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U.S. Environmental Protection Agency (EPA) Water Infrastructure Programs and FY2021 Appropriations

The condition of the nation’s drinking water and wastewater infrastructure, the federal role in supporting infrastructure improvements, and the financial challenges many communities encounter regarding water infrastructure are perennial subjects of debate and attention in Congress. Such challenges include the ability of communities—especially low-income communities—to finance projects needed to (1) repair or replace water infrastructure, much of which was constructed more than 50 years ago; (2) comply with new or revised federal regulatory requirements; and (3) address damage from or improve resilience to extreme weather events and other natural hazards.

EPA Water Infrastructure Programs FY2021 Appropriations

The Consolidated Appropriations Act, 2021 (P.L. 116-260), Division G, Title II, contains appropriations for multiple water infrastructure programs administered by the U.S. Environmental Protection Agency (EPA), including the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). The act also includes appropriations for the Water Infrastructure Finance and Innovation Act (WIFIA) loan program, two regional infrastructure grant programs, four drinking water infrastructure grant programs, and one wastewater infrastructure grant program. Appropriations for the CWSRF, DWSRF, and other grant programs are provided within the State and Tribal Assistance Grants (STAG) account. A separate account funds WIFIA.

As presented in **Table 1**, the act appropriates a total of \$3.01 billion for FY2021 for these water infrastructure programs, \$33 million (1%) more than the total FY2020 enacted level prior to rescissions (P.L. 116-94). Also for FY2020, P.L. 116-113, Title IX, included a supplemental appropriation of \$300 million for wastewater projects at the U.S.-Mexico border.

State Revolving Fund Programs

The Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA) authorize complementary financial assistance programs to help publicly owned treatment works and public water systems finance improvements needed for compliance and other statutory purposes. The Clean Water State Revolving Fund (SRF) provides financial assistance for infrastructure projects to publicly owned treatment works and other eligible recipients (33 U.S.C. §§1381-1387). The Drinking Water SRF provides assistance to public water systems, which may be publicly or privately owned (42 U.S.C. §300j-12). In both SRF programs, EPA makes grants to states to capitalize a state revolving loan fund. Each state must match 20% of its annual capitalization grant. States are authorized to use the

DWSRF or the CWSRF to provide primarily subsidized loans to eligible public water systems or publicly owned treatment works (and other eligible recipients), respectively. CWSRF financial assistance is available generally for projects needed for constructing or upgrading (and planning and designing) publicly owned treatment works, among other purposes defined in CWA Section 603(c) (33 U.S.C. 1383(c)). DWSRF financial assistance is available for statutorily specified expenditures and those that EPA has determined, through guidance, will facilitate SDWA compliance or significantly further the act’s health protection objectives.

Table 1. EPA Water Infrastructure: Enacted Appropriations for FY2020 and FY2021
(dollars in millions, not adjusted for inflation)

Program	FY2020	FY2021
<i>State and Tribal Assistance Grants (STAG) Account</i>		
CWSRF	\$1,638.8	\$1,638.8
DWSRF	\$1,126.1	\$1,126.1
Grants for U.S.-Mexico Border Projects	\$25.0	\$30.0
Grants for Rural and Alaska Native Villages	\$29.2	\$36.2
Grants for Small and Disadvantaged Communities	\$25.4	\$26.4
Grants for Testing School Water for Lead	\$26.0	\$26.5
Grants for Reducing Lead in Drinking Water	\$19.5	\$21.5
Grants for Drinking Water System Resilience and Sustainability	\$3.0	\$4.0
Grants for Sewer Overflow and Stormwater	\$28.0	\$40.0
<i>Water Infrastructure Finance and Innovation Act (WIFIA) Account</i>		
WIFIA	\$60.0	\$64.5
Total	\$2,981.0	\$3,014.0

Source: CRS, using data from P.L. 116-94 (Division D, Title II) and P.L. 116-260 (Division G, Title II). This table does not include the supplemental appropriation provided in P.L. 116-113, as it only provided additional funding for specific locations and narrower types of projects; or grants for technical assistance for small, rural water systems and treatment works, as described below.

While the SRFs generally provide subsidized loans, states may use the DWSRF and the CWSRF (under certain conditions) to provide “additional subsidization”—such as principal forgiveness and/or negative interest loans—to municipalities that meet the state’s affordability criteria. For the CWSRF, the additional subsidization is also available

for specified projects, such as those that implement water- or energy-efficiency goals or mitigate stormwater runoff.

States, local communities, and others have raised concerns regarding increasing funding needs (e.g., replacement of lead pipes) and affordability of infrastructure projects for many communities. In its most recent capital investment needs surveys, EPA estimated that the capital cost of wastewater and drinking water infrastructure needed to meet CWA and SDWA objectives exceeded \$744 billion over a 20-year period. This amount does not include costs to extend services to accommodate population growth or to repair infrastructure not linked to compliance or to related health and environmental goals. FY2021 SRF appropriations maintain the funding levels (not accounting for inflation) provided for FY2020: \$1.6 billion for the CWSRF and \$1.1 billion for the DWSRF.

Water Infrastructure Finance and Innovation Act

To promote development of water infrastructure projects and encourage nonfederal and private sector investment, Congress established the WIFIA program in the Water Resources Reform and Development Act of 2014 (P.L. 113-121, Title V; 33 U.S.C. §§3901-3914). WIFIA authorizes EPA and the U.S. Army Corps of Engineers (USACE) to provide credit assistance—secured or direct loans—for a range of water infrastructure projects. (The USACE WIFIA program first received a \$14.2 million appropriation in P.L. 116-260.) In contrast to SRF programs, under WIFIA, EPA provides credit assistance directly to an eligible recipient, not through a program administered by the states. To be eligible for WIFIA assistance, projects generally must have costs of \$20 million or more.

Annual WIFIA appropriations primarily cover long-term credit subsidy costs, which are calculated to cover the risk that the loan will not be repaid. As such, relative to its budget authority (e.g., \$59.5 million in FY2021 to cover subsidy costs), WIFIA appropriations may provide a large amount of credit assistance. For FY2021, Congress capped the WIFIA credit assistance authority at \$12.5 billion.

Grants for Small and Disadvantaged Communities

In 2016, the Water Infrastructure Improvement for the Nation Act (WIIN Act; P.L. 114-322) amended SDWA by adding Section 1459A (42 U.S.C. §300j-19a), which directs EPA to establish a grant program to assist disadvantaged communities and 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 systems, or states on behalf of an underserved community. P.L. 116-260 provides \$26.4 million for FY2021.

Grants for Testing School Water for Lead

In the WIIN Act, Congress amended SDWA Section 1464(d) (42 U.S.C. §300j-24) 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. P.L. 116-260 provides \$26.5 million for these grants for FY2021.

Grants for Reducing Lead in Drinking Water

The WIIN Act further amended SDWA by adding Section 1459B (42 U.S.C. §300j-19b), which 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. P.L. 116-260 provides \$21.5 million for FY2021.

Grants for Drinking Water System Resilience

America's Water Infrastructure Act of 2018 (AWIA; P.L. 115-270) amended SDWA Section 1459A (42 U.S.C. §300j-19a) to authorize EPA to establish the Drinking Water System Infrastructure Resilience and Sustainability Program, a grant program for small and disadvantaged public water systems. EPA is authorized to provide grants to eligible systems for projects that increase resilience to natural hazards, including hydrologic changes. Eligible projects include those that increase water use efficiency, enhance water supply through watershed management or desalination, and increase energy efficiency in the conveyance or treatment of drinking water. FY2020 was the first fiscal year that this program received funding (\$3 million). P.L. 116-260 provides \$4.0 million for FY2021.

Sewer Overflow and Stormwater Grant Program

In 2000, the Consolidated Appropriations Act, 2001 (P.L. 106-554) amended the CWA by adding Section 221, which authorized EPA to establish a grant program to address overflows from municipal combined sewer systems and from municipal separate sanitary sewers ("wet weather" projects). The act authorized annual appropriations of \$750.0 million for each of FY2002 and FY2003. In 2018, AWIA made several amendments to Section 221, including modifying the program to include stormwater infrastructure and authorizing appropriations of \$225.0 million for each of FY2019 and FY2020. FY2020 was the first fiscal year Congress appropriated funding (\$28 million) for this program. P.L. 116-260 provides \$40.0 million for FY2021.

Technical Assistance for Water Systems

The CWA and SDWA authorize EPA to make grants to qualified nonprofits to provide technical assistance to small wastewater and water systems (33 U.S.C. §1254(b)(8); 42 U.S.C. §300j-1(e)). AWIA amended the CWA in 2018 to add this grant program. While construction is not an eligible activity, the grants may be used to help systems to achieve compliance and to apply for SRF assistance. P.L. 116-260 provides \$18.0 million for the CWA technical assistance program in the STAG account and \$19.0 million for the SDWA program in the Environmental Programs and Management account.

Elena H. Humphreys, Analyst in Environmental Policy
Jonathan L. Ramseur, Specialist in Environmental Policy

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