



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 22, 2009

### **S. 1005** **Water Infrastructure Financing Act**

*As ordered reported by the Senate Committee on Environment and Public Works  
on May 14, 2009*

#### **SUMMARY**

S. 1005 would authorize the appropriation of about \$39 billion for the Environmental Protection Agency (EPA) to provide grants to states and nonprofit organizations to support a wide range of water quality projects and programs. CBO estimates that implementing this legislation would cost about \$17 billion over the next five years and an additional \$22 billion after 2014, assuming appropriation of the authorized amounts.

The Joint Committee on Taxation (JCT) estimates that enacting the bill would reduce revenues by \$1.7 billion over the next 10 years. Enacting the bill would not affect direct spending.

S. 1005 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of this legislation is summarized 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 the bill will be enacted near the end of fiscal year 2009, that the full amounts authorized will be appropriated for each year, and that outlays will follow the historical patterns of spending for existing and similar programs. Components of the estimated costs are described below.

**TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 1005**

	By Fiscal Year, in Millions of Dollars										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Authorization Level <sup>a</sup>	5,470	6,040	6,493	8,143	13,045	0	0	0	0	0	39,191	39,191
Estimated Outlays	498	1,824	3,503	4,861	6,182	7,213	6,227	3,771	1,786	857	16,868	36,722
<b>CHANGES IN REVENUES</b>												
Estimated Revenues <sup>b c</sup>	*	-4	-18	-48	-96	-162	-244	-325	-380	-406	-166	-1,683

Note: \* = revenue loss of less than \$500,000.

- a. The bill also would require the National Academy of Sciences to conduct a study on the presence of pharmaceuticals and personal-care products in water; CBO estimates that such a study would cost \$1 million over the 2010-2014 period.
- b. Estimate provided by the Joint Committee on Taxation.
- c. Negative numbers indicate a reduction in revenues and an increase in the deficit.

## Spending Subject to Appropriation

This legislation would authorize appropriations totaling more than \$39 billion over the next five years for EPA’s water infrastructure and grant programs. Amounts authorized to be appropriated for individual programs are shown in Table 2.

The bill would authorize the appropriation of nearly \$35 billion over the 2010-2014 period for EPA to provide capitalization grants for the State Revolving Fund (SRF) programs (about \$20 billion for the clean water SRF program and about \$15 billion for the safe drinking water SRF program). In 2009, the combined appropriation for these SRF programs was about \$1.5 billion. (In addition the American Recovery and Reinvestment Act of 2009 provided \$6 billion for those programs.) States use such grants along with their own funds to make low-interest loans to communities to build or improve wastewater treatment and drinking water facilities. Indian tribes use such grants 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 tribes, and extending the repayment terms for loans made by states.

**TABLE 2. AMOUNTS AUTHORIZED TO BE APPROPRIATED FOR EPA PROGRAMS UNDER S. 1005**

	By Fiscal Year, in Millions of Dollars					2010-2014
	2010	2011	2012	2013	2014	
Clean Water SRF Grants	3,200	3,200	3,600	4,000	6,000	20,000
Safe Drinking Water SRF Grants	1,500	2,000	2,000	3,200	6,000	14,700
Sewer Overflow Grants	250	300	350	400	500	1,800
Critical Drinking Water Infrastructure Grant Program	230	300	300	300	300	1,430
Critical Water Infrastructure Grant Program	50	50	50	50	50	250
Grants for Reducing Lead in Drinking Water	60	60	60	60	60	300
Technical Assistance for Communities	42	43	43	43	43	214
EPA Management Strategies and Water and Sewage Program	6	6	9	9	11	41
Technical Assistance for Small and Medium Treatment Works	40	40	40	40	40	200
Agricultural Watershed Sustainability Technology Grant Program	50	0	0	0	0	50
Grants For Water Quality Enhancement and Management	40	40	40	40	40	200
National Academy of Sciences Studies	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>
Total Authorization Level	5,470	6,040	6,493	8,143	13,045	39,191

Note: SRF = state revolving fund; EPA = Environmental Protection Agency.

This legislation also would authorize the appropriation of about \$1.8 billion over the 2010-2014 period for EPA to make grants to states to remedy sewage overflows (that is, the discharge of untreated wastewater into waterways). This bill also would authorize the appropriation of about \$1.4 billion for the Critical Drinking Water Infrastructure Grant Program and about \$250 million for the Critical Water Infrastructure Grant Program over the same period. Those programs would allow EPA to make grants to small public water

systems to address the cost of complying with drinking water regulations and to make grants to entities to carry out projects related to watershed restoration.

The remaining authorizations in the bill would total about \$550 million over the next five years. That funding would be used for various purposes, including a grant program to assist small and medium treatment works with a broad range of approaches to managing wastewater and stormwater, grant programs aimed at promoting innovations in technology and alternative approaches to water quality management, and a grant program to reduce lead in drinking water.

### **Revenues**

The JCT expects that some of the funds authorized in S. 1005 would be used by states to leverage additional funds by issuing tax-exempt bonds. The JCT estimates that issuing additional tax-exempt bonds would reduce federal revenues totaling about \$1.7 billion over the next 10 years.

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

S. 1005 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state, local, and tribal governments by authorizing grants for water and sewer projects.

### **ESTIMATE PREPARED BY:**

Federal Spending: Susanne S. Mehlman

Federal Revenues: Mark Booth

Impact on State, Local, and Tribal Governments: Ryan Miller

Impact on the Private Sector: Amy Petz

### **ESTIMATE APPROVED BY:**

Theresa Gullo

Deputy Assistant Director for Budget Analysis