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FY2026 Appropriations for U.S. Environmental Protection Agency (EPA) Water Infrastructure Programs

Many policymakers and stakeholders have raised concerns about the condition of the nation's local drinking water and wastewater infrastructure and the financial challenges that communities may confront in maintaining or replacing aging infrastructure. In 2024, the U.S. Environmental Protection Agency (EPA) estimated that wastewater and stormwater infrastructure would need $630 billion (in 2022 dollars) over the next 20 years to meet federal water quality objectives. In 2023, EPA estimated that drinking water systems would need to invest $625 billion (in 2021 dollars) over 20 years to ensure the provision of safe drinking water.

FY2026 Appropriations

The Commerce, Justice, Science; Energy and Water Development; and Interior and Environment Appropriations Act, 2026 (P.L. 119-74), Division C, Title II, provides regular appropriations for EPA for multiple water infrastructure programs, including the Clean Water State Revolving Fund (CWSRF) and the Drinking Water SRF (DWSRF). Appropriations for the SRFs and other water infrastructure programs are provided within the State and Tribal Assistance Grants (STAG) account. A separate account funds a federal credit assistance program under the Water Infrastructure Finance and Innovation Act (WIFIA).

As indicated in **Table 1**, P.L. 119-74 provides $3.04 billion for EPA's water infrastructure programs, the same as the FY2025 enacted level (P.L. 119-4). **Table 1** also includes FY2025 and FY2026 funding provided in the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58), which provided advance emergency supplemental appropriations for the SRFs and a drinking water grant program (i.e., Grants for Small and Disadvantaged Communities) for FY2022 through FY2026.

Table 1. EPA Water Infrastructure: Enacted Appropriations for FY2025 and FY2026

(dollars in millions, not adjusted for inflation)

Program	FY2025 IIJA	FY2025 P.L. 119-4	FY2026 IIJA	FY2026 P.L. 119-74
State and Tribal Assistance Grants (STAG) Account				
Clean Water State Revolving Fund (CWSRF)	$2,603.0	$1,638.9	$2,603.0	$746.1
Grants for Emerging Contaminant Projects	$225.0	—	$225.0	—
Community Project Funding/Congressionally Directed Spending (CPF/CDS)	—	—	—	$892.8
Drinking Water State Revolving Fund (DWSRF)	$2,603.0	$1,126.1	$2,603.0	$410.7
Lead Service Line Replacement Projects	$3,000.0	—	$3,000.0	—
Grants for Emerging Contaminant Projects	$800.0	—	$800.0	—
CPF/CDS	—	—	—	$715.4
Grants for U.S.-Mexico Border Projects	—	$35.0	—	$35.0
Grants for Rural and Alaska Native Villages	—	$39.0	—	$39.0
Grants for Testing School Water for Lead	—	$28.0	—	$28.0
Grants for Reducing Lead in Drinking Water	—	$22.0	—	$22.0
Grants for Small and Disadvantaged Communities	$1,000.0	$28.5	$1,000.0	$28.5
Grants for Small Water System Resilience and Sustainability	—	$6.5	—	$6.5
Grants for Midsize to Large Water System Resilience and Sustainability	—	$2.3	—	$2.3
Grants for Indian Reservation Drinking Water	—	$4.0	—	$4.0
Grants for Sewer Overflow and Stormwater	—	$41.0	—	$41.0
Water Infrastructure Finance and Innovation Act (WIFIA) Account	—	$72.3	—	$72.3
Total	**$10,231.0**	**$3,043.6**	**$10,231.0**	**$3,043.6**

Sources: CRS, using appropriation amounts from P.L. 119-4, the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58), and P.L. 119-74. P.L. 117-58 provides supplemental and advance appropriations for certain activities for FY2022-FY2026. Not included are FY2025 supplemental SRF appropriations provided by P.L. 118-158 dedicated to areas affected by Hurricanes Helene and Milton and the Hawaii wildfires.

Notes: For more information about these programs, see CRS Report R46471, *Federally Supported Projects and Programs for Wastewater, Drinking Water, and Water Supply Infrastructure*, coordinated by Jonathan L. Ramseur.

State Revolving Fund (SRF) Programs

The Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA) authorize complementary programs to help publicly owned treatment works (i.e., wastewater treatment plants) and public water systems finance improvements needed for statutory compliance. The CWSRF provides financial assistance for infrastructure projects to publicly owned treatment works and other eligible recipients (33 U.S.C. §§1381-1387). The DWSRF provides assistance to public water systems, which may be publicly or privately owned (42 U.S.C. §300j-12). In both SRF programs, EPA makes a grant to each state to capitalize a revolving loan fund. Each state must match 20% of its annual capitalization grant. States are authorized to use the CWSRF or the DWSRF primarily to provide subsidized loans to eligible recipients. For FY2026, P.L. 119-74 includes community project funding/congressionally directed spending (CPF/CDS) items, which some call *earmarks*. The act dedicates 54% ($892.8 million) of the total FY2026 CWSRF appropriation and 64% ($715.4 million) of the total FY2026 DWSRF appropriation to CPF/CDS. EPA distributes CPF/CDS directly to recipients (e.g., municipalities) instead of to state SRFs. Recipients of CPF/CDS provide a 20% cost share.

Water Infrastructure Finance and Innovation Act

Congress established the WIFIA program in the Water Resources Reform and Development Act of 2014 (P.L. 113-121, 33 U.S.C. §§3901-3914). WIFIA authorizes EPA and the U.S. Army Corps of Engineers to provide direct credit assistance—secured loans or loan guarantees—for projects eligible for the SRFs and a range of others. WIFIA appropriations primarily address long-term credit subsidy costs, which would cover the federal government's risk that the loan may not be repaid. To date, under WIFIA, EPA has provided loans to water infrastructure projects. EPA estimated that the FY2025 budget authority for WIFIA subsidy costs would be $59.6 million of the $72.3 million and would allow EPA to lend about $6.5 billion.

Policy Considerations

As deliberations over FY2027 appropriations begin, Members may consider a number of policy issues regarding water infrastructure. One regards the funding levels for EPA water infrastructure programs, particularly the SRF programs, which are the principal federal funding programs for water infrastructure. Regular appropriations for EPA's water infrastructure programs, including the SRFs, have remained flat for FY2024, FY2025, and FY2026. The current CPF/CDS process allocates funding for projects from the regular SRF appropriations, which reduces each state's annual capitalization grant. The effect of the reservation of funds for CPF/CDS on state SRF capitalization grants has been offset by the IIJA supplemental SRF appropriations (FY2022-FY2026). Prior earmark processes (e.g., for FY1989 to FY2010) provided a separate appropriation for water projects such that earmarked funding was in addition to SRF appropriations.

As the IIJA appropriations end, a consideration for policymakers is how or whether to continue providing CPF/CDS from SRF appropriations. Members may continue CPF/CDS for several reasons. One may be to have a more direct role in determining which projects, such as those in their state or district, receive funding. CPF/CDS also may play a role in a broader legislative context. The House and Senate Committees on Appropriations' FY2027 guidance indicates that the committees will accept CPF/CDS requests for EPA's STAG account for water projects. If CPF/CDS funding is provided in the same way as recent years, the reduction in FY2027 funding for state SRF capitalization grants could be significant, compared to the funding levels before and during IIJA appropriations.

Reserving a portion of regular SRF appropriations for CPF/CDS projects has several effects. One is that it effectively alters the nature of federal water infrastructure funding. In particular, the SRF programs primarily provide loans to individual projects, and loan repayments revolve back to state SRFs, allowing states to support other projects. By contrast, CPF/CDS provide grants (with a cost-share) to individual projects. Providing these grants from SRF appropriations means that CPF/CDS decrease the amount of federal water infrastructure funding amount that revolves back to the SRFs, and is available to loan again.

Although the SRF programs include some additional subsidization (i.e., grants rather than loans), it generally involves specific conditions, such as support for disadvantaged communities. The CPF/CDS guidance from the appropriations committees has not required projects to meet comparable criteria, though Members may have a greater say in what projects receive CPF/CDS. Some may want to consider the characteristics (e.g., financial demographics) of those that receive CPF/CDS. Currently, reporting mechanisms do not record the characteristics of communities receiving CPF/CDS.

Another consideration between the SRFs and the CPF/CDS involves the allotment process. The CWSRF state allotment is codified in the CWA. The DWSRF state allotments are updated every four years and determined by each state's proportional share of infrastructure need. State SRF officials put together lists of projects, in accordance with statutory priorities, that are subject to public comment. By comparison, the appropriations committees determine the CPF/CDS allocation process, and some Members choose not to request CPF/CDS. Given these different allocation processes, particularly in the context of the estimated water infrastructure needs, one consideration involves how each of these processes can support an efficient distribution of limited federal resources.

One consideration is specific to the CWSRF. The CWA allows additional subsidization in the CWSRF programs under certain conditions, including a minimum appropriation of $1 billion for CWSRF capitalization grants to states. If CPF/CDS funding were to reduce the funding below this $1 billion threshold, it may draw into question

whether states could provide additional subsidization from the CWSRF. This outcome may have occurred in recent fiscal years if not for the IIJA supplemental appropriations.

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