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U.S. Environmental Protection Agency (EPA) Water Infrastructure Programs and FY2022 Appropriations

Policymakers and stakeholders have raised concerns about the condition of the nation's local drinking water and wastewater infrastructure, and the financial challenges that communities may confront in maintaining, repairing, or replacing aging infrastructure. In 2016, the U.S. Environmental Protection Agency (EPA) estimated that wastewater treatment facilities will need \$271 billion over the next 20 years to meet federal water quality objectives. In its 2018 survey, EPA estimated that public water systems need to invest \$473 billion on infrastructure over 20 years to ensure the provision of safe drinking water. These do 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.

EPA Water Infrastructure Programs FY2022 Appropriations

The Consolidated Appropriations Act, 2022 (P.L. 117-103), Division G, Title II, contains regular appropriations for EPA for multiple water infrastructure programs, including the Clean Water State Revolving Fund (CWSRF) and the

Drinking Water State Revolving Fund (DWSRF). Appropriations for the CWSRF, DWSRF, and other grant programs are provided within the State and Tribal Assistance Grants (STAG) account. A separate account funds a federal credit assistance program under Water Infrastructure Finance and Innovation Act (WIFIA).

As presented in **Table 1**, P.L. 117-103 appropriates a total of \$3.0 billion for FY2022 for these water infrastructure programs, 0.5% more than the total FY2021 enacted level prior to rescissions (P.L. 116-260). Further, Division J of the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58) includes emergency supplemental appropriations for the CWSRF, DWSRF, and one drinking water grant program for FY2022-FY2026. For example, IIJA provided additional appropriations for FY2022 of \$1.96 billion for each of the SRF programs, as well as SRF appropriations dedicated for specific purposes. For more information, see CRS Report R46892, *Infrastructure Investment and Jobs Act (IIJA): Drinking Water and Wastewater Infrastructure*.

Table 1. EPA Water Infrastructure: Enacted Appropriations for FY2021 and FY2022

(dollars in millions, not adjusted for inflation)

Program	FY2021 (P.L. 116-113)	FY2021 (P.L. 116-260)	FY2022 (P.L. 117-58)	FY2022 (P.L. 117-103)
State and Tribal Assistance Grants (STAG) Account				
CWSRF	—	\$1,638.8	\$1,902.0	\$1,195.2
Grants for Emerging Contaminant Projects	—	—	\$100.0	—
Community Project Funding/Congressionally Directed Spending (CPF/CDS)	—	—	—	\$443.6
DWSRF	—	\$1,126.1	\$1,902.0	\$728.3
Lead Service Line Replacement Projects	—	—	\$3,000.0	—
Grants for Emerging Contaminant Projects	—	—	\$800.0	—
CPF/CDS	—	—	—	\$397.8
Grants for U.S.-Mexico Border Projects	\$300.0	\$30.0	—	\$32.0
Grants for Rural and Alaska Native Villages	—	\$36.2	—	\$39.2
Grants for Testing School Water for Lead	—	\$26.5	—	\$27.5
Grants for Reducing Lead in Drinking Water	—	\$21.5	—	\$22.0
Grants for Small and Disadvantaged Communities	—	\$26.4	\$1,000.0	\$27.2
Grants for Drinking Water System Resilience and Sustainability	—	\$4.0	—	\$5.0
Grants for Sewer Overflow and Stormwater	—	\$40.0	—	\$43.0
Water Infrastructure Finance and Innovation Act (WIFIA) Account	—	\$65.0	—	\$69.5
Total	\$300.0	\$3,014.5	\$8,704.0	\$3,030.3

Source: CRS, using data from Consolidated Appropriations Act, 2021 (P.L. 116-260); USMCA Supplemental Appropriations Act, 2019 (Title IX of P.L. 116-113); P.L. 117-58; and P.L. 117-103. P.L. 117-58 provides supplemental appropriations for certain activities for FY2022-FY2026.

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 CWSRF provides financial assistance for infrastructure projects to publicly owned treatment works and other eligible recipients (33 U.S.C. §§1381-1387). The DWSRF provides assistance to public water systems, which may be publicly or privately owned (42 U.S.C. §300j-12). In both SRF programs, EPA makes 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 recipients. CWSRF financial assistance is available generally for purposes defined in CWA Section 603(c), which include wastewater and stormwater infrastructure projects. 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.

P.L. 117-103 includes "community project funding/congressionally directed spending" (CPF/CDS) items, which some have referred to as earmarks. P.L. 117-103 sets aside 27% (\$443.6 million) of the FY2022 CWSRF appropriation to CPF/CDS and 35% (\$397.8 million) of the FY2022 DWSRF appropriation to CPF/CDS. Such funds will be distributed directly to recipients, instead of to states' SRF programs. Thus, the reservation of funds effectively decreases the total amount available for allotment as state capitalization grants. Per state, the amount available—namely state capitalization grants and CPF/CDS—from FY2022 regular appropriations will be larger or smaller compared to state allotments of FY2021 appropriations distributed by statutory formula alone. Taken together with the FY2022 IJA SRF supplemental appropriations, all states will receive a higher capitalization grant amount in FY2022 than in FY2021.

Water Infrastructure Finance and Innovation Act

Congress established the WIFIA program in the Water Resources Reform and Development Act of 2014 (P.L. 113-121; 33 U.S.C. §§3901-3914). WIFIA authorizes EPA and the U.S. Army Corps of Engineers (USACE) to provide credit assistance—secured or direct loans—for a range of water infrastructure projects. (For information on USACE implementation, see CRS Insight IN11577, *U.S. Army Corps of Engineers Civil Works Infrastructure Financing Program (CWIFP): Status and Issues*.) Under WIFIA, EPA provides credit assistance directly to an eligible recipient. To be eligible for WIFIA assistance, projects must generally cost \$20 million or more. The WIFIA program can provide a large amount of credit assistance relative to its budget authority. 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., \$63.5 million in FY2022 to cover subsidy costs), appropriations provide a larger amount of total credit assistance. For example,

Congress capped the FY2022 WIFIA credit assistance authority at \$12.5 billion.

Grants for Testing School Water for Lead

The Water Infrastructure Improvement for the Nation Act (WIIN Act; P.L. 114-322) 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). IJA expands eligibilities, and P.L. 117-103 provides \$27.5 million.

Grants for Reducing Lead in Drinking Water

The WIIN Act amended SDWA to add 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. Grants can provide assistance to low-income homeowners to replace their portions of lead service lines. IJA expands this program's eligibilities. P.L. 117-103 provides \$22.0 million for FY2022.

Grants for Small and Disadvantaged Communities

In 2016, the WIIN Act 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. Projects eligible include investments needed for SDWA compliance, household water quality testing, and assistance that primarily benefits a community on a per-household basis. P.L. 117-103 provides \$27.2 million for FY2022. IJA expands the program's eligible projects, and provides a supplemental appropriation for projects to address emerging contaminants of \$1 billion for FY2022.

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. IJA directs EPA to establish this program. EPA is authorized to provide grants 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. P.L. 117-103 provides \$5.0 million for FY2022.

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. In 2018, AWIA modified the program to include stormwater infrastructure. P.L. 117-103 provides \$43.0 million for FY2022.

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