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Overview of U.S. Environmental Protection Agency (EPA) Water Infrastructure Programs and FY2018 Appropriations

Financing and investing in the nation's drinking water and wastewater treatment systems has been an issue of increasing concern among stakeholders and many Members of Congress. Increased attention can be attributed to a combination of factors, including (1) the need to repair and replace aging water infrastructure, (2) the financial impacts on communities of meeting federal regulatory requirements and the associated public health and environmental impacts of not doing so, and (3) concerns regarding the costs of projects needed to improve resiliency to drought and extreme weather events, among other challenges.

EPA Water Infrastructure Programs FY2018 Appropriations

Division G in the Consolidated Appropriations Act, 2018 (P.L. 115-141), included appropriations for multiple water infrastructure programs administered by the U.S. Environmental Protection Agency (EPA), particularly the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) programs. P.L. 115-141 also included funding for the Water Infrastructure Finance and Innovation Act (WIFIA) loan program, two regional grant programs, and three new drinking water grant programs. Total appropriations for the SRFs and other infrastructure programs provided within the State and Tribal Assistance Grants (STAG) appropriations account in Title II and within the general provisions in Title IV (\$430) were approximately \$3.0 billion, as presented in **Table 1**.

Compared to FY2017, funding for EPA water infrastructure programs increased by 24% in FY2018 (from \$2.42 billion to \$3.0 billion).

The following sections discuss the EPA infrastructure programs and their funding. The final section includes related information about the U.S. Department of Agriculture (USDA) rural water infrastructure programs.

State Revolving Funds Programs

The CWSRF program, authorized in the Clean Water Act, and the DWSRF program under the Safe Drinking Water Act (SDWA) are the principal federal programs to aid municipal wastewater and drinking water infrastructure construction. Although these programs have been popular, states, local communities, and others have raised concerns regarding growing funding needs (e.g., replacement of lead pipes) and affordability of infrastructure projects for many communities. In its 2018 drinking water infrastructure needs survey, EPA estimated that an investment of \$472.6 billion is needed to maintain and improve the nation's drinking water infrastructure over the next 20 years. In 2016, EPA estimated a 20-year investment need of \$271 billion for projects eligible for funding under the CWSRF.

Budgetary constraints, competing priorities, debate over the federal role, and other issues have posed challenges to increased federal support in recent years.

Table 1. EPA Water Infrastructure Enacted Appropriations in FY2018 in P.L. 115-141, Division G (dollars in millions)

Water Infrastructure Programs	Title II: STAG Account	Title IV: General Provisions	Total
CWSRF	\$1,393.9	\$300.0	\$1,693.9
DWSRF	\$863.2	\$300.0	\$1,163.2
WIFIA	\$10.0	\$53.0	\$63.0
U.S.-Mexico Border Project Grants	\$10.0		\$10.0
Rural and Alaska Native Villages Project Grants	\$20.0		\$20.0
Grants for Small and Disadvantaged Communities		\$20.0	\$20.0
Lead Reduction Grants		\$10.0	\$10.0
Grants for Testing School Water for Lead		\$20.0	\$20.0
Total	\$2,297.1	\$703.0	\$3,000.1

Source: The Consolidated Appropriations Act, 2018 (P.L. 115-141, Title II and Title IV).

The CWSRF and DWSRF programs received an increase in appropriations for FY2018 compared to FY2017.

- EPA's STAG account (Division G, Title II of P.L. 115-141) included \$863.2 million for the DWSRF program and \$1.394 billion for the CWSRF (the same amounts appropriated for FY2017, less \$100 million for the DWSRF provided to assist Flint, MI).
- Division G, Title IV (General Provisions), Section 430, included an additional \$600 million (\$300.0 million each) within the STAG account for both SRF programs.

Regional STAG Account Infrastructure Programs

Congress regularly funds several targeted infrastructure programs and did so again for FY2018. Title II in Division G of P.L. 115-141 included \$10 million and \$20 million, respectively, for grants for drinking water and wastewater projects along the U.S.-Mexico border and for rural and

Alaska Native villages. Congress has funded these programs at these levels for the past three fiscal years.

Water Infrastructure Finance and Innovation Act (WIFIA)

Authorized in the Water Resources Reform and Development Act of 2014 (P.L. 113-121), the WIFIA program provides credit assistance (e.g., direct loans) for an array of water infrastructure projects, including CWSRF- and DWSRF-eligible projects. Congress authorized both EPA and the U.S. Army Corps of Engineers to administer WIFIA programs for different categories of drinking water, water quality, and water resources projects.

For FY2017, Congress appropriated \$30 million to EPA for the WIFIA program (\$20 million in P.L. 114-254 and \$10 million in P.L. 115-31). The combined FY2017 funding provided \$25 million for subsidy costs, allowing EPA to invite 12 entities nationwide to apply for loans totaling \$2.3 billion that support a variety of water infrastructure projects. (Congress has not yet appropriated funds to the Corps for establishing a parallel program.)

The Consolidated Appropriations Act, 2018, provided a total of \$63 million for the WIFIA program (including \$8 million for administrative costs). As the table indicates, P.L. 115-141 Division G, Title II, included \$10 million, and Title IV, Section 430, included an additional \$53 million for WIFIA. EPA estimates that the total funding will provide approximately \$5.5 billion in credit assistance. For further information regarding the WIFIA program and pending legislation, see CRS Report R43315, *Water Infrastructure Financing: The Water Infrastructure Finance and Innovation Act (WIFIA) Program*.

WIIN: Safe Drinking Water Act Grant Programs

In December 2016, Congress amended the SDWA through the Water Infrastructure Improvements for the Nation (WIIN) Act (P.L. 114-322, Title II, the Water and Waste Act of 2016). Among other amendments, the WIIN Act authorized three new grant programs to (1) help public water systems serving small or disadvantaged communities meet SDWA requirements; (2) support lead reduction projects, including lead service line replacement; and (3) establish a voluntary program for testing for lead in drinking water at schools and child care programs. P.L. 115-141, Division G, Title IV, Section 430, provided the first appropriations for each of these programs, as noted below. The FY2018 budget request did not include funding for these programs.

1. *\$20.0 million for Grant Assistance for Small and Disadvantaged Communities.* New SDWA Section 1459A directs EPA to establish a grant program to assist disadvantaged communities and also small communities that are unable to finance projects needed to comply with SDWA. Eligible projects include investments needed for SDWA compliance, household water quality testing, and assistance that primarily benefits a community on a per-household basis. EPA may make grants to public water systems, tribal water systems, or states on behalf of an underserved community.
2. *\$10.0 million for Lead Reduction Project Grants.* New SDWA Section 1459B directs EPA to establish a grant program for projects and activities that reduce lead in drinking water, including replacement of lead service lines and corrosion control. Grants may be used to provide assistance to low-income homeowners to replace their portions of lead service lines. Eligible recipients include community water systems, tribal systems, schools, states, and municipalities.
3. *\$20 million for grants for Lead in School Drinking Water.* In the WIIN Act, Congress rewrote SDWA Section 1464(d) to require EPA to establish a voluntary program for testing for lead in drinking water at schools and child care programs under the jurisdiction of local education agencies (LEAs). States or LEAs may apply to EPA for grants.

USDA Rural Water Infrastructure Funding

USDA provides significant funding to rural communities for drinking water, sewer, and storm drainage infrastructure projects through its Water and Waste Disposal loan and grant program. The program serves communities with populations of 10,000 or fewer. (For more information, see CRS Report RL30478, *Federally Supported Water Supply and Wastewater Treatment Programs*, coordinated by Jonathan L. Ramseur.) This program also received increased funding for FY2018, as noted below.

- P.L. 115-141 Division A, Title III, included appropriations for the USDA Water and Waste Disposal program, providing \$560.3 million (\$11.0 million less than FY2017) for the cost of direct loans, loan guarantees, and grants. This title provided USDA's water programs with loan authority of \$1.25 billion.
- Division A, Title VII (Section 780), provided an additional \$500 million for the program, of which \$495 million is available for grants.

Water Infrastructure Legislation

In addition to funding drinking water and wastewater infrastructure programs through appropriations acts, the 115th Congress is considering water infrastructure legislation. The Securing Required Funding for Water Infrastructure Now Act (H.R. 4902 and S. 2364) and the Water Infrastructure Finance and Innovation Reauthorization Act of 2017 (H.R. 4492 and S. 2329) would amend WIFIA. Others would, among other purposes, revise and reauthorize the DWSRF program (e.g., H.R. 3387, H.R. 1068, and H.R. 1653) and/or the CWSRF and related programs (e.g., H.R. 2510, H.R. 1673, H.R. 5609, and S. 1137). Others propose new funding programs, such as H.R. 1647, the Water Infrastructure Trust Fund Act of 2017. (For more information, see CRS Report RS22037, *Drinking Water State Revolving Fund (DWSRF): Program Overview and Issues*, by Mary Tiemann.)

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