons, aid in eliminating or preventing slums and blight, or address an imminent threat to the health and safety of residents. The program has an open application process, allowing CDBG grantees to submit applications anytime during the year. The application process governing the Section 108 program can be grouped into several distinct stages: application presubmission, citizen participation, application submission, application review and notification, award allocation, and reporting.

When submitting formal Section 108 applications, CDBG grantees must include a description of activities to be carried out, financing structure, source of loan repayment, citizen participation plan, antidisplacement strategy, and a pledge of the applicant's CDBG allocation as security for the Section 108 guaranteed loan.<sup>243</sup>

### ***Recent Federal Funding***

For FY2024, Congress authorized a loan commitment ceiling of \$400.0 million and directed HUD to collect fees from borrowers that result in a credit subsidy cost of zero for guaranteeing Section 108 loans.<sup>244</sup> Until FY2015, Congress appropriated an amount necessary to cover the estimated long-term liability to the federal government of a Section 108 loan guarantee (credit subsidy). The Department of Housing and Urban Development Appropriations Act of FY2014<sup>245</sup> changed that arrangement, allowing HUD to collect a fee from the borrower to cover the cost of the credit subsidy. The amount of the fee is determined annually by HUD based on a percentage of the principal amount of the Section 108 guaranteed loan.

<sup>243</sup> 24 C.F.R. §570.704.

<sup>244</sup> P.L. 118-42

<sup>245</sup> P.L. 113-76, 128 Stat. 617.

For FY2026, the Administration did not request Section 108 loan guarantee authority.<sup>246</sup>

### ***Statutory and Regulatory Authority***

Statutory authority for the Section 108 program is Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. §5308). Regulations are codified at Title 24, Part 570, Subpart M, of the *Code of Federal Regulations*.

## **Department of Commerce<sup>247</sup>**

### **Economic Development Administration Public Works Program**

The Department of Commerce’s EDA is authorized to provide certain types of development assistance to areas experiencing substantial economic distress.<sup>248</sup> EDA grants for community water and sewer projects are available primarily through its Public Works program.<sup>249</sup> Similar assistance is also available under the agency’s Economic Adjustment Assistance (EAA) program, which is discussed in the subsequent section.<sup>250</sup>

Under the Public Works program, grants are awarded competitively to eligible applicants to revitalize, expand, and upgrade their physical infrastructure. These investments in public works improvements are generally linked to projects intended to enable communities to attract new industry, encourage business expansion and retention, diversify local economies, and generate or retain private-sector jobs in EDA-designated distressed regions. Grants may be used for a wide range of purposes, and may have a water supply or wastewater element.

The types of projects funded include business and science parks, expansion of port and harbor facilities, business incubator facilities, skill-training facilities, telecommunications infrastructure, redevelopment of brownfields, and water and wastewater facilities primarily serving industry and commerce.<sup>251</sup> Federal law requires that eligible recipients retain ownership of EDA-funded projects.<sup>252</sup> Because EDA grants are designed to primarily support economic development, foster job creation, and attract private investment, these grants are generally not available for *residential* sewer and water supply development.<sup>253</sup>

### ***Program Purpose***

The purpose of EDA’s Public Works program is to promote long-term economic development and assist in the construction of public works and the development of facilities needed to initiate and support the creation or retention of permanent private-sector jobs in areas experiencing long-term

<sup>246</sup> OMB, *Technical Supplement to the 2026 Budget: Appendix*, p. 469, <https://www.govinfo.gov/content/pkg/BUDGET-2026-APP/pdf/BUDGET-2026-APP.pdf>.

<sup>247</sup> This section was prepared by Julie M. Lawhorn, Analyst in Economic Development Policy, Government and Finance Division.

<sup>248</sup> 42 U.S.C. §3161.

<sup>249</sup> 42 U.S.C. §3141.

<sup>250</sup> 42 U.S.C. §3149.

<sup>251</sup> Economic Development Administration (EDA), “Public Works,” <https://www.eda.gov/funding/programs/public-works>.

<sup>252</sup> 13 C.F.R. §314.7.

<sup>253</sup> For additional information, see EDA, “Public Works,” <https://www.eda.gov/funding/programs/public-works>.



economic deterioration and distress. The program supports investments that help distressed areas address their competitive disadvantages.<sup>254</sup>

### *Financing or Funding Mechanism*

EDA competitively awards Public Works grants directly to approved applicants. Generally, EDA investment assistance may not exceed 60% of the project cost. Projects may receive an additional amount, not to exceed 30%, based on the relative needs of the region in which the project will be located, as determined by EDA.<sup>255</sup> In the case of certain small communities, Indian tribes, nonprofit organizations that have exhausted their effective borrowing capacity, or a state or political subdivision of a state that has exhausted its effective taxing and borrowing capacity, grants totaling 100% of a project's cost may be awarded.<sup>256</sup> Credit may be given toward the nonfederal share for in-kind contributions, including contributions of space, equipment, and services.<sup>257</sup> No minimum or maximum project amount is specified in law.

### *Eligibility Requirements*

Public Works grants may be made to states, cities, counties and other political subdivisions of states, Indian tribes, economic development districts, economic development organizations, public-private partnerships for public infrastructure, institutions of higher education or a consortium of such institutions, and private or public not-for-profit organizations acting in cooperation with officials of a political subdivision of a state.<sup>258</sup> Individuals and for-profit, private-sector entities do not qualify.<sup>259</sup>

Qualified projects must fill a pressing need of the area and must (1) be intended to improve the opportunities for the successful establishment, expansion, or retention of businesses; (2) assist in the creation of additional long-term private-sector employment; and (3) benefit long-term unemployed or underemployed persons and low-income families.<sup>260</sup> Projects must also be consistent with the region's certified Comprehensive Economic Development Strategy (CEDS) or equivalent EDA-accepted regional economic development strategy<sup>261</sup> and have an adequate share of nonfederal funds.<sup>262</sup> In addition, eligible projects must be located in areas that meet at least one of the following criteria: low per capita or median income; high unemployment, underemployment, or economic adjustment problems; low labor force participation rate; expected

<sup>254</sup> 42 U.S.C. §3141(b).

<sup>255</sup> 42 U.S.C. §3144. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 301, Subpart D—Investment Rates and Matching Share Requirements.

<sup>256</sup> 42 U.S.C. §3144(c).

<sup>257</sup> 42 U.S.C. §3144(b).

<sup>258</sup> Under this program, the term *state* includes the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Under this program, the term *Indian tribe* includes any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village or Regional Corporation (as defined in or established under the Alaska Native Claims Settlement Act (43 U.S.C. §§1601 et seq.)), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (42 U.S.C. §3122).

<sup>259</sup> 42 U.S.C. §3122(4).

<sup>260</sup> 42 U.S.C. §3141(b).

<sup>261</sup> 42 U.S.C. §3141(b)(3).

<sup>262</sup> 42 U.S.C. §3144.



economic dislocation due to energy industry transitions; or “special need” as determined by EDA.<sup>263</sup>

### ***Recent Federal Funding***

In FY2020, Congress directed EDA to allocate \$118.5 million of total appropriations for the Public Works grant program.<sup>264</sup> The amount of Public Works funding increased by \$1.0 million each fiscal year through 2023, reaching \$121.5 million in FY2023.<sup>265</sup> In FY2024, the amount decreased by over 17% to \$100.0 million.<sup>266</sup> With the exception of supplemental appropriations provided by P.L. 118-158, FY2025 appropriations were provided to EDA under full-year CR legislation (i.e., P.L. 119-4). As of the publication date of this CRS Report, amounts to be allocated for certain EDA programs, such as the Public Works program, are undetermined.

For FY2026, the Administration proposed to eliminate the EDA.<sup>267</sup>

### ***Statutory and Regulatory Authority***

The statutory authority for the Public Works program is the Public Works and Economic Development Act of 1965, as amended, P.L. 89-136 (42 U.S.C. §§3121 et seq.). Regulations are codified at Title 13, Chapter III, Parts 302, 305, 316, and 317, of the *Code of Federal Regulations*.

## **Economic Development Administration Economic Adjustment Assistance Program**

EDA, through its EAA grant program, awards development assistance to areas experiencing long-term economic deterioration and distress or sudden and substantial economic dislocation. This may include assisting communities/regions affected by natural disasters, natural resource depletion, mass layoffs, and other severe economic shocks that communities experience in restructuring and diversifying their regional economies. Funds have also been made available to aid communities experiencing chronic unemployment and underinvestment, and communities affected by military base realignments and closures.<sup>268</sup>

<sup>263</sup> 42 U.S.C. §3161. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 300, Subpart C—Economic Distress Criteria.

<sup>264</sup> *Congressional Record*, vol. 165, no. 204 (December 17, 2019), pp. H10961-H10962, <https://www.govinfo.gov/content/pkg/CREC-2019-12-17/pdf/CREC-2019-12-17-house-bk2.pdf>.

<sup>265</sup> *Congressional Record*, vol. 166, no. 28 (December 21, 2020), p. H7922, <https://www.govinfo.gov/content/pkg/CREC-2020-12-21/pdf/CREC-2020-12-21-house-bk3.pdf>; *Congressional Record*, vol. 168, no. 42 (March 9, 2022), p. H1772, <https://www.congress.gov/117/crec/2022/03/09/168/42/CREC-2022-03-09-bk3.pdf>; and *Congressional Record*, vol. 168, no. 198 (December 20, 2022), p. S7898, <https://www.congress.gov/117/crec/2022/12/20/168/198/CREC-2022-12-20-pt1-PgS7819-2.pdf>.

<sup>266</sup> Sen. Patricia Murray, “Explanatory Statement Submitted by Mrs. Murray, Chair of the Senate Committee on Appropriations, Regarding H.R. 4366, Consolidated Appropriations Act, 2024,” *Congressional Record*, vol. 170, no. 39 (March 5, 2024), p. S1399, <https://www.congress.gov/118/crec/2024/03/05/170/39/CREC-2024-03-05.pdf>.

<sup>267</sup> OMB, *Technical Supplement to the 2026 Budget: Appendix*, pp. 190-192, <https://www.govinfo.gov/content/pkg/BUDGET-2026-APP/pdf/BUDGET-2026-APP.pdf>.

<sup>268</sup> 42 U.S.C. §3149. For additional information, see EDA, “Economic Adjustment Assistance,” <https://www.eda.gov/economic-adjustment-assistance>.

EAA funds are competitively awarded to qualified applicants to assist them in developing and implementing a five-year CEDS or for implementation grants that support the activities and strategies identified in a CEDS. Examples of EAA activities may include

- construction of public infrastructure projects, including water and sewer facilities, industrial parks, and business incubators;
- strategic planning activities that include short-term action plans intended to stabilize a distressed community and regionally oriented, long-term development strategies intended to assess and redirect the region's economic future;
- capitalization of revolving loan funds, which would allow qualifying businesses and other borrowers to borrow funds at favorable interest rates; or
- market or industry research and analysis, technical assistance (including feasibility studies), public services, and training.<sup>269</sup>

Federal law requires that eligible recipients retain ownership of EDA-funded projects.<sup>270</sup> Because EDA grants are designed to primarily support economic development, foster job creation, and attract private investment, these grants are generally not available for *residential* sewer and water supply development.<sup>271</sup>

### ***Program Purpose***

The purpose of the program is to promote long-term economic development in areas experiencing sudden economic dislocation or long-term economic distress. EDA's EAA program supports investments intended to help distressed areas address their competitive disadvantages and evaluate their economic futures. EDA also administers program funds for state and local entities to plan and implement disaster economic recovery efforts through the EAA program.<sup>272</sup>

### ***Financing or Funding Mechanism***

EDA competitively awards EAA grants directly to eligible applicants. Generally, EAA investment assistance may not exceed 60% of the project cost. Projects may receive an additional amount, not to exceed 30%, based on the relative needs of the region in which the project will be located, as determined by EDA.<sup>273</sup> In the case of certain small communities, Indian tribes, and nonprofit organizations that have exhausted their effective borrowing capacity, or a state or political subdivision of a state that has exhausted its effective taxing and borrowing capacity, grants totaling 100% may be awarded.<sup>274</sup> Credit may be given toward the nonfederal share for in-kind contributions, including contributions of space, equipment, and services.<sup>275</sup> No minimum or maximum project amount is specified in law.

<sup>269</sup> 13 C.F.R. Part 307 and EDA, "Fiscal Year 2023 Public Works and Economic Adjustment Assistance (PWEAA) Application Submission and Program Requirements," <https://www.eda.gov/funding/funding-opportunities/fiscal-year-2023-public-works-and-economic-adjustment-assistance>.

<sup>270</sup> 13 C.F.R. §314.7.

<sup>271</sup> For additional information, see EDA, "Public Works," <https://www.eda.gov/funding/programs/public-works>.

<sup>272</sup> In FY2025, for example, the American Relief Act, 2025 (P.L. 118-158) provided \$1.51 billion to EDA for economic recovery following disasters. For more information, see CRS Infographic IG10045, *Economic Development Administration (EDA) Disaster Recovery Funding*, by Julie M. Lawhorn.

<sup>273</sup> 42 U.S.C. §3144. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 301, Subpart D—Investment Rates and Matching Share Requirements.

<sup>274</sup> 42 U.S.C. §3144(c).

<sup>275</sup> 42 U.S.C. §3144(b).

## Eligibility Requirements

EAA grants may be made to states, cities, counties and other political subdivisions of states, Indian tribes, economic development districts, economic development organizations, public-private partnerships for public infrastructure, institutions of higher education or a consortium of such institutions, and private or public not-for-profit organizations acting in cooperation with officials of a political subdivision of a state.<sup>276</sup> Individuals and for-profit, private-sector entities do not qualify.<sup>277</sup>

Qualified projects must fill a pressing need of the area arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe changes in economic conditions.<sup>278</sup> Projects must also have an adequate share of local funds.<sup>279</sup> With the exception of strategy grants, EAA projects must also be consistent with the area's CEDS.<sup>280</sup> In addition, eligible projects must be located in areas that meet at least one of the following criteria: low per capita income, or median income; high unemployment, underemployment, or economic adjustment problems; low labor force participation rate; expected economic dislocation due to energy industry transitions; or "special need" as determined by EDA.<sup>281</sup>

## Recent Federal Funding

Congress directed EDA to allocate \$37.5 million to the program in FY2021 and FY2022.<sup>282</sup> Congress directed EDA to allocate \$39.5 million to the EAA program in FY2023 and \$33.0 million in FY2024.<sup>283</sup> FY2025 annual appropriations were provided to EDA under full-year CR legislation (P.L. 119-4). As of the publication date of this CRS Report, amounts to be allocated for certain EDA programs, such as the EAA program, are undetermined.<sup>284</sup>

In FY2025, the Economic Development Reauthorization Act (EDRA) of 2024—enacted as a part of the Thomas R. Carper Water Resources Development Act of 2024 (P.L. 118-272, Division B,

<sup>276</sup> Under this program, the term *state* includes the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Under this program, the term *Indian tribe* includes any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village or Regional Corporation (as defined in or established under the Alaska Native Claims Settlement Act (43 U.S.C. §§1601 et seq.)), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (42 U.S.C. §3122).

<sup>277</sup> 42 U.S.C. §3122(4).

<sup>278</sup> 42 U.S.C. §3149.

<sup>279</sup> 42 U.S.C. §3144.

<sup>280</sup> 42 U.S.C. §3149(b)(2).

<sup>281</sup> 42 U.S.C. §3161. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 300, Subpart C—Economic Distress Criteria. See also EDA, "Notice of Funding Opportunity, Public Works and Economic Adjustment Assistance Programs, FY2020," <https://www.eda.gov/funding/funding-opportunities/fiscal-year-2020-public-works-and-economic-adjustment-assistance>.

<sup>282</sup> See explanatory statements accompanying P.L. 115-141, P.L. 116-6, P.L. 116-93, P.L. 116-260, and P.L. 117-103.

<sup>283</sup> Sen. Patrick Leahy, "Explanatory Statement Submitted by Mr. Leahy, Chair of the Senate Committee on Appropriations, Regarding H.R. 2617, Consolidated Appropriations Act, 2023," *Congressional Record*, vol. 168, no. 198 (December 20, 2022), p. S7898, <https://www.congress.gov/congressional-record/volume-168/issue-198/senate-section/article/S7819-2>, and Sen. Patricia Murray, "Explanatory Statement Submitted by Mrs. Murray, Chair of the Senate Committee on Appropriations, Regarding H.R. 4366, Consolidated Appropriations Act, 2024," *Congressional Record*, vol. 170, no. 39 (March 5, 2024), p. S1399, <https://www.congress.gov/118/crec/2024/03/05/170/39/CREC-2024-03-05.pdf>.

<sup>284</sup> OMB, *Technical Supplement to the 2026 Budget: Appendix*, pp. 190-192, <https://www.govinfo.gov/content/pkg/BUDGET-2026-APP/pdf/BUDGET-2026-APP.pdf>.

Title II)—amended EDA’s authorizing statute to specifically allow coal and nuclear host communities (with adverse economic impacts) to be eligible for the EAA program.<sup>285</sup> Prior to EDRA’s enactment, Congress had used appropriations report language to direct EDA to support such activities.<sup>286</sup> For instance, in FY2024, Congress directed EDA to provide \$75 million to the Assistance to Coal Communities (ACC) initiative to be administered through the EAA program.<sup>287</sup> EDRA specifically authorized funding for projects in coal or nuclear host communities through FY2029 for the ACC and Assistance to Nuclear Host Communities initiatives, separate from funding authorization for the base EAA program.<sup>288</sup> EDRA also authorized EDA to provide EAA funding to communities with economies injured by the loss of “travel and tourism, natural resource-based, blue economy, or agricultural” jobs; the contraction of the steel industry; and limited water for industrial consumption in areas impacted by decreased water supplies due to drought or extreme heat.<sup>289</sup> The legislation did not specifically authorize funding for projects in those areas.

For FY2026, the Administration proposed to eliminate the EDA.<sup>290</sup>

### ***Statutory and Regulatory Authority***

The statutory authority for the EAA program is the Public Works and Economic Development Act of 1965, as amended, P.L. 89-136 (42 U.S.C. §§3121 et seq.). Regulations are codified at Title 13, Chapter III, Parts 302, 305, 316, and 317 of the *Code of Federal Regulations*.

<sup>285</sup> For more information, see CRS Report R48516, *Economic Development Reauthorization Act (EDRA) of 2024*.

<sup>286</sup> See P.L. 118-272, §2211, which provided a definition of the term *blue economy*, and §2219, which provided definitions for the terms *coal economy* and *nuclear host communities*. For more information, see “Assistance to Energy Transition Communities” in CRS Report R46991, *Economic Development Administration: An Overview of Programs and Appropriations (FY2011-FY2025)*, by Julie M. Lawhorn; CRS Insight IN11648, *The Economic Development Administration’s Assistance to Coal and Nuclear Closure Communities Initiatives for Economic Transitions*, by Julie M. Lawhorn; and EDA, “Funding Opportunity: Fiscal Year 2023 Public Works and Economic Adjustment Assistance (PWEAA) Application Submission and Program Requirements,” <https://www.eda.gov/funding/funding-opportunities/fiscal-year-2023-public-works-and-economic-adjustment-assistance>.

<sup>287</sup> Sen. Patricia Murray, “Explanatory Statement Submitted by Mrs. Murray, Chair of the Senate Committee on Appropriations, Regarding H.R. 4366, Consolidated Appropriations Act, 2024,” *Congressional Record*, vol. 170, no. 39 (March 5, 2024), p. S1399, <https://www.congress.gov/118/crec/2024/03/05/170/39/CREC-2024-03-05.pdf>.

<sup>288</sup> See P.L. 118-272, §2236(e) and (f), for the funding authorization for the Assistance to Coal Communities and Assistance to Nuclear Host Communities initiatives.

<sup>289</sup> See P.L. 118-272, §2219.

<sup>290</sup> OMB, *Technical Supplement to the 2026 Budget: Appendix*, pp. 190-192, <https://www.govinfo.gov/content/pkg/BUDGET-2026-APP/pdf/BUDGET-2026-APP.pdf>.

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