



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

August 9, 2005

S. 1400

Water Infrastructure Financing Act

*As ordered reported by the Senate Committee on Environment and Public Works
on July 20, 2005*

SUMMARY

CBO estimates that implementing this legislation would cost about \$17 billion over the next five years, assuming the appropriation of the authorized amounts. The funds would be used by the Environmental Protection Agency (EPA) to provide grants to states and nonprofit organizations to support a wide range of water quality projects and programs. The Joint Committee on Taxation (JCT) estimates that enacting S. 1400 would reduce revenues by \$214 million over the 2006-2010 period and by \$1.9 billion over the next 10 years. Enacting the bill would not affect direct spending.

S. 1400 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; any costs they incur would result from complying with conditions for receiving federal assistance.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1400 is shown in Table 1. The costs of this legislation fall within budget function 300 (natural resources and environment).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1400 will be enacted near the end of 2005, that the full amounts authorized will be appropriated for each year, and that outlays will follow the historical pattern of spending for EPA's infrastructure programs. Components of the estimated costs are described below.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 1400, THE WATER INFRASTRUCTURE FINANCING ACT

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
SPENDING SUBJECT TO APPROPRIATION						
EPA's Spending for Water Infrastructure and Grants Under Current Law						
Budget Authority ^a	1,929	0	0	0	0	0
Estimated Outlays	2,113	2,027	1,659	956	289	0
Proposed Changes						
Authorization Level	0	5,483	5,928	6,328	8,228	12,728
Estimated Outlays	0	626	1,565	3,169	4,915	6,398
EPA's Spending for Water Infrastructure and Grants Under S. 1400						
Authorization Level ^a	1,929	5,483	5,928	6,328	8,228	12,728
Estimated Outlays	2,113	2,653	3,224	4,125	5,204	6,398
CHANGES IN REVENUES						
Estimated Revenues ^b	0	-2	-7	-24	-61	-120

a. The 2005 level is the amount appropriated for that year to EPA for the clean water state revolving fund and the safe drinking water state revolving fund.

b. Estimate provided by JCT.

Spending Subject to Appropriation

S. 1400 would authorize appropriations totaling nearly \$39 billion over the next five years for EPA's water infrastructure and grant programs. Amounts for individual programs are shown in table 2.

TABLE 2. AMOUNTS AUTHORIZED TO BE APPROPRIATED TO EPA PROGRAMS UNDER S. 1400

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
Clean Water SRF Grants	3,200	3,200	3,600	4,000	6,000
Safe Drinking Water SRF Grants	1,500	2,000	2,000	3,500	6,000
Watershed Restoration Grants	300	300	300	300	300
Critical Drinking Water Infrastructure Grant Program	300	300	300	300	300
Small System Revolving Loan Funds	25	25	25	25	25
Grants for Lead Service Line Replacement in the District of Columbia	30	30	30	30	30
Technical Assistance for Nonprofits	25	25	25	25	25
Research and Demonstration Grant Programs	40	40	40	40	40
Agricultural Pollution Control Technology Grant Program	50	0	0	0	0
EPA Support for Containment Prevention, Detection, and Response Activities	8	8	8	8	8
DOI Water Resources Study	3	0	0	0	0
National Academy of Sciences Studies	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Authorization Level	5,483	5,928	6,328	8,228	12,728

NOTE: SRF = state revolving fund; DOI = Department of the Interior.

The bill would authorize the appropriation of \$35 billion over the 2006-2010 period for EPA to provide capitalization grants for the State Revolving Fund (SRF) program (\$20 billion for the clean water SRF program and \$15 billion for the safe drinking water 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 projects that would improve the quality of drinking water. This bill would make several revisions to those grant programs, including expanding the types of projects eligible for

assistance, changing the formulas used to allocate grant money among the states, and extending the repayment terms for loans made by states.

This legislation also would authorize the appropriation of \$1.5 billion over the 2006-2010 period for EPA to make “watershed restoration” grants to states to remedy sewage overflows (that is, the discharge of untreated wastewater) and stormwater discharges (that is, water from rain or snow that doesn’t infiltrate the ground). S. 1400 also would authorize the appropriation of \$1.5 billion over the same period for EPA to make grants to small public water systems to address the cost of complying with drinking water regulations.

In addition, the bill would authorize about \$650 million over the next five years for various other purposes, including establishing a small system revolving loan fund, several grant programs aimed at promoting innovations in technology and alternative approaches to water quality management, a grant program to address the replacement of lead drinking water service lines in the District of Columbia, a Department of the Interior study of water resources, and EPA studies of the rate structures of public water systems and treatment works, and on plumbing components.

Revenues

This bill would authorize funds for EPA’s clean water SRF and the safe drinking water SRF, and the appropriation of the agricultural pollution control technology grant program. The JCT expects that some of these funds would be used by states to leverage additional funds by issuing tax-exempt bonds. The JCT estimates that the consequent reductions in revenue would total \$214 million over the 2006-2010 period and about \$1.9 billion over the next 10 years as shown in table 3.

TABLE 3. ESTIMATED REVENUES LOSS UNDER S. 1400

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Estimated Revenues	0	-2	-7	-24	-61	-120	-195	-280	-357	-408	-424

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1400 contains no intergovernmental or private-sector mandates as defined by UMRA. The bill would benefit small and rural municipalities as well as disadvantaged communities by authorizing funding for water and wastewater projects. States and local governments would be subject to a new priority system for awarding funds in addition to wage requirements under the Davis-Bacon Act. Any costs incurred by governmental entities, including matching funds and costs associated with wage requirements, would result from complying with conditions for receiving federal assistance.

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