



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 23, 2002

H.R. 3930 **Water Quality Financing Act of 2002**

As ordered reported by the House Committee on Ways and Means on April 17, 2002

SUMMARY

CBO estimates that implementing this legislation would cost \$9.2 billion over the next five years, assuming the appropriation of the necessary amounts, for the Environmental Protection Agency (EPA) to provide various types of grants to states and nonprofit organizations to support water quality projects and programs. The Joint Committee on Taxation (JCT) estimates that enacting H.R. 3930 would reduce revenues by \$123 million over the 2003-2007 period, and by \$1.2 billion over the next 10 years. Because enactment of this bill would affect receipts, pay-as-you-go procedures would apply.

H.R. 3930 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state, local, and tribal governments by reauthorizing and expanding grants under the clean water state revolving fund (SRF) program. Any costs incurred to receive or administer grants under this program would be voluntary.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3930 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

| | By Fiscal Year, in Millions of Dollars | | | | | |
|--|--|------|------|------|------|------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |

CHANGES IN REVENUES

| | | | | | | |
|---------------------------------|---|---|----|-----|-----|-----|
| Changes to Tax Exempt Financing | | | | | | |
| Estimated Revenues ^a | 0 | b | -3 | -13 | -35 | -72 |

SPENDING SUBJECT TO APPROPRIATION

| | | | | | | |
|---|-------|-------|-------|-----|-----|---|
| Spending Under Current Law ^c | | | | | | |
| Budget Authority | 1,563 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 1,473 | 1,313 | 1,053 | 618 | 203 | 0 |

Proposed Changes

| | | | | | | |
|------------------------|---|-------|-------|-------|-------|-------|
| Clean Water SRF Grants | | | | | | |
| Authorization Level | 0 | 2,000 | 3,000 | 4,000 | 5,000 | 6,000 |
| Estimated Outlays | 0 | 100 | 450 | 1,250 | 2,350 | 3,450 |

| | | | | | | |
|--|---|----|----|----|----|----|
| Technical Assistance and Research Grants | | | | | | |
| Authorization Level | 0 | 75 | 75 | 75 | 75 | 75 |
| Estimated Outlays | 0 | 38 | 60 | 71 | 75 | 75 |

| | | | | | | |
|------------------------------------|---|-----|-----|-----|-----|-----|
| State Management Assistance Grants | | | | | | |
| Authorization Level | 0 | 250 | 250 | 250 | 250 | 250 |
| Estimated Outlays | 0 | 238 | 250 | 250 | 250 | 250 |

| | | | | | | |
|------------------------|---|-------|-------|-------|-------|-------|
| Total Proposed Changes | | | | | | |
| Authorization Level | 0 | 2,325 | 3,325 | 4,325 | 5,325 | 6,325 |
| Estimated Outlays | 0 | 376 | 760 | 1,571 | 2,675 | 3,775 |

| | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Spending Under H.R. 3930 | | | | | | |
| Authorization Level | 1,563 | 2,325 | 3,325 | 4,325 | 5,325 | 6,325 |
| Estimated Outlays | 1,473 | 1,689 | 1,813 | 2,189 | 2,878 | 3,775 |

a. Estimate provided by JCT.

b. Less than \$500,000.

c. The 2002 level is the amount appropriated for that year to EPA to support its grant programs related to wastewater.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3930 will be enacted before the start of fiscal year 2003, that the full amounts authorized will be appropriated, and that outlays will follow the historical pattern of EPA programs. Components of the estimated costs are described below.

Revenues

This bill would increase the funds available under the clean water SRF, which could result in some states leveraging their funds by issuing additional tax-exempt bonds. The JCT estimates that the consequent reductions in revenue would total \$123 million over the 2003-2007 period and \$1.2 billion over the next 10 years.

Spending Subject to Appropriation

H.R. 3930 would authorize the appropriation of \$20 billion over the 2003-2007 period for EPA to provide capitalization grants for the SRF program. States would use such grants along with their own funds to make low-interest loans to communities and grants to Indian tribes to construct wastewater treatment facilities and to fund other related projects. This bill would make several revisions to this grant program, including extending loan repayment terms and expanding the types of projects eligible for assistance.

This legislation also would authorize the appropriation of up to \$375 million over the next five years for EPA to make grants to nonprofit organizations to provide technical assistance, such as training, to rural and small communities, and to support research on the technologies and practices used to treat wastewater. In addition, H.R. 3930 would authorize the appropriation of \$1.25 billion over the 2003-2007 period for EPA to make grants to states to support various activities associated with implementing state clean water programs; this would include paying the salaries of personnel working on water quality issues and establishing regulations and enforcing clean water laws.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through 2006 are counted.

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | |
|---------------------|--|------|------|------|------|------|------|------|------|------|------|----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| Changes in outlays | | | | | | | | | | | | Not applicable |
| Changes in receipts | 0 | 0 | -3 | -13 | -35 | -72 | -123 | -180 | -229 | -258 | -265 | |

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3930 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state, local, and tribal governments by reauthorizing and expanding grants under the clean water SRF program. Any costs incurred to receive or administer grants under this program would be voluntary.

PREVIOUS CBO ESTIMATE

On April 11, 2002, CBO transmitted a cost estimate for H.R. 3930 as ordered reported by the House Committee on Transportation and Infrastructure on March 20, 2002. CBO estimates that both versions of H.R. 3930 would cost \$9.2 billion over the next five years, assuming the appropriation of the necessary amounts. The version of the bill approved reported by the House Committee on Transportation and Infrastructure also would reduce revenues by \$252 million over the 2003-2007 period according to the Joint Committee on Taxation. In contrast, enacting the Ways and Means Committee version would reduce revenues by \$123 million over the same period.

CBO provided an identical mandate statement for H.R. 3930 as ordered reported by the House Committee on Transportation and Infrastructure.

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