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Water Infrastructure Projects Designated in EPA Appropriations: Trends and Policy Implications

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Summary

Congressional action to designate funds within appropriations legislation for specified projects or locations has been increasing in recent years as a way to help communities meet needs to build and upgrade water infrastructure systems, whose estimated future funding needs exceed $485 billion. Such legislative action has often been popularly referred to as earmarking. This report discusses appropriations for water infrastructure programs of the Environmental Protection Agency (EPA), focusing on such designations in the account that funds these programs. Information on the programmatic history of EPA involvement in assisting wastewater treatment and drinking water projects is provided in two appendixes.

Congressional appropriators began the practice of supplementing appropriations for the primary Clean Water Act (CWA) and Safe Drinking Water Act (SDWA) assistance programs with grants for individually designated projects in FY1989. Since then, of the $45.4 billion appropriated to EPA for water infrastructure assistance, more than 15% ($7 billion) has gone to designated project grants. Notably since FY2000, appropriators have awarded such grants to a larger total number of projects, resulting in more communities receiving such assistance, but at the same time receiving smaller amounts of funds, on average.

Members of Congress may intervene to provide funding for a specific community for a number of reasons. In some cases the community may have been unsuccessful in getting state approval to fund the project under other programs. Some, especially small and rural communities, seek a grant because the cost of a project financed through a state loan which must be fully repaid is deemed unacceptably high (loans are the primary assistance under the CWA and SDWA). However, this congressional practice has been criticized by state water program managers and administrators of infrastructure financing programs because designated projects are receiving more favorable treatment (55% federal grants, rather than loans) and because the practice sidesteps the standard process of states' determining the priority by which projects will receive funding. Projects so funded through appropriations acts also have generally not been reviewed by congressional authorizing committees.

Attention is often drawn to the relatively few projects that have received large grants (more than $100 million), especially over multiple years. The majority of designated projects, however, receive comparatively small amounts. More than 75% of the projects designated in the EPA appropriations legislation have received total awards (either in a single year or over multiple years) of $2 million or less. While some Members of Congress, interest groups, and Administration officials are critical of these types of congressional actions, it is likely that communities will continue to seek this type of assistance, and there is little indication that the practice will cease.

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Introduction

Congressional action to designate funds within appropriations legislation for specified projects or locations has been increasing in recent years as a way to provide funding for designated communities to build and upgrade water infrastructure systems. In the past, such legislative action has often been popularly referred to as earmarking. The future needs for projects to treat municipal wastewater or treat and deliver public drinking water supplies in the United States are large — $202.5 billion for wastewater treatment and $277 billion for public water systems, according to the most recent estimates reported by states and the Environmental Protection Agency (EPA).[1]

Federal funding to assist communities in meeting the goals and requirements of environmental laws has been provided first through programs in the Clean Water Act and also, more recently, through a program in the Safe Drinking Water Act. Under the core assistance programs in these acts, Congress annually appropriates block amounts which are allocated among states according to a specified allotment formula. States, then, make assistance awards to individual communities. From 1972 through FY2008, Congress has provided $85.8 billion for these core programs. Under both laws, federal funds capitalize state revolving funds (SRFs), which states then use to make loans to communities for water infrastructure capital projects. Local communities, in turn, repay loans to the state revolving fund, not the federal government.

In FY1989, congressional appropriators began the practice of supplementing appropriations for the SRF programs with designated project grants in the EPA appropriations account that funds Clean Water Act and Safe Drinking Water Act assistance. Unlike loans under the two SRF programs, these grants generally are provided on the basis of 55%-45% federal-local cost sharing, with no requirement to repay the federal share. Since 1989, Congress has awarded $7 billion for these grants, which have increased as a portion of appropriated water infrastructure funds in that account. Notably since FY2000, appropriators have awarded grants to a larger total number of specified projects (e.g., 46 in FY1995, compared with 669 in FY2005 and 282 in FY2008), resulting in more communities receiving such assistance, but

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[1] U.S. Environmental Protection Agency, *Clean Watersheds Needs Survey 2004, Report to Congress*, Washington DC, 2008, 1 vol.; *Drinking Water Infrastructure Needs Survey, Third Report to Congress*, June 2005, EPA-816-R-05-001, 71 p.

at the same time most of them receiving smaller amounts of funds, on average (e.g., $18.1 million in FY1995, compared with $600,427 in FY2005, and $628,340 in FY2008).

This report discusses appropriations for EPA water infrastructure programs, focusing on congressional special project designations in the account that funds these programs. While some Members of Congress, interest groups, and Administration officials are critical of these types of congressional actions, there is little indication that the practice will cease. Information on the programmatic history of EPA involvement in assisting wastewater treatment and drinking water projects also is provided in two appendixes.[2]

Defining Special Purpose Project Grants

In appropriations legislation, funding for EPA clean water and drinking water programs is contained in the measure providing funds for the Department of the Interior, Environment, and Related Agencies.[3] Within the portion of that bill which funds EPA, wastewater treatment and drinking water assistance are specified in an account called State and Tribal Assistance Grants (STAG). This appropriations account includes all water infrastructure funds, as well as management grants that assist states in implementing air quality, water quality, and other media-specific environmental programs.[4]

Today, the STAG account includes appropriations both for the primary Clean Water Act and Safe Drinking Water Act assistance programs (see Appendixes A and B for background) and for congressionally designated special purpose project grants, which many persons have popularly referred to as earmarks. There is no single definition of the term "earmark" that is accepted by all practitioners and observers of the congressional appropriations process, nor has there been a standard practice across all 13 appropriations bills. While definitions of this practice vary, an earmark generally is considered to be an allocation of resources to specifically targeted beneficiaries. They may be proposed by the President or may be originated by Congress. In the 110th Congress, a number of budget process reform proposals were debated, including changes to House and Senate rules affecting earmarking, as this practice has been controversial.[5] The focus of this report is funds set aside within the

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[2] For additional background, see CRS Report RL31116, *Water Infrastructure Needs and Investment: Review and Analysis of Key Issues*, by Claudia Copeland and Mary Tiemann.

[3] 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.

[4] For additional discussion, see CRS Report 96-647 ENR, *Water Infrastructure Financing: History of EPA Appropriations*, by Claudia Copeland.

[5] See CRS Report RL33818, *Federal Budget Process Reform in the 110th Congress: A Brief*
(continued...)

EPA STAG account to fund individual water infrastructure projects, locations, or organizations, detailed either in the appropriations act or the joint explanatory statement of its accompanying conference report, and not distinguishing those requested by the Executive from those designated by Congress.

Trends in Congressionally Designated Project Grants

Pressure to provide designated special project grant funding has been evident in the appropriations process where, in recent years, Congress has reserved as much as 30% of funds in the account that provides clean water and drinking water assistance for specified communities. The practice of designating a portion of the construction grants/SRF account for specific wastewater treatment and other water quality projects began in the FY1989 EPA appropriations legislation. Since then it has increased as a portion of appropriated funds in the STAG account (3% of the total water infrastructure appropriations in FY1990, for example, increasing to 31% in FY1994, but somewhat less in recent years: 16% in FY2005, FY2006, and FY2008).

The number of projects receiving these designated funds also has increased: from four in FY1989 to 282 in FY2008. Since FY2000, the larger total number of 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 awards of $2 million or more in recent years, the average size of grants has shrunk: $18.1 million in FY1995, $4.9 million in FY1999, $600,427 in FY2005, $1.08 million in FY2006, and $628,340 in FY2008. See **Table 1** for additional detail. (FY2007, a special case, is discussed separately below.) Conference reports on the individual appropriations bills provide some description of projects funded in this manner, but the text is typically very brief.

The effective result of using substantial amounts for congressionally designated project grants has been to reduce the amount of funds provided to states to capitalize their revolving loan programs. Of the $45.4 billion appropriated to EPA for water infrastructure programs since 1989 (both for wastewater, under the Clean Water Act, and drinking water projects, under the Safe Drinking Water Act), $7 billion, or 15.5%, has gone to specified project grants.

From FY1989 to FY1995, the Boston Harbor project, discussed below, received the largest single project grant each year ($25 million in FY1989, $100 million in FY1994). From FY1996 to FY2007, the largest single grant in each year's appropriations act (i.e., $100 million in FY1996, $49.6 million in FY2005, and $49.3 million in FY2006) has been designated for "architectural, engineering, planning, design, construction and related activities in connection with the construction of high priority water and wastewater facilities in the area of the United States-Mexico Border" (P.L. 109-54). In FY2008, the largest single grant was awarded for water infrastructure needs in Alaska Native and rural villages ($24.6 million).

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[5] (...continued)
Overview, by Robert Keith.

From FY1989-FY1994, designated project grants were used only to assist wastewater treatment projects. The first two such grants for drinking water projects were provided in FY1995 appropriations legislation, two more were awarded in FY1997, and 12 (out of 42 total) were designated in FY1998. Since then, the number of designations for individual drinking water projects has increased, and since FY2005, project grants have been divided approximately equally between wastewater treatment projects and projects involving drinking water or water supply. Further, for several years recently, more than one-third of the individual grants are repeats, that is, grants awarded to projects that have previously received one or more.

Table 1. Water Infrastructure Grants Designated in EPA Appropriations Acts

Fiscal Year	# of Projects	Total Grants	Average Grant	Range of Grant Awards
1989	4	$68,000,000	$17,000,000	$3 million-$25 million
1990	4	$53,000,000	$13,250,000	$6.8 million-$20 million
1991	2	$35,700,000	$17,850,000	$15.7 million-$20 million
1992	8	$435,000,000	$54,375,000	$35 million-$100 million
1993	13	$556,000,000	$42,769,231	$7 million-$100 million
1994	9	$558,000,000	$62,000,000	$10 million-$150 million
1995	46	$834,100,000	$18,132,609	$200,000-$100 million
1996	20	$306,500,000	$15,325,000	$150,000-$100 million
1997	21	$301,000,000	$14,333,333	$50,000-$100 million
1998	42	$393,125,000	$9,360,119	$100,000-$75 million
1999	82	$401,750,000	$4,899,390	$100,000-$50 million
2000	143	$395,344,000	$2,764,643	$285,000-$50 million
2001	244	$466,370,000	$1,911,352	$50,000-$75 million
2002	339	$458,900,000	$1,353,687	$100,000-$75 million
2003	491	$413,407,272	$841,970	$19,870-$49.7 million
2004	520	$425,077,160	$817,456	$84,598-$49.7 million
2005	669	$401,685,600	$600,427	$29,760-$49.6 million
2006	259	$288,806,966	$1,084,197	$49,300-$49.3 million
2007	2	$83,749,000	$41,874,500	$34.5 mil.-$49.3 million
2008	282	$177,192,000	$628,340	$78,750-$24.6 million

Source: Compilation by CRS of water infrastructure project grants in the VA/HUD appropriations acts and accompanying conference reports for FY1989-FY2005, the Interior, Environment, and Related Agencies appropriation act and accompanying conference report for FY2006, and the Consolidated Appropriations Act for FY2008 (Division F).

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 the practice by rejecting or reducing amounts and projects included in House-passed legislation. With this difference in legislative approach, special purpose grant funding was an issue on several occasions during the House-Senate conference on the appropriations bill. Since FY1999, however, both the House and Senate have proposed 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 20 years since the last major amendments to the Clean Water Act, the desire by some Members to address special needs wastewater problems that might be debated during reauthorization of that act has increased, thus leading to greater pressure on House and Senate Members to use the appropriations process to handle such concerns.[6]

Since the practice of designating projects began to increase in the early 1990s, the position of the Clinton and both Bush Administrations has been to propose a limited number of such grants for inclusion in the President's annual budget submission (such as U.S.-Mexico Border projects), but generally to oppose the congressional practice of specifying a large number of projects as a significant portion of funds in the STAG account, especially in recent years. Appropriators have supported most but not all projects requested by the President, while modifying the funding amounts for some of the Administration's requests and adding many more projects not requested by the Administration. For example, the first Administration request for a specified project was in the FY1992 budget. The George H.W. Bush Administration sought $400 million at that time for grants to be directed to six projects in coastal cities. Congress agreed to funding for those six, plus two others. Likewise, in FY1993, Congress agreed to grants for six projects requested by the Administration, plus seven others. In FY2008, the Administration requested grants for two special needs projects; Congress funded both of them, plus 280 others.

Project Grants for Specific Cities

The four projects designated in FY1989 were projects for which funding had been authorized in the 1987 Water Quality Act (WQA, P.L. 100-4). (These project authorizations were in Title V of the WQA, which did not specifically amend the Clean Water Act.) The authorized projects were:

- Boston, to provide secondary treatment of wastewater and improve the environmental quality of Boston Harbor,

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[6] In the 104th Congress, the House passed a comprehensive CWA reauthorization bill, H.R. 961, but provisions in it that addressed regulatory relief and similar issues were controversial, and no further action occurred. In the 107th and 108th Congresses, House and Senate committees considered legislation to reauthorize water infrastructure financing programs, but no bill was enacted. Similar legislation was reported by a Senate committee in the 109th Congress (S. 1400), but was not enacted. In the 110th Congress, the House passed a bill to reauthorize the CWA's principal water infrastructure financing program on March 9, 2007 (H.R. 720).

- San Diego, to remedy discharges of untreated sewage from Tijuana, Mexico,
- Des Moines, a sewage treatment plant project, and
- Oakwood Beach, New York, for relocation of natural gas facilities related to two sewage treatment facilities.

For the next two years, appropriators continued to designate only WQA-authorized projects, with one exception. Two of these authorized projects (Boston Harbor and San Diego/Tijuana) continued to receive some funding through FY1999, but most designations since FY1992 have been for projects not specifically authorized in federal law.

From FY1989 to FY1999, Congress appropriated a total of $740 million for the Boston Harbor project — the largest total amount received by a single community under provisions in the EPA appropriations act. A few other communities have received large total amounts of such grants over multiple years. For example, the WQA-authorized San Diego project received $235 million over seven years, and another San Diego project for a wastewater reclamation facility received a total of $135 million in the early 1990s. Los Angeles was awarded a total of $160 million from FY1992-1994 for unspecified projects. New York City received $210 million in grants over that same time period, also for unspecified infrastructure projects. Detroit has received grants totaling $350 million since FY1992 for a project called the Rouge River Wet Weather Demonstration Project. Designated funding in the EPA appropriations act for projects along the U.S.-Mexico border (distributed to multiple communities) have totaled $723 million since FY1996. Projects in Alaska Native and rural villages (also distributed to multiple locations) have been awarded $384 million since FY1995.[7] The large awards for these projects tend to mask the average value of water infrastructure designated project grants. For example, in FY2008, the average of all 282 awards was $628,340, but discounting the $44 million for Alaska Native and rural village and U.S.-Mexico border projects, the average for other individual grants was $474,621.

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[7] Some water infrastructure projects funded in the EPA bill also have received designated funding in other appropriations acts. For example, Alaska Native and rural village projects received $217 million in Agriculture Appropriations acts from FY1997 to FY2006. Additionally, a small number of those with grants designated in EPA appropriations has received funding through Energy and Water Development Appropriations acts, which fund water projects and programs of the U.S. Army Corps of Engineers and Bureau of Reclamation. Examples of water infrastructure projects funded in this dual manner include combined sewer overflow projects in Lynchburg and Richmond, Virginia, and Nashua, New Hampshire; construction of alternative water supply in Jackson County, Mississippi; and projects to support an environmental restoration plan in Onondaga Lake, New York. In general, projects so designated in the Energy and Water appropriations bill have previously been authorized in legislation such as Water Resources Development acts (WRDA) before receiving appropriations. Since the 1992 WRDA (P.L. 102-580), Congress has authorized more than 100 Corps environmental infrastructure projects and programs in that act and subsequent amendments to it and has provided Energy and Water appropriations to about one-half of them.

No Special Project Grants in FY2007

For FY2007, Congress was unable to enact all appropriations bills before the start of the fiscal year, on October 1, 2006. Final action on appropriations for EPA, as well as for other domestic agencies and departments funded under 11 of 13 appropriations acts, was delayed until mid-February 2007 — after the FY2008 budget request had been submitted. In February, Congress passed a continuing appropriations resolution providing full-year funding through the end of FY2007 (P.L. 110-5). In order to complete the unfinished business in a timely manner, House and Senate leaders decided to include no congressional special purpose grants in the resolution, explaining the decision in a press release.[8]

> There will be no Congressional earmarks in the joint funding resolution that we will pass. We will place a moratorium on all earmarks until a reformed process is put in place. Earmarks included in this year's House and Senate bills will be eligible for consideration in the 2008 process, subject to new standards for transparency and accountability. We will work to restore an accountable, above-board, transparent process for funding decisions and put an end to the abuses that have harmed the credibility of Congress.

Under the FY2007 appropriations bill for EPA that had been under congressional consideration during 2006 (H.R. 5386), the House would have provided $200 million for 146 special project grants. The Senate would have provided $210 million for 195 projects. As a result of the process adopted in P.L. 110-5, none received funding. The congressional moratorium did not apply to special project grants requested by the Administration in the President's FY2007 budget request; it had sought $14.9 million for Alaska Native and rural villages, $24.8 million for U.S.-Mexico Border projects, and $990,000 for a single project in Puerto Rico. The final result in P.L. 110-5 (see **Table 1**), however, provided funding for Administration priorities at the same levels that were enacted for FY2006: $34.5 million for Alaska Native and rural villages, $49.3 million for U.S.-Mexico Border projects, and no funding for the Puerto Rico project.

After this single year, Congress resumed including special purpose grants in EPA's FY2008 appropriation (see **Table 1**).

Policy Implications

Groups representing state water program managers and administrators of infrastructure financing programs have criticized the congressional practice of awarding grants to designated communities. They contend that it undermines the intended purpose of the state funds, which is to promote environmental 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

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[8] "Byrd-Obey Announce FY 2007 Plan," press release, December 11, 2006. Text available at [http://appropriations.house.gov/pr_121106.shtml].

funding to special projects diminishes the level of seed funding for loans under state revolving funds, it delays the time when states will become financially self-sufficient — and may actually prolong the period when states seek continued federal support.

The practice 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, which they must do in the case of a loan through an SRF), and the practice sidesteps the standard 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 congressional 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 to provide funding for a specific community for a number of reasons. In some cases, the community may have been unsuccessful in getting state approval to fund the project under an SRF loan or other program. For some, especially small and rural communities, the cost of a project financed through a state loan, which the community must repay in full, is deemed unacceptably high, because repaying the loan can result in increased user fees that ratepayers feel are unduly burdensome. The community then seeks a grant to avoid this costly financial scenario. A number of the special purpose grants have been made to projects characterized as "needy cities," based on local economic conditions. Since FY1993, report language accompanying the appropriations bills (and specifically legislative language since FY2004) has directed that grants awarded in this manner shall require that 45% of a project's cost be the responsibility of the local community. EPA is allowed to be flexible in applying the local cost-share, based on the community's financial capability, but the agency has rarely modified the general requirement.

Technically, the CWA Title II grants program ended when authorizations for it expired after FY1990. One result of awarding 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 results in grants which had not previously existed for drinking water system projects.

Following enactment of an appropriations act, project grants designated by Congress are not provided automatically to the designated recipient communities or organizations. Since the funds are awarded as EPA grants, recipients must first meet all applicable EPA requirements in regulations and guidelines that apply to other grant programs, including applying for the grant and complying with other federal laws and requirements, and must continue to comply with program- and project-specific rules as long as the grant remains active. Consequently, there are administrative costs associated with special purpose grants both for the local communities and for EPA, which administers several hundred more of these grants every year.

Final Thoughts

Attention is often drawn to the relatively few projects that have received large grant awards by Congress, especially over multiple years. However, the other side of that story is the large number of projects that receive relatively small amounts — especially as a percentage of the total cost of water infrastructure projects, which can be very large. Even with the large awards described here for some communities, more than 75% of the projects designated in the EPA appropriations legislation have received total awards (either in a single year or over multiple years) of $2 million or less. The trend of appropriators to provide smaller awards is reflected in the fact that only a small number of projects have received awards of $1 million or more: 62 out in FY2004 (12% of total earmarks), 76 in FY2005 (11% of total), 36 in FY2006 (14% of total), and 27 in FY2008 (9.6% of total).

This congressional practice has raised two significant policy issues. The first is that it alters the process of who decides which water infrastructure projects will receive funding, from state program officials to Members of Congress (for those projects not also requested by the Executive), and how the merits of particular projects may be evaluated. The second issue, noted above, is that it reduces the amount of funds provided to capitalize state revolving loan programs, thus arguably delaying the time when states will become financially self-sufficient in administering capital programs and potentially prolonging the time when states and communities seek continued federal aid.

Some Members of Congress, interest groups, and Administration officials are critical of including special project grants in this and other appropriations acts. Other Members and many local officials view it as an appropriate way to assist communities that would not be served by the legislated programs. Based on the recent trends, there is little indication that the practice will cease. Despite the moratorium for FY2007, the practice resumed in FY2008, although new rules do provide greater transparency by requiring that the sponsors of earmarks be identified in committee reports. Still, as individual award amounts have gotten smaller, it is not unreasonable to question whether some communities may conclude that the cost of receiving such funding — both in terms of political capital spent to seek it and actual resources spent subsequently to secure the grant from EPA — exceeds the benefits.

Appendix A. Background: Federal Involvement in Wastewater Treatment

The Water Pollution Control Act of 1948 (P.L. 80-845) was the first comprehensive statement of federal interest in clean water programs. While it contained no federally required goals, limits, or even guidelines, it started the trickle of federal aid to municipal wastewater treatment authorities that grew in subsequent years. It established a grant program to assist localities with planning and design work and authorized loans for treatment plant construction. With each of the four successive amending statutes in the 1950s and 1960s, federal assistance to municipal treatment agencies increased. A construction grant program replaced the loan program; the amount of authorized funding went up; the percentage of total costs covered by federal funds was raised; and the types of project costs deemed grant-eligible expanded.

In the Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500, popularly known as the Clean Water Act (CWA)), Congress revised the existing federal clean water law, including provisions related to wastewater systems. In the 1972 law, Congress strengthened the federal role in clean water and established the first national standards for sewage treatment. A number of new conditions were attached to projects constructed with grants (such as comprehensive planning requirements). In order to assist communities in meeting the ambitious water quality improvement goals of the new law, federal funds increased dramatically, and the federal share was raised from 55% to 75%.

The grant program was reauthorized in 1977 (P.L. 95-217) and again in 1981 (P.L. 97-117). Efforts began focusing on use of federal funds for projects with clear environmental benefits, out of concern that the program's wide scope was not well focused on key goals. Especially reflected in the 1981 amendments were budgetary pressures and a desire to reduce federal spending. Annual authorizations were reduced from $5 billion to $2.4 billion, the federal share was again set at 55%, and project eligibilities were limited.

The most recent CWA amendments were enacted in 1987 (P.L. 100-4). That legislation authorized $18 billion over nine years for wastewater treatment plant construction, through a combination of the traditional grant program and a new State Water Pollution Control Revolving Funds (SRF) program. Under the new program, federal capitalization grants are provided as seed money for state-administered loans to build sewage treatment plants and other water quality projects. Local communities, in turn, repay loans to the state, a process intended by Congress to enable a phaseout of federal involvement after states build up a source of capital for future investments. Under the amendments, the SRF program was phased in beginning in FY1989 and entirely replaced the previous grant program in FY1991. The intention was that states would have greater flexibility to set priorities and administer funding, while federal aid would end after FY1994. As a general matter, states and cities supported 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 project costs financed under the SRF program, rather than 45% under the previous grant program.

While municipalities have made substantial progress toward meeting the goals and requirements of the act, state water quality reports continue to indicate that discharges from wastewater treatment plants are a significant source of water quality impairments nationwide. The original authorizations expired in FY1994, but pressure to extend federal funding by reauthorizing the Title VI SRF program and by providing appropriations both for SRF capitalization grants and earmarked project grants, has continued, in part because estimated funding needs remain large. Thus, Congress has continued to appropriate funds, and the anticipated shift to full state responsibility has not yet occurred. Authorizations since 1972, for the previous Title II grant program and now for the Title VI SRF program, have totaled $66 billion, while appropriations have totaled $78.3 billion through FY2008. For the first 10 years following enactment of the 1987 amendments, appropriations for wastewater treatment assistance (Title II and Title VI grants) averaged $1.57 billion per year. From FY1998 to FY2004, Title VI appropriations averaged $1.35 billion per year. FY2005 appropriations totaled $1.09 billion, FY2006 appropriations totaled $887 million, FY2007 appropriations totaled $1.08 billion, and FY2008 appropriations totaled $689 million.

Appendix B. Background: Federal Involvement in Drinking Water

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. 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 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. (For additional background, see CRS Report RS22037, *Drinking Water State Revolving Fund: Overview and Issues*, by Mary Tiemann.) 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. Actual appropriations, first provided in FY1997, have totaled $10.3 billion and have averaged $859 million per year through FY2008.