



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

November 15, 2005

**S. 895**

**Rural Water Supply Act of 2005**

*As ordered reported by the Senate Committee on Energy and Natural Resources  
on September 28, 2005*

**SUMMARY**

S. 895 would authorize appropriations for the Bureau of Reclamation to fund studies of rural water supply projects and provide loan guarantees for rural water projects that meet the eligibility criteria in the bill. Assuming appropriation of the necessary sums, CBO estimates that implementing S. 895 would cost \$14 million over the 2006-2010 period. Enacting this bill would have no effect on direct spending or revenues.

S. 895 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA). The bill would benefit states and local and tribal governments within states eligible for Bureau of Reclamation programs by authorizing funding for water projects in rural areas. Any costs incurred by governmental entities, including matching funds, would result from complying with conditions for receiving federal assistance.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 895 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				
	2006	2007	2008	2009	2010
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Rural Water Supply Program					
Estimated Authorization Level	3	3	2	2	2
Estimated Outlays	2	3	2	2	2
Loan Guarantees for Rural Water Supply Projects					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	*	*	1	1	1
Total Changes					
Estimated Authorization Level	4	4	3	3	3
Estimated Outlays	2	3	3	3	3

NOTE: \* = less than \$500,000.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that S. 895 would be enacted by the end of calendar year 2005 and that the necessary amounts would be appropriated for each year. S. 895 would authorize the appropriation of funds for the Bureau of Reclamation to implement a new rural water supply program and a loan-guarantee program for rural water supply projects.

### **Rural Water Supply Program**

Title I would authorize the appropriation of \$20 million over the 2006-2015 period for the Bureau of Reclamation to conduct studies of rural water supply projects in states eligible for bureau programs. Those studies would include assessments of current and future rural water needs; appraisals and feasibility studies of proposed projects (including domestic, industrial, and municipal water projects); and recommendations to the Congress on the potential terms and conditions of a future authorization to construct a project. The bill would set deadlines for completing various studies and direct the bureau to spend up to \$1 million in each of the fiscal years 2006 and 2007 for the assessments. For this estimate, CBO assumes that the remaining \$18 million would be spread evenly over the 10-year period. Assuming appropriation of such amounts, CBO estimates that implementing this program would cost \$11 million over the 2006-2010 period and \$9 million after 2010.

## **Loan Guarantees for Rural Water Supply Projects**

Title II would authorize the Secretary of the Interior to guarantee loans for new rural water supply projects that meet the eligibility criteria in title I and for certain existing water facilities constructed under federal reclamation law. Under credit reform procedures, funds must be appropriated in advance to cover the subsidy cost of such loan guarantees, measured on a present value basis. The cost of those subsidies would depend on the volume of loans being guaranteed and the risk of default associated with different types of projects.

For this estimate, CBO assumes that the program authorized by this bill would be similar to the U.S. Department of Agriculture's (USDA's) loan guarantee program for rural water projects. (The USDA program is limited to communities with populations below 10,000, whereas this bill would authorize projects for communities of up to 50,000, with some exceptions for larger populations.) The loan volume under the USDA program has typically been less than \$10 million a year for the last several years. CBO assumes that the volume of loans guaranteed under S. 895 would be higher than under the USDA's program because the bill's eligibility criteria would cover larger areas and projects. Based on information from the Bureau of Reclamation and USDA, CBO expects that around \$50 million in loans would be authorized each year, with an estimated average subsidy rate of 2 percent. Assuming obligations and outlays follow trends in similar programs, CBO estimates that implementing this program would cost about \$3 million over the 2006-2010 period, assuming appropriation of the necessary amounts.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 895 contains no intergovernmental or private-sector mandates as defined by UMRA. The bill would benefit states eligible for reclamation assistance and local and tribal governments within those states by authorizing funding for water projects in rural areas. Any costs incurred by governmental entities, including matching funds, would result from complying with conditions for receiving federal assistance.

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