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Water Infrastructure Financing: History of EPA Appropriations

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Summary

The principal federal program to aid municipal wastewater treatment plant construction is authorized in the Clean Water Act (CWA). Established as a grant program in 1972, it now capitalizes state loan programs. Authorizations since 1972 have totaled $65 billion, while appropriations have totaled $77.6 billion. It has represented 25-30% of total funds appropriated to the Environmental Protection Agency (EPA) in recent years.

In appropriations legislation, funding for EPA wastewater assistance is contained in the measure providing funds for the Department of the Interior, Environment, and Related Agencies, which includes EPA. Within the portion of that bill which funds EPA, wastewater treatment assistance is specified in an account now called State and Tribal Assistance Grants (STAG). Three trends in the funding of this account are most prominent: inclusion of non-infrastructure environmental grants to states, beginning in FY1993; increasing number and amount of special purpose grants since FY1989; and the addition of grant assistance for drinking water treatment projects in FY1997. This report summarizes, in chronological order, congressional activity to fund items in this account since 1987.

Prior to the 1987 amendments, wastewater treatment assistance was provided in the form of grants made to municipalities. The federal share of project costs was generally 55%; state and local governments were responsible for the remaining 45%. The 1987 amendments altered this arrangement by replacing the traditional grant program with one that provides federal grants to capitalize state clean water loan programs, or state revolving funds (SRFs). As a general matter, states and cities support the program changes and the shift to a loan program that was intended to provide long-term funding for water quality and wastewater construction activities. However, the change means that local communities now are responsible for 100% of projects costs, rather than 45%, because they are required to repay loans to states. The greater financial burden of the act's loan program on some cities has caused some to seek continued grant funding.

This has been particularly evident in the appropriations process where, in recent years, Congress has reserved as much as 30% of funds in the STAG account for special purpose grants directed to specified communities. Since FY2000, appropriators have awarded earmarks to a larger total number of projects, resulting in more communities receiving such grants, but at the same time receiving smaller amounts of funds, on average. Most of the funded projects are not authorized in the Clean Water Act or the Safe Drinking Water Act. State water quality officials, state infrastructure financing officials, and EPA have objected to this practice, since it reduces the amount of funding for state SRF programs. Since FY1997, the STAG account also has been used to fund a drinking water SRF grant program established by Congress in 1996. Appropriations for the drinking water SRF program through FY2007 have totaled $9.49 billion.

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Introduction

The principal federal program to aid municipal wastewater treatment plant construction is authorized in the Clean Water Act (CWA). Congress established this program, essentially in its current form, in the Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500) (although prior versions of the act had authorized less ambitious grants assistance since 1956). Title II of P.L. 92-500 authorized grants to states for wastewater treatment plant construction under a program administered by the Environmental Protection Agency (EPA). Federal funds are provided through annual appropriations under a state-by-state allocation formula contained in the act itself. States used their allotments to make grants to cities to build or upgrade wastewater treatment plants and thus to achieve the overall objectives of the act: restoring and maintaining the chemical, physical, and biological integrity of the nation's waters. The federal share of project costs, originally 75% under P.L. 92-500, was reduced to 55% in 1981.

By the mid-1980s, there was considerable policy debate between Congress and the Administration over the future of the act's construction grants program and, in particular, the appropriate federal role. Through FY1984, Congress had appropriated nearly $41 billion under this program, representing the largest nonmilitary public works programs since the Interstate Highway System. The grants program was a target of the Reagan Administration's budget cutters, who sought to redirect budgetary priorities in part to sort out the appropriate roles of federal, state, and local governments in a number of domestic policy areas, including water pollution control. The Administration's rationale included several points.

- The original intent of the program to address the backlog of sewage treatment needs had been virtually eliminated by the mid-1980s.
- Most remaining projects (such as small, rural systems) were believed to pose little environmental threat and were not appropriate federal responsibilities.
- State and local governments, in the Administration's view, were fully capable of running construction programs and have a clear responsibility to construct treatment capacity to meet environmental objectives that were primarily established by states.

Thus, the Reagan Administration sought a phaseout of the act's construction grants program by 1990. Many states and localities supported the idea of phasing out the grants program, since many were critical of what they viewed as burdensome rules and regulations that accompanied the federal grant money. However, they sought a longer transition and ample flexibility to set up long-term financing to promote state and local self-sufficiency.

Congress' response to this debate was contained in 1987 amendments to the act (P.L. 100-4, the Water Quality Act of 1987). It authorized $18 billion over nine years for sewage treatment plant construction, through a combination of the Title II grants program and a new State Water Pollution Control Revolving Funds (SRF) program. Under the new program, in Title VI of the act, federal grants would be provided as seed money for state-administered loans to build sewage treatment plants and, eventually, other water quality projects. Cities, in turn, would repay loans to the state, enabling a phaseout of federal involvement while the state builds up a source of capital for future investments. Under the amendments, the SRF program was phased in beginning in FY1989 (in FY1989 and FY1990, appropriations were split equally between Title II and Title VI grants) and entirely replaced the previous Title II program in FY1991. The intention was that states would have flexibility to set priorities and administer funding, while federal aid would end after FY1994.

The authorizations provided in the 1987 amendments expired in FY1994, but pressure to extend federal funding has continued, in part because, although Congress has appropriated over $77 billion in assistance since 1972, funding needs remain high: an additional $181 billion nationwide is needed for all types of projects eligible for funding under the act, according to the most recent formal estimate by EPA and states.[1] Thus, Congress has continued to appropriate funds, and the anticipated shift to full state funding responsibility has been delayed.

In contrast to the 40-plus years of federal support for financing municipal wastewater treatment facilities, Congress only recently (in 1996) established a program under the Safe Drinking Water Act (SDWA) to help communities with financing of projects needed to comply with federal drinking water regulations.[2] Funding support for drinking water only occurred more recently for several reasons. First, until the 1980s, the number of drinking water regulations was fairly small, and public water systems often did not need to make large investments in treatment technologies to meet those regulations. Second and relatedly, good quality drinking water traditionally has been available to many communities at relatively low cost. By comparison, essentially all communities have had to construct or upgrade sewage treatment facilities to meet the requirements of the CWA.

Over time, drinking water circumstances have changed, as communities have grown, and commercial, industrial, agricultural, and residential land-uses have become more concentrated, thus resulting in more contaminants reaching drinking water sources. Moreover, as the number of federal drinking water standards has increased, many communities have found that their water may not be as good as once thought and that additional treatment technologies are required to meet the new standards and protect public health. Between 1986 and 1996, for example, the number of regulated drinking water contaminants grew from 23 to 83, and EPA and the states expressed concern that many of the nation's 52,000 small community water

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[1] U.S.Environmental Protection Agency, Office of Wastewater Management, *Clean Watersheds Needs Survey 2000, Report to Congress*, August 2003, EPA-832-R-03-001, 85 p.

[2] For information, see CRS Report RS22037, *Drinking Water State Revolving Fund: Overview and Issues*, by Mary Tiemann.

systems were likely to lack the financial capacity to meet the rising costs of complying with the Safe Drinking Water Act.

Congress responded to these concerns by enacting the 1996 SDWA Amendments (P.L. 104-182) which authorized a drinking water state revolving loan fund (DWSRF) program to help systems finance projects needed to comply with SDWA regulations and to protect public health. This program, fashioned after the Clean Water Act SRF, authorizes EPA to make grants to states to capitalize DWSRFs which states then use to make loans to public water systems. Appropriations for the program were authorized at $599 million for FY1994 and $1 billion annually for FY1995 through FY2003. According to the most recent EPA-state survey, future funding needs for projects to treat and deliver public drinking water supplies in the United States are $277 billion over the next 20 years.[3]

EPA analyses have focused attention on the issue of local governments' need for funds and what the federal role should be in assisting states and cities. In September 2002, EPA released a study, called the Gap Analysis, which assesses the difference between current capital spending for wastewater and drinking water infrastructure and total funding needs. EPA estimates that, over the next two decades, the United States needs to spend nearly $660 billion to replace existing wastewater and drinking water infrastructure systems and to build new ones. According to the study, if there is no increase in investment, there will be about a $11 billion per year gap between current capital expenditures for water infrastructure ($23 billion annually) and projected spending needs. **Table 1** summarizes funding for water infrastructure programs since enactment of P.L. 100-4.

In appropriations legislation, funding for these EPA programs is contained in the measure providing funds for the Department of the Interior, Environment, and Related Agencies.[4] Within the portion of the bill which funds EPA, wastewater treatment assistance first was specified in an account called Construction Grants, which was later renamed State Revolving Funds/Construction Grants, then renamed Water Infrastructure. Since FY1996, this account has been titled State and Tribal Assistance Grants (STAG). The remainder of this report summarizes, in chronological order, congressional activity to fund items in the STAG account since the 1987 Clean Water Act amendments.

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[3] U.S. Environmental Protection Agency, *Drinking Water Infrastructure Needs Survey, Third Report to Congress,* June 2005,EPA-816-R-05-001, 71 p.

[4] Prior to the 109th Congress, EPA appropriations were included in legislation funding the Department of Veterans Affairs, Department of Housing and Urban Development, and Independent Agencies (VA/HUD). In January 2005, House and Senate Appropriations Committees reorganized, and jurisdiction over funding for EPA and several other entities was moved to the Appropriations subcommittees covering Interior and Related Agencies.

Table 1. Water Infrastructure Funding

($ in millions)

Fiscal Year	CWA Authorization	SDWA Authorization	President's Request	Appropriation
1986	$2,400		$2,400	$1,800
1987	2,400		2,000	2,361
1988	2,400		2,000	2,304
1989	2,400		1,500	1,950
1990	2,400		1,200	1,980
1991	2,400		1,600	2,100
1992	1,800		1,883	2,383
1993	1,200		2,467	2,483
1994	600	599	2,047	2,375
1995	—	1,000	2,528	2,769
1996	—	1,000	2,365	2,155
1997	—	1,000	2,178	2,201
1998	—	1,000	2,078	2,468
1999	—	1,000	2,028	2,527
2000	—	1,000	1,753	2,561
2001	—	1,000	1,753	2,621
2002	—	1,000	2,233	2,660
2003	—	1,000	2,185	2,599
2004	—	—	1,798	2,612
2005	—	—	1,794	2,336
2006	—	—	1,649	2,005
2007	—	—	1,570	2,005
Total	18,000	9,599	43,009	51,255

The STAG account now includes all water infrastructure funds and management grants provided to assist states in implementing air quality, water quality, and other media-specific environmental programs. The FY1996 appropriation was the first to include both water infrastructure and other state environmental grants; the latter previously were included in EPA's general program management account. Amounts shown in Table 1 include funds for Clean Water Act infrastructure grants, drinking water SRF grants (discussed below), and earmarked infrastructure projects grants (also discussed below) but do not include the funds for consolidated state environmental management grants. However, these state grants are discussed below in sections providing the appropriations chronology.

Trends in Water Infrastructure Funding

Three changes are especially evident in the recent history of water infrastructure funding, as reflected in the appropriations account where these funds are detailed. One is inclusion in the account of non-infrastructure grants to states. This began in FY1993 with addition of Clean Water Act Section 319 grants for state programs to manage nonpoint source pollution and was expanded in FY1996 to include all state grants for management of environmental programs, in a single consolidated grants appropriation.

A second trend, discussed below, has been an increasing number and amount of specially earmarked grants for needy cities and other special purpose projects. A third trend, also discussed below, is expansion of the account to include SRF capitalization grants for drinking water projects, under authority of the Safe Drinking Water Act Amendments of 1996 (P.L. 104-134).

SRF Grants vs. Special Purpose Project Grants. The practice of earmarking a portion of the construction grants/SRF account for specific wastewater treatment and other water quality projects began in the FY1989 legislation. Since then it has increased to the point of representing a significant portion of appropriated funds (31% of the total water infrastructure appropriation in FY1994, for example, 28% in FY1995, but somewhat less in recent years: 16% in FY2005 and FY2006). The number of projects receiving these earmarked funds also has increased: from four in FY1989, to eight in FY1994, 669 in FY2005, but fewer in FY2006 (259 total). Since FY2000, the larger total number of earmarked projects has resulted in more communities receiving such grants, but at the same time receiving smaller amounts of funds. Thus, while a few communities have received individual earmarked awards of $3 million or more in recent years, the average size of earmarked grants has shrunk: $18.1 million in FY1995, $4.9 million in FY1999, $600,427 in FY2005, and $1.08 million in FY2006. (Conference reports on the individual appropriations bills, noted in the later discussion in this report, provide limited detail on projects funded in this manner.) The effective result of earmarking has been to reduce the amount of funds provided to states to capitalize their SRF programs. Of the $51.3 billion appropriated to EPA for water infrastructure programs since 1986, $6.87 billion has gone to earmarked project grants.[5]

Interest groups representing state water quality program managers and administrators of infrastructure financing programs have criticized this practice of appropriators. They contend that earmarking undermines the intended purpose of the state funds, to promote water quality improvements nationwide. Many state officials would prefer that funds be allocated more equitably, not based on what they view largely as political considerations, and they would prefer that state environmental and financing officials retain responsibility to set actual spending priorities. Further, they say, because directed funding of special projects diminishes the level of seed funding to SRFs, it delays the time when states will be financially self-sufficient and may actually prolong the time when states seek continued federal support.

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[5] For additional information, see CRS Report RL32201, *Water Infrastructure Project Earmarks in EPA Appropriations: Trends and Policy Implications*, by Claudia Copeland.

The practice of earmarking has been criticized because designated projects are receiving more favorable treatment than other communities' projects: they generally are eligible for 55% federal grants (and will not be required to repay 100% of the funded project cost, as is the case with a loan through an SRF), and the practice sidesteps the standard CWA process of states' determining the priority by which projects will receive funding. It also means that the projects have generally not been reviewed by the CWA authorizing committees. This is especially true since FY1992 when special purpose grant funding has been designated for projects not authorized in the Clean Water Act or amendments to it or in the Safe Drinking Water Act.

Members of Congress may intervene for a specific community for a number of reasons. In some cases, the communities may have been unsuccessful in seeking state approval to fund the project under an SRF loan or other program. For some, the cost of a project financed through a state loan, which the community must fully repay, is deemed unacceptably high, because repaying the loan can result in such increased user fees that ratepayers feel are unduly burdensome. The community then seeks a grant to avoid this costly financial scenario. This is often the case with wastewater projects in small and rural communities. A number of the special purpose grants have been made to projects characterized as "needy cities" based on local economic conditions.

In the early years of this congressional practice, special purpose grant funding originated in the House version of the EPA appropriations bill, while the Senate for the most part resisted earmarking by rejecting or reducing amounts and projects included in House-passed legislation. With this difference in legislative approach, special purpose grant funding on several occasions were an issue during the House-Senate conference on the appropriations bill. Since FY1999, however, both the House and Senate have proposed earmarked projects in their respective versions of the EPA appropriations bill, with the final total number of projects and dollar amounts being determined by conferees. In addition, as it has now been 19 years since the last major amendments to the Clean Water Act, the desire by some Members to address special needs problems that might be debated during reauthorization has increased, thus leading to greater pressure on House and Senate Members to use the appropriations process to handle such concerns.[6]

Technically, the Clean Water Act Title II grants program ended when authorizations for it expired after FY1990. One result of earmarking special purpose grants in appropriations bills has been to perpetuate grants as a method of funding wastewater treatment construction long after FY1990. At the same time, it also has resulted in Congress providing EPA grants for drinking water system projects, which had not previously been available.

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[6] In the 104th Congress, the House passed a comprehensive CWA reauthorization bill that included provisions concerning water infrastructure (H.R. 961), but provisions in it that addressed regulatory relief and similar issues were controversial, and no further action occurred. In the 107th, 108th, and 109th Congresses, House and Senate committees considered legislation to reauthorize water infrastructure financing programs, but no bill was enacted.

Local Cost Share on Special Purpose Grants.. The federal percentage share and local match required on special purpose grants depends on the project and the year of funding. For example, in the case of appropriations for projects in Boston, San Diego, New York City, and Des Moines, IA (discussed below in the section concerning FY1989), authorization of appropriations and federal cost share were specified in the 1987 Clean Water Act amendments. For a number of other projects for which appropriations were provided in FY1992 and FY1993, the appropriations acts specified that funds were provided "as grants under title II," resulting in a requirement for local communities to provide a 45% share of project costs.

After FY1993, the appropriations acts themselves are the authority for the special purpose projects grants. In the FY1995 appropriation bill, which also directed allocation of funds appropriated in FY1994 to several needy cities, Congress addressed the issue of federal and local cost shares in report language accompanying the bill, but not in the appropriation act itself.[7]

> The conferees are in agreement that the agency should work with the grant recipients on appropriate cost-share arrangements. It is the conferees' expectation that the agency will apply the 45% local cost share requirement under Title II of the Clean Water Act in most cases.

In the FY1996 appropriations, both the act and accompanying reports were silent on federal/local cost share and applicability of Title II requirements. Because of that, EPA officials planned to require only a 5% local match for most of the special purpose grants in that bill, which is the standard matching requirement for other EPA non-infrastructure grants. Under the agency's rules, the local match could include in-kind services, as well as funding toward the project.

In the FY1997 appropriations, Congress included report language as it had in FY1995 concerning federal and local cost share requirements.[8]

> The conferees are in agreement that the Agency should work with the grant recipients on appropriate cost-share agreements and to that end the conferees direct the Agency to develop a standard cost-share consistent with fiscal year 1995.

The FY1998 and FY1999 appropriations included neither bill nor report language on this point. However, language in the House and Senate Appropriations Committees' reports on the FY1998 and FY1999 bills directed EPA to work with grant recipients on appropriate cost-share arrangements.[9]

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[7] H.Rept. 104-715, accompanying H.R. 4624, 103rd Cong., 2d sess., p. 42.

[8] H.Rept. 104-812, accompanying H.R. 3666, 104th Cong., 1st sess., p. 74.

[9] H.Rept. 105-175, accompanying H.R. 2158, 105th Cong., 1st sess., p. 69; S.Rept. 105-216, accompanying S. 2168, 105th Cong., 2nd sess., p. 82.

For FY2000, Congress included explicit report language concerning the local match.[10]

> The conferees agree that the $331,650,000 provided to communities or other entities for construction of water and wastewater treatment facilities and for groundwater protection infrastructure shall be accompanied by a cost-share requirement whereby 45 percent of a project's cost is to be the responsibility of the community or entity consistent with long-standing guidelines for the Agency. These guidelines also offer flexibility in the application of the cost-share requirement for those few circumstances when meeting the 45 percent requirement is not possible.

Similar report language concerning local cost-share requirements accompanied the conference reports on the appropriations bills from FY2001 through FY2005. Since FY2004, Congress has included legislative language in the appropriations act specifying the local requirement to provide 45% of a project's cost.

Since the FY2003 appropriations legislation, Congress also has specified that, except for those limited instances in which an applicant meets the criteria for a waiver of the cost-share requirement, the earmarked grant shall provide no more than 55% of an individual project's cost, regardless of the amount appropriated.

Grants for a Drinking Water SRF. One additional aspect of earmarking a portion of the account's appropriation began in FY1994 when the Administration requested and Congress agreed to provide funds to capitalize state *drinking water* SRFs. In response, Congress appropriated drinking water SRF grants three times, but those actions were contingent on enactment of authorizing legislation, which occurred in 1996, as described above. Subsequently, capitalization grants for drinking water SRF programs were provided for the first time in FY1997 and have been included in each subsequent appropriations bill. These appropriations have totaled $9.48 billion and have averaged $862 million per year. As Congress continues to support both clean water SRFs and drinking water SRFs, the two types of grants share whatever overall level of funding is available within the account.

Appropriations Chronology

FY1986, FY1987

The authorization period covered by P.L. 100-4 was FY1986-FY1994. By the time the amendments were enacted, FY1986 was over, as was a portion of FY1987. Thus, appropriations for those two years only indirectly reflected the policy and program changes for later years that were contained in P.L. 100-4. For FY1986, Congress appropriated a total of $1.8 billion, consisting of $600 million approved in December 1985 (while Congress was beginning to debate reauthorization legislation that eventually was enacted as P.L. 100-4 in January 1987) and $1.2 billion more in July 1986.

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[10] H.Rept. 106-379, accompanying H.R. 2684, 106th Cong., 1st sess., p. 141.

For FY1987, while debate on CWA reauthorization continued, President Reagan requested $2.0 billion, consistent with his legislative proposal to terminate the grants program by FY1990. In October 1986, Congress appropriated $2.4 billion (P.L. 99-500 / P.L. 99-591). However, only $1.2 billion of that amount was released immediately, pending enactment of a reauthorization bill, which was then in conference. Following enactment of the Water Quality Act of 1987, remaining FY1987 funds were released as part of a supplemental appropriations bill (P.L. 100-71). Conferees on that measure agreed, however, to shift $39 million of the remaining unreleased grant funds to other priority water quality activities authorized in P.L. 100-4. The final total of construction grant monies was $2.361 billion.

FY1988

For FY1988 the President again requested $2.0 billion. In December 1987, Congress approved legislation providing FY88 appropriations (P.L. 100-202, the omnibus continuing resolution to fund EPA and other federal agencies). In it, Congress appropriated $2.304 billion for construction grants. Final action on the EPA budget and other funding bills had been delayed by budget-cutting talks between Congress and the White House. Reduced construction grants funding was one of many spending cuts required to implement a congressional-White House "summit agreement" on the budget. The final construction grants appropriation was less than funding levels that had been provided in separate versions of a bill passed by the House and Senate before the budget summit, $2.4 billion.

FY1989

For FY1989, President Reagan requested $1.5 billion, or 35% below FY1988 appropriations and 37.5% less than the authorized level of $2.4 billion for FY1989. In separate versions of an EPA appropriations bill, the House and Senate voted to provide $1.95 billion and $2.1 billion respectively. The final figure, in P.L. 100-404, was $1.95 billion which included $68 million for special projects in four states. Thus, the actual amount provided for grants was $1.882 billion. That total was divided equally between the previous Title II grants program and new Title VI SRF program, as provided in the authorizing language of P.L. 100-4.

The FY1989 legislation was the first to include earmarking of funds for specified projects or grants in EPA's construction grants account, an action that continued in subsequent years, as discussed above. All of the projects funded in the 1989 legislation were ones that had been authorized in provisions of the Water Quality Act of 1987 (WQA, P.L. 100-4). The designated projects were in Boston (authorized in Section 513 of the WQA, to fund the Boston Harbor wastewater treatment project), San Diego/Tijuana (Section 510, to fund an international sewage treatment project needed because of the flow of raw sewage from Tijuana, Mexico, across the border), Des Moines, IA (Section 515, for sewage treatment plant construction), and Oakwood Beach/Redhook, NY (Section 512 of the WQA, to relocate natural gas distribution facilities near wastewater treatment works in New York City).

FY1990

For FY1990, President Reagan's budget requested $1.2 billion in wastewater treatment assistance, or 50% less than the authorized level and 38.5% less than the FY1989 enacted amount of $1.95 billion. Further, the Reagan budget proposed that the $1.2 billion consist of $800 million in Title VI monies and $400 million in Title II grants, contrary to provisions of the CWA directing that appropriations be equally divided between the two grant programs, as in FY1989. President's Bush's revised FY1990 budget, presented in March 1989, made no changes from the Reagan budget in this area.

In acting on this request, Congress agreed to provide $2.05 billion, including $46 million for three special projects (Boston, San Diego/Tijuana, and Des Moines), leaving a total of $1.002 billion each for Titles II and VI (P.L. 101-144). Title II funds were reduced by $6.8 million, however, due to funds earmarked for a specific project in South Carolina. Although these amounts were appropriated, all funds in the bill were reduced by 1.55% (or, a $31.8 million reduction from the construction grants account) to provide funds for the federal government's anti-drug program.

Final FY1990 appropriations were altered again by passage of the FY1990 Budget Reconciliation measure and implementation of the Balanced Budget and Emergency Deficit Control Act (the Gramm-Rudman-Hollings Act), which established procedures to reduce budget deficits annually, resulting in a zero deficit by 1993. For each fiscal year that the deficit was estimated to exceed maximum targets established in law, an automatic spending reduction procedure was triggered to eliminate deficits in excess of the targets through "sequestration," or permanent cancellation of budgetary resources.

Thus, to meet budget reduction mandates and, in particular, deficit reduction targets under the Balanced Budget and Emergency Deficit Control Act (the Gramm-Rudman-Hollings Act), additional funding cuts were included in P.L. 101-239, the Budget Reconciliation Act of 1989, affecting construction grants funding and all other accounts not exempted from Gramm-Rudman procedures. P.L. 101-239 provided that the "sequestration" procedures under the Gramm-Rudman-Hollings Act would be allowed to apply for a portion of FY1990 (for 130 days, or 35.6% of the year), providing an additional automatic spending reduction in EPA and other agencies' programs subject to the act.

As a result of these reductions, funding for wastewater treatment aid in FY1990 totaled $1.98 billion, or $30 million more than in FY1989. The total included $53 million for special projects in San Diego, Boston, Des Moines, and Honea Path/Ware Shoals, SC, $960 million for Title II grants, and $967 million for Title VI grants. The combined reductions amounted to 3.4% less than the amount agreed to by conferees on P.L. 101-144 (i.e., $2.05 billion), before subtracting funds for anti-drug programs and accounting for effects of the Gramm-Rudman partial-year sequester.

FY1991

For FY1991, President Bush requested $1.6 billion in funding for wastewater treatment assistance. This total included $15.4 million to be earmarked for the San Diego project authorized in Section 510 of the Water Quality Act of 1987, to fund construction of an international sewage treatment project. The remainder, $1.584 billion, would be only for capitalization grants under Title VI of the act, as the 1987 legislation provides for no new Title II grants after FY1990.

In acting on EPA's appropriations for FY1991 (P.L. 101-507), Congress agreed to provide $2.1 billion in wastewater treatment assistance. Beginning in FY1991, all appropriated funds are utilized for capitalization grants under Title VI of the act (as provided in the Water Quality Act of 1987); funding for the traditional Title II grants program was no longer available.

The enacted level included several earmarkings: $15.7 million for San Diego, $20 million for Boston Harbor (section 513 of the WQA), and $16.5 million for a new Water Quality Cooperative Agreement Program under Section 104(b)(3) of the act.[11] The President's budget had requested $16.5 million to support state permitting, enforcement and water quality management activities, especially to offset the reductions in aid to states due to elimination of state management setasides from the previous Title II construction grants program. Congress agreed to the level requested, but provided it as a portion of the wastewater treatment appropriation, rather than as part of EPA's general program management appropriation, as in the President's request. As a result of these earmarkings, $2.048 billion was provided for Title VI grants.

FY1992

For FY1992, President Bush requested $1.9 billion in wastewater treatment funds, or $100 million more than authorized under the Water Quality Act of 1987 for Title VI grants in FY1992. However, out of the $1.9 billion total, the President's request sought $1.5 billion for Title VI SRF grants and $400 million as grants under the expired Title II construction grants program for the following coastal cities: Boston, San Diego, New York, Los Angeles, and Seattle. Two of the five designated projects had been authorized in the 1987 Clean Water Act amendments; the other three did not have explicit statutory authorization. Also, $16.5 million was requested for Water Quality Cooperative Agreement grants to the states.

In acting on the request in November 1991, Congress provided total wastewater funds of $2.4 billion (P.L. 102-139). The total was allocated as follows:

- $1,948.5 million for SRF capitalization grants,
- $16.5 million for section 104(b)(3) grants,

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[11] Section 104(b)(3) grants have been used to support a variety of special studies and projects allowing states and localities to demonstrate innovative approaches to implementing the core water quality program.

- $49 million for the special project in San Diego-Tijuana (section 510 of the Water Quality Act),
- $46 million to the Rouge River (MI) National Wet Weather Demonstration Project, and
- $340 million as construction grants under title II of the Clean Water Act for several other special projects — the Back River Wastewater Treatment Plant (Baltimore), Maryland, the Boston Harbor project, New York City, Los Angeles, San Diego (a wastewater reclamation project), and Seattle.

This appropriation bill was the first to include special purpose grant funding for several projects not specifically authorized in the Clean Water Act or amendments to that law.

FY1993

For FY1993, President Bush requested $2.484 billion for state revolving funds/construction grants (now called the water infrastructure account). The requested total included $340 million to be targeted for 55% construction grants to six communities: Boston, New York, Los Angeles, San Diego, Seattle, and Baltimore. In addition, the President requested that $130 million be directed toward a Mexican Border Initiative, consisting of $65 million for construction of the international treatment plant at San Diego (to address the Tijuana sewage problem), $15 million for projects at Nogales AZ and New River, CA, and $50 million as 50% grants for *colonias* in Texas.[12] The President also requested $16.5 million for Section 104(b)(3) grants. Along with these special project and grant amounts, the request sought $2.014 billion for SRF assistance.

Final action on FY1993 funding occurred on September 25, 1992 (P.L. 102-389). It provided an appropriation of $2.55 billion, but $622.5 million of this amount was reserved for special projects and other grants. The bill provided $50 million in CWA Section 319 grants[13] and $16.5 million in Section 104(b)(3) grants out of the SRF amount. It included $556 million for the following special purpose grants: the international treatment plant at San Diego (Tijuana — Section 510 of the WQA, with bill language capping funding for that project at $239.4 million), plus projects in Boston, New York, Los Angeles, San Diego, Seattle, Rouge River MI, Baltimore, Ocean County NJ, Atlanta, and for *colonias* in Texas, Arizona and New Mexico. The final SRF grant amount under the bill was $1.928 billion.

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[12] *Colonias* are unincorporated areas outside city boundaries along the U.S.-Mexico border. Most lack adequate public utilities, especially water and wastewater services.

[13] The 1987 Clean Water Act amendments authorized federal grants to assist states in implementing programs to manage water pollution from nonpoint sources such as farm and urban areas, construction, forestry, and mining sites. Because of competing demands for funding, it had been difficult for Congress to fund this grant program and other water quality initiatives in the 1987 Act. Appropriators did fund Section 319 grants in EPA's general program management account (abatement, control and compliance) in FY1990, FY1991, and FY1992, but well below authorized levels. In the FY1993 Act, appropriators moved funding into the SRF/construction grants account, thereby providing a degree of protection from competing priorities.

Early in 1993, President Clinton requested that Congress approve "economic stimulus and investment" spending, in the form of supplemental FY1993 appropriations. Both his original proposal and a subsequent modified proposal included additional SRF grant funds, but neither of the bills enacted by Congress in response to these requests (P.L. 103-24, P.L. 103-50) provided additional SRF funds.

FY1994

For FY1994, the Clinton Administration requested $2.047 billion for water infrastructure. The funds in this request were $1.198 billion to capitalize State Revolving Funds, $150 million for Mexican Border Project grants, and $100 million for a single hardship community (Boston). The request also included $599 million to capitalize new state drinking water revolving funds.

The final version of the FY1994 legislation (P.L. 103-124) provided $2.477 billion for water infrastructure/state revolving funds. Of this total amount, $599 million was to be reserved for drinking water SRFs, if authorization legislation were enacted; $80 million was for Section 319 grants; $22 million was for Section 104(b)(3) grants; and $58 million was for Tijuana/San Diego-Section 510 of the WQA. This resulted in an appropriation of $1.718 billion for clean water SRFs.

In addition, the final bill provided that $500 million be used to support water infrastructure financing in economically distressed/hardship communities. Under the bill, these funds were not available for spending until May 31, 1994, and were set aside until projects were authorized in the CWA for this purpose.

Thus, the bill as enacted provided $1.218 billion immediately for clean water SRFs, with the expectation that $500 million more would be available for financing hardship community projects after May 31, 1994.

FY1995

For FY1995, President Clinton requested $2.65 billion for water infrastructure consisting of: $1.6 billion for CWA SRFs, $100 million for Section 319 nonpoint source management grants to states, $52.5 million for a grant to San Diego for a wastewater project pursuant to Section 510 of the WQA, $47.5 million for other Mexican border projects, $50 million to the State of Texas for *colonias* projects, and $100 million for grants under Title II for needy cities (intended for Boston). The request included $700 million for drinking water SRFs, pending enactment of authorizing legislation. The President's budget also requested $21.5 million for Section 104(b)(3) grants/cooperative agreements.

Final agreement on FY1995 funding was contained in P.L. 103-327, enacted in September 1994, which provided a total of $2.962 billion for water infrastructure financing. Of the total, $22.5 million was for grants under Section 104(b), $100 million for Section 319 grants, $70 million for public water system grants (grants to states under the Safe Drinking Water Act to support state implementation of delegated drinking water programs), $52.5 million for the Section 510 project in San

Diego, and $700 million for drinking water SRFs (contingent upon enactment of authorization legislation).

The remaining $2.017 billion was for CWA projects. Of this amount, $1.235 billion was for clean water SRF grants to states under Title VI of the CWA. The remaining $781.8 million (39% of this amount, 26% of the total appropriation) was designated for 45 specific, named projects in 22 states. The earmarked amounts ranged in size from $200,000 for Southern Fulton County, PA, to $100 million for the City of Boston.

Finally, the conferees included bill language concerning release of the $500 million in FY1994 needy cities money (because the authorizing committees of Congress had not acted on legislation to authorize specific projects, as had been intended in P.L. 103-124) as follows:

- $150 million to Boston, $50 million for *colonias* in Texas, $10 million for *colonias* in New Mexico, $70 million for a New York City wastewater reclamation facility, $85 million for the Rouge River project, $50 million for the City of Los Angeles, $50 million for the County of Los Angeles, and $35 million for Seattle, WA.

FY1996

In February 1995, President Clinton submitted the Administration's budget request for FY1996. It requested $2.365 billion for water infrastructure funding consisting of $1.6 billion for clean water state revolving funds, $500 million for drinking water state revolving funds, $150 million to support Mexico border projects under the U.S.-Mexican Border Environmental Initiative and NAFTA and $100 million for special need/economically distressed communities (not specified in the request, but presumed to be intended for Boston), plus $15 million for water infrastructure needs in Alaska Native Villages.

In February 1995, congressional appropriations committees began considering legislation to rescind previously appropriated FY1995 funds, as part of overall efforts by the 104th Congress to shape the budget and federal spending. These efforts resulted in passage in July of P.L. 104-19 which rescinded $16.5 billion in total funds from a number of departments, agencies, and programs. In the water infrastructure area, it rescinded $1,077,200,000 from prior year appropriations including the $3.2 million for a project in New Jersey (it had mistakenly been funded twice in P.L. 103-327) and $1,074,000,000. Although not contained in bill language, it was understood that the larger rescinded amount consisted solely of drinking water SRF funds (leaving $1.235 billion for FY1995 clean water SRF funds, $778.6 million for earmarked wastewater projects — both amounts as originally appropriated — and $225 million in FY1994-FY1995 drinking water SRF funds that had not yet been authorized).

It took until April 1996 for Congress and the Administration to reach agreement on FY1996 appropriations for EPA as part of omnibus legislation (P.L. 104-134) that consolidated five appropriations bills not yet enacted due to disagreements over

funding levels and policy. Agreement came as the fiscal year was more than one-half over.

Before that, however, congressional conferees reached agreement in November 1995 on FY1996 legislation for EPA (H.R. 2099, H.Rept. 104-353). Conferees agreed to provide $2.323 billion for a new account titled State and Tribal Assistance Grants, consisting of infrastructure assistance and state environmental management grants for 16 categorical programs that had previously been funded in a separate appropriations account. The total included $1.125 billion for clean water SRF grants, $275 million in new appropriations for drinking water SRF grants, and $265 million for special purpose project grants. Report language provided that the drinking water SRF money also included $225 million from FY1995 appropriations that were rescinded in P.L. 104-19. The drinking water SRF money would be available upon reauthorization of the Safe Drinking Water Act; otherwise, it would revert to clean water SRF grants if the SDWA were not reauthorized by June 30, 1996. This made the total for drinking water SRF grants $500 million.

The November 1995 agreement on H.R. 2099 included $658 million for consolidated state environmental grants. In doing so, Congress endorsed an Administration proposal for a more flexible approach to state grants, a key element of EPA's efforts to improve the federal-state partnership in environmental programs. In lieu of traditional grants provided separately to support state air, water, hazardous waste and other programs, consolidated grants are intended to reduce administrative burdens and improve environmental performance by allowing states and tribes to target funds to meet their specific needs and integrate their environmental programs, as appropriate. Congress' support was described in accompanying report language.[14]

> The conferees agree that Performance Partnership Grants are an important step to reducing the burden and increasing the flexibility that state and tribal governments need to manage and implement their environmental protection programs. This is an opportunity to use limited resources in the most effective manner, yet at the same time, produce the results-oriented environmental performance necessary to address the most pressing concerns while still achieving a clean environment.

Including state environmental grants in the same account with water infrastructure assistance reflects Congress' support for enhancing the ability of states and localities to implement environmental programs flexibly and support for EPA's ability to provide block grants to states and Indian tribes.

The H.R. 2099 conference agreement also included legislative riders intended to limit or prohibit EPA from spending money to implement several environmental programs. The Administration opposed the riders. The House and Senate approved

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[14] H.Rept. 104-384, accompanying H.R. 2099, 104th Cong., 1st sess., in Congressional Record, vol. 141, no. 193, daily ed. Dec. 6, 1995, p. H 14132. This was the second conference report on this bill; a previous agreement, reflected in H.Rept. 104-353, was rejected by the House on Nov. 29. However, amounts in the State and Tribal Assistance Grants account were the same in both versions.

this bill in December, but President Clinton vetoed it, because of objections to spending and policy aspects of the legislation.

With no full-year funding in place from October 1995 to April 1996, EPA and the programs it administers (along with agencies and departments covered by four other appropriations bills not yet enacted) were subject to a series of short-term continuing resolutions, some lasting only a day, some lasting several weeks. In March 1996, the House and Senate began consideration of an omnibus appropriations bill to fund EPA and other agencies for the remainder of FY1996, finally reaching agreement in April on a bill (H.R. 3019) enacted as P.L. 104-134.[15] Congress agreed to provide $2.813 billion for a new account titled State and Tribal Assistance Grants, consisting of state grants and infrastructure assistance, as in H.R. 2099, the vetoed measure. The total was divided as follows:

- $658 million for consolidated state environmental grants,
- $1.3485 billion for clean water SRF grants (including $50 million for impoverished communities),
- $500 million in new appropriations for drinking water SRF grants,
- $150 million for Mexico-border project grants and Texas *colonias*, as requested.
- $15 million for Alaskan Native Villages, as requested, and
- $141.5 million for 17 special purpose project grants.

Report language provided that the drinking water SRF money also included $225 million from FY1995 appropriations that remained available after the rescissions in P.L. 104-19, for a total of $725 million. The drinking water SRF money was contingent upon reauthorization of the Safe Drinking Water Act by August 1, 1996; otherwise, it would revert to clean water SRF grants.

The final agreement (P.L. 104-134) included several of the legislative riders from previous versions of the legislation, including riders related to drinking water and clean air, but dropped others strongly opposed by the Administration.

Funds within the State and Tribal Assistance Grants account were redistributed after Congress passed Safe Drinking Water Act amendments in August 1996. Enactment of the amendments (P.L. 104-182) occurred on August 6 — after the August 1 deadline in P.L.104-134 that would have made $725 million available for drinking water SRF grants in FY1996. Thus, the previously appropriated $725 million reverted to clean water SRF grants, making the FY1996 total for those grants $2.0735 billion.

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[15] The conference report on H.R. 3019 (H.Rept. 104-537) references the conference report on the vetoed H.R. 2099, making the two reports together the full statement of the conference committee regarding EPA funding and the State and Tribal Assistance Grants account.

FY1997

While debate over the FY1996 appropriations was continuing, in March 1996, President Clinton submitted the details of a FY1997 budget. For water infrastructure and state and tribal assistance, the request totaled $2.852 billion consisting of:

- $1.35 billion for clean water SRF grants (the request included language that would authorize states the discretion to use this SRF money either for clean water or drinking water projects),
- $165 million for US-Mexico border projects, Texas *colonias*, and Alaskan Native Village projects,
- $113 million for needy cities projects,
- $674 million for state performance partnership consolidated management grants, and
- $550 million for drinking water infrastructure SRF funding, contingent upon enactment of authorizing legislation.

In response to the Administration's request, in June 1996 the House approved legislation (H.R. 3666) providing FY1997 funding for EPA. In the State and Tribal Assistance Grants account, the House approved $2.768 billion, $84 million less than requested but on the whole endorsing the budget request. The total provided the following: $1.35 billion for clean water SRF grants, as requested; $165 million, as requested, for U.S.-Mexico border projects, Texas *colonias*, and Alaskan Native Village projects; $450 million for drinking water SRF funding, contingent upon authorization; $674 million for state performance partnership consolidated management grants; and $129 million for seven special purpose grants.

In July, the Senate Appropriations Committee reported its version of H.R. 3666. The committee approved $2.815 billion for this account, consisting of $1.426 billion for clean water SRF grants; $550 million for drinking water SRF grants, contingent upon authorization; $165 million, as requested, for U.S.-Mexico border projects, Texas *colonias*, and Alaskan Native Village projects; and $674 million for consolidated state grants. The committee rejected the provision of the House-passed bill providing $129 million for special purpose grants, including funds for Boston and New Orleans requested by the Administration, saying in report language that earmarking is provided at the expense of state revolving funds and does not represent an equitable distribution of grant funds (S.Rept. 104-318).

During debate on H.R. 3666 in September, the Senate adopted an amendment to reduce the FY1997 appropriation for clean water SRF grants by $725 million in order to fund the new drinking water SRF program. This action was intended to restore funds to the drinking water program which had been lost when Safe Drinking Water Act amendments were not enacted by August 1, 1996. Thus, the Senate-passed bill provided $701 million for clean water SRF grants and $1.275 billion for drinking water SRF grants for FY1997. Other amounts in the account were unchanged.

The conference report on H.R. 3666 (H.Rept. 104-812) was approved by the House and Senate on September 24, 1996. President Clinton signed the bill September 26 (P.L. 104-204). It reflected compromise of the House- and Senate-

passed bills, providing the following amounts within the State and Tribal Assistance Grants account ($2.875 billion total):

- $625 million for clean water SRF grants,
- $1.275 billion for drinking water SRF grants,
- $165 million, as requested, for U.S.-Mexico border projects, Texas *colonias*, and Alaskan Native Village projects,
- $674 million for consolidated state grants, and
- $136 million for 18 specific wastewater, water, and groundwater project grants (the 7 specified in House-passed H.R. 3666, plus 11 more; the bill provided funds for each of the needy cities projects requested by the Administration, but in lesser amounts).

The allocation of clean water and drinking water SRF grants was consistent with the Senate's action to restore funds to the drinking water program after enactment of the Safe Drinking Water Act amendments in early August.

Subsequently, Congress passed a FY1997 Omnibus Consolidated Appropriations bill to cover agencies and departments for which full-year funding had not been enacted by October 1, 1996 (P.L. 104-208). It included additional funding for several EPA programs, as well as $35 million (on top of $40 million provided in P.L. 104-204) for the Boston Harbor cleanup project.

FY1998

President Clinton presented the Administration's budget request for FY1998 in February 1997. For water infrastructure and state and tribal assistance, the request totaled $2.793 billion, consisting of $1.075 billion for clean water SRF grants, $725 million for drinking water SRF grants, $715 million for consolidated state environmental grants, and $278 million for special project grants.

House and Senate committees began activities on FY1998 funding bills somewhat late in 1997, due to prolonged negotiations between Congress and the President over a five-year budget plan to achieve a balanced budget by 2002. After appropriators took up the FY1998 funding bills in June, the House passed EPA's appropriation in H.R. 2158 (H.Rept. 105-175) on July 15. In the State and Tribal Assistance Grants account, the House approved $3.019 billion, consisting of $1.25 billion for clean water SRF grants ($600 million more than FY1997 levels and $175 million more than requested by the President), $750 million for drinking water SRF grants ($425 million less than FY1997 levels, but $25 million more than the request), $750 million for state environmental assistance grants, and $269 million for special projects. The latter included funds for the special projects requested by the Administration but at reduced levels ($149 million total for these projects), plus $120 million in special project grants for 21 other communities.

The Senate passed a separate version of an FY1998 appropriations bill on July 22, 1997 (S. 1034, S.Rept. 105-53). It provided $3.047 billion for the STAG account, consisting of $1.35 billion for clean water SRF grants, $725 million for drinking water SRF grants, $725 million for state environmental assistance grants, and $247 million for special project grants. The Senate bill provided the amounts

requested by the Administration for U.S.-Mexico border projects, Texas *colonias*, and Alaskan Native Village projects (but no special funds for others requested by the President), plus $82 million for 18 special project grants for other communities identified in report language.

Conferees reached agreement on FY1998 funding in early October 1997 (H.R. 2158, H.Rept. 105-297). The final version passed the House on October 8 and passed the Senate on October 9. President Clinton signed the bill October 27 (P.L. 105-65). As enacted, it provided $3.213 billion for the STAG account, consisting of $1.35 billion for clean water SRF grants, $725 million for drinking water SRF grants, $745 million for consolidated state environmental assistance grants, and $393 million for 42 special purpose project and special community need grants for construction of wastewater, water treatment and drinking water facilities, and groundwater protection infrastructure. It included the following amounts for grants requested by the Administration:

- $75 million for U.S.-Mexico border projects,
- $50 million for Texas *colonias*,
- $50 million for Boston Harbor wastewater needs,
- $10 million for New Orleans,
- $3 million for Bristol County, MA, and
- $15 million for Alaskan Native Village projects.

The final bill also provided funds for all of the special purpose projects included in the separate House and Senate versions of the legislation, plus three projects not included in either earlier version.

Bill language was included in P.L. 105-65 to allow states to cross-collateralize clean water and drinking water SRF funds, that is, to use the combined assets of amounts appropriated to State Revolving Funds as common security for both SRFs, which conferees said is intended to ensure maximum opportunity for states to leverage these funds. Senate committee report language also said that the conference report on the 1996 Safe Drinking Water Act Amendments had stated that bond pooling and similar arrangements were not precluded under that legislation. The appropriations bill language was intended to ensure that EPA does not take an unduly narrow interpretation of this point which would restrict the states' use of SRF funds.[16]

On November 1, 1997, President Clinton used his authority under the Line Item Veto Act (P.L. 104-130) to cancel six items of discretionary budget authority provided in P.L. 105-65. The President's authority under this act took effect in the 105th Congress; thus, this was the first EPA appropriations bill affected by it. The cancelled items included funding for one of the special purpose grants in the bill, $500,000 for new water and sewer lines in an industrial park in McConnellsburg, PA. Reasons for the cancellation, according to the President, were that the project had not been requested by the Administration; it would primarily benefit a private entity and is outside the scope of EPA's usual mission; it is a low priority use of environmental

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[16] S.Rept. 105-53, accompanying S. 1034, 105th Cong., 1st sess., p. 71.

funds; and it would provide funding outside the normal process of allocating funds according to state environmental priorities.[17]

However, in June 1998, the Supreme Court struck down the Line Item Veto Act as unconstitutional, and in July the Office of Management and Budget announced that funding would be released for 40-plus cancellations made in 1997 under that act (including those cancelled in P.L. 105-65) that Congress had not previously overturned. (For additional information, see CRS Report RL33635, *Item Veto and Expanded Impoundment Proposals: Legislative History and Current Status*.)

FY1999

President Clinton's budget request for FY1999, presented to Congress in February 1998, requested $2.9 billion for the State and Territorial Assistance Grants account, representing 37% of the $7.9 billion total requested for EPA programs. The total included $1.075 billion for clean water SRF grants, $775 million for drinking water SRF grants, $115 million for water infrastructure projects along the U.S.-Mexico border projects and in Alaskan Native Villages, $78 million for needy cities projects, and $875 million for consolidated state environmental grants.

Legislative action on the budget request occurred in mid-1998. Both houses of Congress increased amounts for water infrastructure financing, finding the Administration's request for clean water and drinking water SRF grants, as well as special project funding, not adequate. First, the Senate Appropriations Committee reported its version of an EPA spending bill in June (S. 2168, S.Rept. 105-216). This bill, passed by the Senate July 17, provided $3.2 billion for the STAG account, consisting of $1.4 billion for clean water SRF grants, $800 million for drinking water SRF grants, $105 million for U.S.-Mexico and Alaskan Native Village projects, $100 million for 39 other special needs infrastructure grants, and $850 million for state performance partnership/categorical grants. As in FY1998, the committee included bill language allowing states to cross-collateralize their clean water and drinking water State Revolving Funds, making the language explicit for FY1999 and thereafter.

Second, the House passed its version of EPA's funding bill (H.R. 4194, H.Rept. 105-610) on July 29. This bill provided $3.2 billion for the STAG account, consisting of $1.25 billion for clean water SRF grants, $775 million for drinking water SRF grants, $70 million for U.S.-Mexico and Alaskan Native Village projects, $253.5 million for 49 other special needs infrastructure grants (including nine projects also funded in the Senate bill), and $885 million for state environmental management grants (a 20% increase above FY1998 amounts for these state grants).

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[17] Office of Management and Budget. "Cancellation Pursuant to Line Item Veto Act," 62 Federal Register 59768, Nov. 4, 1997. The President also cancelled funding for two other projects in the EPA portion of the bill, a water and wastewater training institute in Alabama and a solar aquatic wastewater treatment plant in Vermont. These projects were funded under a separate EPA account in the bill, the environmental programs and management account.

Conferees resolved differences between the two versions in October 1998 (H.R. 4194, H.Rept. 105-769). The conference agreement provided $3.4 billion for the STAG account, consisting of $1.35 billion for clean water SRF grants, $775 million for drinking water SRF grants, $80 million for U.S.-Mexico and Alaskan rural and Native Village projects, $301.8 million for 80 other special needs project grants, and $880 million for state and tribal environmental program grants. The House and Senate approved the agreement on October 7 and 8, respectively, and President Clinton signed the bill into law on October 21 (P.L. 105-276).

Additional funding was provided in the Omnibus Consolidated and Supplemental Appropriations Act, FY1999 (P.L. 105-277). This bill, which provided full-year funding for agencies and departments covered by seven separate appropriations measures, directed $20 million more in special needs grants for the Boston Harbor wastewater infrastructure project, on top of $30 million that was included in P.L. 105-276.

FY2000

For FY2000, beginning on October 1, 1999, the Administration requested $2.638 billion for water infrastructure assistance and state environmental grants. The total, $370 million less than the FY1999 appropriation for this account, consisted of $800 million for clean water SRF grants, $825 million for drinking water SRF grants, $128 million for Mexican Border and special project grants, and $885 million for consolidated state environmental grants.

The request included one SRF policy issue. The Administration asked the appropriators to grant states the permission to set aside up to 20% of FY2000 clean water SRF monies in the form of grants for local communities to implement nonpoint source pollution and estuary management projects. Currently, under the Clean Water Act, SRFs may only be used to provide loans. Some have argued that some types of water pollution projects which are eligible for SRF funding may not be suitable for loans, as they may not generate revenues which can be used to repay the loan to a state. This new authority, the Administration said, would allow states greater flexibility to address nonpoint pollution problems. Critics of the proposal said that making grants from an SRF would reduce the long-term integrity of a state's fund, since grants would not be repaid.

Members of Congress and stakeholder groups were particularly critical of the budget request for clean water SRF grants, $550 million (40%) less than the FY1999 level. Critics said the request was insufficient to meet the needs of states and localities for clean water infrastructure. In response, EPA acknowledged that several years ago the Administration made a commitment to states that the clean water SRF would revolve at $2 billion annually in the year 2005. Because of loan repayments and other factors, EPA said, the overall fund will be revolve at $2 billion per year in the year 2002, even with the 20% grant setaside included in the FY2000 request. According to EPA, the $550 million decrease from 1999 would have only a limited impact on SRFs and would still allow the Agency to meet its long-term capitalization goal of providing an average amount of $2 billion in annual assistance.

The House and Senate passed their respective versions of an EPA appropriations bill (H.R. 2684) in September 1999. The conference committee report resolving differences between the two versions (H.Rept. 106-379) was passed by the House on October 14 and the Senate on October 15 and was signed by the President on October 20 (P.L. 106-74). The final bill provided $7.6 billion overall for EPA programs, including $3.47 billion for the STAG account. Within that account, the bill included $1.35 billion for clean water SRF grants, $820 million for drinking water SRF grants, $885 million for consolidated state grants, $80 million for U.S.-Mexico Border and Alaska Rural and Native Village projects, and $331.6 million for 141 other special needs water and wastewater grants specified in report language. The final bill did not approve the Administration's request to allow states to use up to 20% of clean water SRF monies as grants for nonpoint pollution and estuary management projects.

Subsequent to enactment of the EPA funding bill, Congress passed the Consolidated Appropriations Act for FY2000 with funding for five other agencies (P.L. 106-113), which included provisions requiring a government-wide cut of 0.38% in discretionary appropriations. The bill gave the President some flexibility in applying this across-the-board reduction. Details of the reduction were announced at the time of the release of the FY2001 budget. EPA's distribution of the rescission resulted in a total reduction of $16.3 million for 139 of the special needs water and wastewater projects identified in P.L. 106-74. These projects were reduced 4.9% below enacted levels. The Agency did not reduce funds for the two projects that had been included in the President's FY2000 budget request (Bristol County, MA and New Orleans, LA) or for the United States-Mexico Border and the Alaska Rural and Native Villages programs. EPA also reduced funds for the clean water SRF (enacted at $1.35 billion) by 0.3%, for a final funding level of $1.345 billion. The drinking water SRF appropriation was not reduced, nor were consolidated state grants.

FY2001

The President's budget for FY2001 requested a total of $2.9 billion for EPA. For the second year in a row, President Clinton requested $800 million for the clean water SRF program, a $545 million reduction from the FY2000 level. The request included $825 million for the drinking water SRF program, $100 million for U.S.-Mexico Border project grants, $15 million for Alaskan Native Villages projects, two needy cities grants totaling $13 million (Bristol County, MA and New Orleans, LA), plus $1.069 billion for consolidated state environmental grants.

The budget included a policy request similar to one in the FY2000 budget, which Congress rejected. The FY2001 budget sought flexibility for states to set aside up to 19% of clean water SRF monies in the form of grants for local communities to implement nonpoint source pollution and estuary management projects.

The House approved its version of EPA's funding bill (H.R. 4635, H.Rept. 106-674) on June 21, 2000. For the STAG account, H.R. 4635 provided $3.2 billion ($273 million more than requested, but $288 million below the FY2000 level). The total in the STAG account consisted of $1.2 billion for clean water SRF grants, $825 million for drinking water SRF grants, $1.068 billion (the budget request) for categorical state grants, and $85 million for U.S.-Mexico Border and Alaska Rural

and Native Villages projects. Beyond these, however, the House-passed bill included no funds for other special needs grants.

The Senate approved its version of the funding bill (S.Rept. 106-410) on October 12. For the STAG account, the Senate-passed bill provided $3.3 billion, consisting of $1.35 billion for clean water SRF grants, $820 million for drinking water SRF grants, $955 million for categorical state grants, $85 million for U.S.-Mexico Border and Alaska Rural and Native Village projects, and $110 million for special needs water and wastewater grants.

In October, the House and Senate approved EPA's funding bill for FY2001 (H.Rept. 106-988), providing $1.35 billion for clean water SRF grants (the same level enacted for FY2000) and $825 million for drinking water SRF grants. The enacted bill included $110 million for water infrastructure project grants in Alaskan Rural and Native Villages and U.S.-Mexico border projects and an additional $336 million for 237 other specified project grants throughout the country. The bill also provided $1,008 million for state categorical program grants ($60 million less in total than requested). Total funding for the STAG account was $3.6 billion. Congress disapproved the Administration's policy request concerning use of clean water SRF monies. President Clinton signed the bill October 27 (P.L. 106-377).

Subsequently, in December, Congress provided $21 million more for five more special project water infrastructure grants (in addition to the $336 million in P.L. 106-377) as a provision of H.R. 4577, the FY2001 Consolidated Appropriations bill (P.L. 106-554). Also in that legislation, Congress enacted the Wet Weather Water Quality Act, authorizing a two-year, $1.5 billion grants program to reduce wet weather flows from municipal sewer systems. The provision was included in Section 112, Division B, of P.L. 106-554.

FY2002

In April 2001, the Bush Administration presented its budget request for FY2002. The Administration requested a total of $2.1 billion for clean water infrastructure funds, consisting of $823 million for drinking water SRF grants, $850 million for clean water SRF grants (compared with $1.35 billion appropriated for FY2001), and $450 million for the new program of municipal sewer overflow grants under legislation enacted in December, the Wet Weather Water Quality Act. However, that act provides that sewer overflow grants are only available in years when at least $1.35 billion in clean water SRF grants is appropriated. Subsequently, Administration officials said they would request that Congress modify the provision linking new grant funds to at least $1.35 billion in clean water SRF grants. The Bush budget requested no funds for special earmarked grants, except for $75 million to fund projects along the U.S.-Mexico border and $35 million for projects in Alaskan Native Villages (both are the same amounts provided in FY2001). In response, some Members of Congress and outside groups criticized the budget request, saying that it did not provide enough support for water infrastructure programs. The President's budget also requested $1.06 billion for state categorical program grants.

The House passed its version of FY2002 funding for EPA on July 30 (H.R. 2620, H.Rept. 107-159). The House-passed bill provided a total of $2.4 billion for

water infrastructure funds, consisting of $1.2 billion for clean water SRF grants, $850 million for drinking water SRF grants, $200 million for special project grants (individual projects were unspecified in the report accompanying H.R. 2620), $75 million for U.S.-Mexico Border projects, and $30 million for Alaskan Rural and Native Villages. The House bill provided no separate funds for the new wet weather overflow grant program, which the Administration had requested. Including $1.08 billion for state categorical program grants, total STAG account funding in the bill was $3.44 billion, about $150 million higher than the President's request.

The Senate passed its version of this appropriations bill on August 2 (S. 1216, S.Rept. 107-43). Like the House, the Senate rejected separate funding for wet weather overflow grants, and the Senate increased clean water SRF grant funding to the FY2001 level. The Senate-passed total for the STAG account was $3.49 billion, including $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, $140 million for special needs infrastructure grants specified in accompanying report language, $75 million for U.S.-Mexico Border projects, $30 million for Alaskan Rural and Native Villages, and $1.03 billion for state categorical program grants.

Resolution of this and other appropriations bills in fall 2001 was complicated by congressional attention to general economic conditions and responses to the September 11 terrorist attacks on the World Trade Center and the Pentagon. Nevertheless, the House and Senate gave final approval to legislation providing EPA's FY2002 funding (H.R. 2620, H.Rept. 107-272) on November 8, and President Bush signed the bill on November 26 (P.L. 107-73). The final bill did not include separate funds for the new sewer overflow grant program requested by the Administration, which both the House and Senate had rejected, but it did include $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, $344 million for 337 earmarked water infrastructure project grants specified in report language, and the requested $75 million for U.S.-Mexico Border projects and $30 million for Alaskan Rural and Native Villages. The bill included total STAG funding of $3.7 billion.

FY2003

President Bush presented the Administration's FY2003 budget request in February 2002, asking Congress to appropriate $2.185 billion for EPA's water infrastructure programs (compared with $2.659 billion appropriated for FY2002). The FY2003 request sought $1.212 billion for clean water SRF grants, $850 million for drinking water SRF grants, and $123 million for a limited number of special projects (especially in Alaska Native Villages and in communities on the U.S.-Mexico border). The Administration proposed to eliminate funds for unrequested infrastructure project spending that Congress had earmarked in the FY2002 law, which totaled $344 million. Also, the Administration requested no funds for the municipal sewer overflow grants program enacted in 2000.

Members of Congress criticized the request level for clean water SRF capitalization grants, which was $138 million below the FY2002 enacted amount. In August 2002, the Senate Appropriations Committee approved an FY2003 funding bill for EPA that would provide $1.45 billion for clean water SRF grants, $100

million more than the FY2002 level (S. 2797, S.Rept. 107-222). In addition, the Senate committee bill included $875 million for drinking water SRF grants, $140 million for special needs infrastructure grants specified in report language, $45 million for Alaskan Rural and Native Village project grants, $75 million for U.S.-Mexico Border projects, and $1.134 billion for state categorical program grants.

The House Appropriations Committee approved its version of an FY2003 funding bill with $1.3 billion for the clean water SRF program (H.R. 5605, H.Rept. 107-740) in October. This bill also included $850 million for drinking water SRF grants, $227.6 million for special needs infrastructure grants enumerated in report language, $35 million for Alaskan Rural and Native Village project grants, $75 million for U.S.-Mexico Border projects, and $1.173 billion for state categorical program grants. Neither appropriations committee included funds for the sewer overflow grant program authorized in 2000 (the Administration did not request FY2003 funds for these grants).

Due to complex budgetary disputes during the year, final action did not occur before the 107th Congress adjourned in November 2002, and it extended into 2003, more than five months after the start of the fiscal year. Congress and the President reached agreement on funding levels for EPA and other non-defense agencies in omnibus appropriations legislation, H.J.Res. 2 (H.Rept. 108-10), which the President signed on February 20 (P.L. 108-7). The EPA portion of the enacted bill included $1.34 billion for clean water SRF grants, $844 million for drinking water SRF grants, and $413 million more for 489 special water infrastructure project grants to individual cities specified in conference report language, plus projects in Alaska Native Villages and communities on the U.S.-Mexico border. It also provided a total of $1.14 billion for categorical state grants.[18]

FY2004

On February 3, 2003, before completion of the FY2003 appropriations, President Bush submitted his budget request for FY2004. It requested a total of $1.798 billion for water infrastructure funds, consisting of $850 million for clean water SRF grants, $850 million for drinking water SRF grants, and $98 million for priority projects (especially in Alaska Native Villages and in communities on the U.S.-Mexico border). As in previous years, the Administration requested no funds for congressionally earmarked project grants for individual communities. Members of Congress and interest groups criticized the request for clean water SRF grants ($490 million below the FY2003 enacted level), but Administration officials responded by saying that the request reflects a commitment to fund this program at the $850 million level through FY2011. Funding at that level and over that long-term period, plus repayments of previous SRF loans made by states, is expected to increase the revolving levels of the overall program from $2.0 billion to $2.8 billion per year, the Administration said. The President's budget also requested $1.2 billion for categorical state grants.

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[18] H.J.Res. 2 included an across-the-board 0.65% reduction to accounts funded by the legislation, and to each program, project, and activity within an account. This reduction is reflected in amounts described here.

On July 25, the House approved H.R. 2861 (H.Rept. 108-235), providing FY2004 appropriations for EPA. As passed, the bill included $1.2 billion for clean water SRF grants, $850 million for drinking water SRF grants, $203 million for earmarked water infrastructure project grants, and $75 million in grants for high-priority projects in Alaskan Native Villages and along the U.S.-Mexico border. Senate action on its version of a funding bill for EPA (S.Rept. 108-143) occurred on November 18. The Senate-passed bill provided $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, $130 million for targeted infrastructure project grants, plus $95 million in grants for projects in Alaskan Native Villages and along the U.S.-Mexico border.

Like the previous year's appropriations, Congress did not enact legislation providing FY2004 funds for EPA before the beginning of the new fiscal year; thus EPA programs were covered by a series of continuing resolutions (CRs). The last of these CRs (P.L. 108-135) extended FY2003 funding levels through January 31, 2004. On December 8, 2003, the House passed legislation providing full-year funding for EPA and other agencies that lacked enacted appropriations (H.R. 2673). The conference report on this bill (H.Rept. 108-401) provided $1.34 billion for clean water SRF grants, $845 million for drinking water SRF grants, and $425 million in grants for 520 earmarked grants in listed communities, Alaska Native Villages, and U.S.-Mexico border projects.[19] The Senate approved the conference report on January 22, 2004, and President Bush signed the legislation January 23 (P.L. 108-199).

FY2005

The FY2005 EPA appropriation for water infrastructure funds was the lowest total for these programs since FY1997 (the first year in which Congress provided both clean water and drinking water SRF capitalization grants, as well as earmarked project grants). The decline was due primarily to a reduction in funding for the clean water SRF program from an average of $1.35 billion since FY1998 to $1.09 billion.

President Bush's FY2005 budget, presented February 2, 2004, requested a total of $3.0 billion for water infrastructure assistance and state environmental program grants. It included $850 million for clean water SRF grants, $850 million for drinking water SRF grants, $94 million for priority projects (primarily in Alaska Native Villages and along the U.S.-Mexico border), and $1.25 billion for categorical grants. As in recent budgets, the Administration requested no funds for congressionally earmarked project grants. Anticipating that critics likely would focus on the clean water SRF request ($492 million below the FY2004 level), in its budget documents the Administration said that the request included funding for the clean water SRF at $850 million annually through 2011, which, together with loan repayments, state matches and other funding sources, would result in a long-term average revolving level of $3.4 billion. Likewise, the budget anticipated funding the drinking water SRF program at the same $850 million annually through 2011, resulting in a long-term average revolving level of $1.2 billion.

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[19] H.R. 2673 included an across-the-board 0.59% reduction to accounts funded by the legislation, and to each program, project, and activity within an account. This reduction is reflected in amounts described here.

House and Senate Appropriations committees began review of the EPA budget request in March. On September 9, 2004, the House Appropriations Committee reported FY2005 funding for EPA in a bill that included the Administration's requested level of $850 million for clean water SRF grants, $850 million for drinking water SRF grants, and earmarked grants for priority water infrastructure projects totaling $393.4 million (H.R. 5041, H.Rept. 108-674). On September 21, the Senate Appropriations Committee reported its version of this bill (S. 2825, S.Rept. 108-353), which included $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, and $217 million for earmarked project grants.

Final action on the FY2005 appropriation did not occur before the start of the fiscal year. On November 20, the House and Senate passed H.R. 4818 (H.Rept. 108-792), the Consolidated Appropriations Act, 2005, an omnibus appropriations bill comprising nine appropriations measures, including funding for EPA. The bill provided total funding for EPA of $8.1 billion,[20] a decrease from the $8.4 billion approved in FY2004, but $340 million more than was requested by the President in February. One of the most controversial items in the final bill was a $251 million decrease for clean water SRF grants from the FY2004 level, although the $1.09 billion total is $241 million more than in the President's budget. The final measure also included $843 million for drinking water SRF capitalization grants; $401.7 million for 669 earmarked grants in listed communities, Alaska Native villages, and U.S.-Mexico border projects; and $1.14 billion for categorical state grants. The $2.34 billion total for water infrastructure programs and projects was $542 million more than was requested by the President, but $276 million less than Congress appropriated for FY2004. President Bush signed the legislation December 8, 2004 (P.L. 108-447).

FY2006

The FY2006 appropriation for water infrastructure funds marked the second consecutive year in which Congress appropriated less funding for these programs, providing lower levels both for clean water SRF capitalization grants and for earmarked project grants than in FY2005.

President Bush presented the FY2006 budget request in February 2005. Overall for EPA, it sought 5.6% less than Congress had appropriated for FY2005. The Administration's deepest cuts affecting EPA were proposed for the STAG account. The budget requested $730 million for clean water SRF grants (33% below FY2005 appropriated funding and 45.6% below the FY2004 level), $850 million for drinking water SRF grants (a slight increase from the FY2005 level), $69 million for priority projects (primarily in Alaska Native Villages and along the U.S.-Mexico border), and $1.2 billion for state categorical grants. As in previous years, the Administration requested no funds for congressionally earmarked water infrastructure projects. Advocates for the SRF programs (especially state and local government officials) contended that cuts to the clean water program would impair their ability to carry out needed municipal wastewater treatment plant improvement projects. Administration

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[20] H.R. 4818 included an across-the-board 0.80% reduction to accounts funded by the legislation, and to each program, project, and activity within an account. This reduction is reflected in amounts described here.

officials responded that the proposed SRF reductions for FY2006 were because Congress had boosted funds above the FY2005 request level. These officials said that the Administration plans to invest $6.8 billion in the clean water SRF program between FY2004-2011, after which federal funding is expected to end, and the state SRFs are expected to have an annual revolving level of $3.4 billion. If Congress appropriates more than is requested in any given year (as occurred in FY2005), they said, that target will be met sooner, leading to reduced requests for the SRF in subsequent years until a planned phaseout in FY2011.

On May 19, 2005, the House passed H.R. 2361, providing FY2006 funding for EPA. As passed, it provided $850 million for clean water SRF grants ($120 million more than the President's request), $850 million for drinking water SRF grants, and $269 million for earmarked water infrastructure grants. During debate, the House rejected two amendments to increase clean water SRF funding. On June 29, the Senate passed its version of H.R. 2361, providing $1.1 billion for clean water SRF grants, $850 million for drinking water SRF grants, and $290 million for earmarked project grants. The House bill required that $100 million of the SRF funding come from balances from expired contracts, grants, and interagency agreements from various EPA appropriation accounts. The Senate bill, in contrast, called for a $58 million rescission of unobligated amounts associated with grants, contracts, and interagency agreements in various accounts, but did not specify that such monies go to SRF funding.

Conferees resolved differences between the bills (H.Rept. 109-188), and the House and Senate approved the measure in July; the President signed it into law on August 2 (P.L. 109-54). As enacted, the bill provided $900 million for clean water SRF grants; $850 million for drinking water SRF grants; $285 million for 259 earmarked grants in listed communities, Alaska Native villages, and along the U.S.-Mexico border; and $1.13 billion for categorical state grants. The final bill required a $80 million rescission from expired grants, contracts, and interagency agreements in various EPA accounts (not just the STAG account) not obligated by September 1, 2006. It did not direct the rescinded funds to be applied to the clean water SRF, as proposed by the House. The $2.03 billion total in the bill for EPA water infrastructure programs and projects was $386 million more than was requested by the President, but $301 million less than Congress appropriated for FY2005.

However, the funding amounts specified in P.L. 109-54 were reduced slightly. First, a provision of P.L. 109-54, Section 439, mandated an across-the-board rescission of 0.476% for any discretionary appropriation in that bill. Second, in December 2005 Congress enacted P.L. 109-148, the FY2006 Department of Defense Appropriations Act, and Section 3801 of that bill mandated a 1% across-the-board rescission for discretionary accounts in any FY2006 appropriation act (except for discretionary authority of the Department of Veterans Affairs). As a result of these two rescissions, the final levels for the STAG account were: $887 million for clean water SRF grants; $838 million for drinking water SRF grants; $281 million for 259 earmarked grants in listed communities, Alaska Native villages, and along the U.S.-Mexico border; and $1.11 billion for categorical state grants. FY2006 EPA water infrastructure programs and projects thus total $2.0 billion.

On October 28, President Bush requested that Congress rescind $2.3 billion from 55 "lower-priority federal programs and excess funds," including $166 million

from clean water SRF monies. In the end, Congress did not endorse the specific request to reduce clean water SRF appropriations. The two rescissions resulting from P.L. 109-54 and P.L. 109-148 totaled a $13.2 million reduction from the $900 million specified in the EPA appropriations act.

FY2007

President Bush presented the Administration's FY2007 budget request in February 2006, asking Congress to appropriate $1.570 billion for EPA's water infrastructure programs. The FY2007 request sought $687.6 million for clean water SRF grants, $841.5 million for drinking water SRF grants, and $40.6 million for special projects in Alaska Native Villages, Puerto Rico, and along the U.S.-Mexico border. When the 109th Congress adjourned in December 2006, it had not completed action on appropriations legislation to fund EPA (or on nine other appropriations bills covering the majority of domestic discretionary agencies and departments) for the fiscal year that began October 1, 2006, thus carrying over this legislative activity into the 110th Congress. In December, Congress enacted a continuing resolution, P.L. 109-383 (the third such continuing resolution since the start of the fiscal year on October 1), providing funds for EPA and the other affected agencies and departments until February 15, 2007.

The President's FY2007 budget request for clean water SRF capitalization grants was 22% less than the FY2006 appropriation for these grants and 37% below the FY2005 funding level. The request for drinking water SRF grants was essentially the same as in recent years ($4 million more than FY2006, $1.7 million less than FY2005). As in recent budgets, the Administration proposed no funding for congressionally designated water infrastructure grants, but, as noted above, it did seek a total of $40.6 million for Administration priority projects. Advocates of the clean water SRF program (especially state and local government officials) again contended, as they have for several recent years, that the cuts would impair their ability to carry out needed municipal wastewater treatment plant improvement projects. Administration officials responded that cuts for the clean water SRF in FY2007 were necessary because Congress boosted funds above the requested level in FY2005 and FY2006.

On May 18 the House passed H.R. 5386 (H.Rept. 109-465), providing the requested level of $687.6 million for clean water SRF grants and $841.5 million for drinking water SRF grants. The Senate Appropriations Committee approved the same funding levels for these grant programs when it reported H.R. 5386 on June 29 (S.Rept. 109-275), but the Senate did not act on this measure before the 109th Congress adjourned in December. Before adjournment, Congress enacted a continuing resolution (CR), P.L. 109-383 (the third such CR since the start of the fiscal year on October 1), providing funds for EPA and the other affected agencies and departments until February 15, 2007. Funding levels provided under this CR followed a "lowest level" concept for individual programs, that is, programs were funded at the lowest level under either House-passed FY2007 appropriations, Senate-passed appropriations, or the FY2006 funding. For clean water SRF grants, the resulting appropriation through mid-February was $687.6 million, as in House-passed H.R. 5386. For drinking water SRF grants, the appropriation level through mid-February was $837.5 million, the FY2006-enacted level. The CR included funds for

congressionally earmarked water infrastructure project grants totaling $200 million, as in House-passed H.R. 5386.

Returning to these issues in 2007, in mid-February, Congress passed H.J.Res. 20, a continuing appropriations resolution that provides funding for EPA and the other affected agencies through the end of FY2007. As passed, this full-year resolution holds most programs and activities at their FY2006 appropriated levels. However, clean water SRF capitalization grants are one of the few programs that receive a funding increase under the resolution: these grants will receive $1.08 billion ($197 million more than in FY2006, and $396 million more than the President requested for FY2007). The resolution further prohibits project grants for congressional earmarks, but not for special project grants requested in the President's budget. The action to ban earmarks in FY2007 occurred when leaders in the 110th Congress sought to finish up appropriations actions that were unresolved at the end of the 109th Congress, and at the same time the newly elected Congress moved to adopt rules and procedures to reform the congressional earmarking process for the future. (Water infrastructure project earmarks totaled $281 million in EPA's FY2006 appropriation.) President Bush signed H.J.Res. 20 on February 15 (P.L. 110-5).

The final FY2007 amounts provided in P.L. 110-5 are:

- $1.084 billion for clean water SRF capitalization grants,
- $837.5 million for drinking water SRF capitalization grants,
- $83.75 million for Alaskan Native Village and U.S.-Mexico Border project grants requested by the Administration, and
- $1.11 billion for categorical state grants.

FY2008

The President's FY2008 budget request was presented to Congress on February 5, 2007, before finalization of the FY2007 appropriations. The budget seeks $687.6 million for clean water SRF grants, the same amount requested for FY2007; $842.2 million for drinking water SRF grants; $25.5 million for special project grants for Alaskan Native Villages and the U.S.-Mexico Border region; and $1.065 billion for categorical state grants.