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Federally Supported Projects and Programs for Wastewater, Drinking Water, and Water Supply Infrastructure

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For decades, Congress has authorized, modified, and funded federal programs to help communities address water supply and water infrastructure needs, including both wastewater and drinking water. Departments and agencies that administer these assistance programs include the Bureau of Reclamation (Reclamation), the U.S. Army Corps of Engineers (USACE), the Department of Agriculture (USDA), the U.S. Environmental Protection Agency (EPA), the Department of Housing and Urban Development (HUD), and the Department of Commerce’s Economic Development Administration (EDA).

There are generally two approaches to authorization and funding: individual project authorization and program authorization. Reclamation and USACE administer a number of individual projects pursuant to direct authorizations from Congress. Other agencies administer programs with standing authorizations that establish eligibility criteria rather than identify specific projects. As a practical matter, individual project authorizations generally must be funded each year and provide no guarantee of funding or predictable assistance over time. By comparison, the authorized programs generally provide a relatively consistent source of funding for a range of eligible activities and recipients. Although these authorized programs are not guaranteed to receive annual appropriations, in recent years Congress has generally provided some level of annual appropriations to the water infrastructure programs identified in this report.

The federal agencies responsible for administering water-related projects and programs undertake these activities pursuant to wide-ranging missions with varying scopes. For example, EPA’s authorities relate to protecting public health and the environment, whereas the EDA and HUD focus on community and economic development. Some agencies’ activities are national in scope (e.g., USDA and EPA), while others are regionally focused (e.g., Reclamation’s programs and projects, which are limited to the 17 “reclamation states” in the West). Some focus primarily on urban areas (HUD), whereas others concentrate mainly on rural areas (USDA).

Federal funding for these programs and projects varies greatly. Congressional funding for the water supply and wastewater and drinking water programs continues to compete with many other programs that are supported by discretionary spending. Some of these programs have received supplemental appropriations, such as the funds provided in the 2021 Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58). FY2023 appropriations highlights include the following:

- \$775.8 million for capitalization grants to states under EPA’s clean water state revolving fund (SRF) program and \$516.9 million for EPA’s drinking SRF program; and \$863.1 million for wastewater infrastructure and \$609.3 million for drinking water infrastructure through “community project funding/congressionally directed spending”; IIJA provided \$2.202 billion for each SRF program;
- \$3.0 billion for EPA’s drinking water SRF program for lead service line replacement and related activities;
- \$68.0 million for subsidy costs for the EPA-administered Water Infrastructure Finance and Innovation Act (WIFIA) program, allowing the agency to provide credit assistance up to \$12.5 billion;
- \$430.0 million for grants, \$1.4 billion in direct loan authority, and \$50.0 million for guaranteed loan authority for USDA’s rural water and waste disposal program;
- \$3.3 billion for HUD’s Community Development Block Grant (CDBG) program (water and wastewater projects are among many eligible uses);
- \$161.0 million for EDA’s Public Works and Economic Adjustment Assistance programs (water and wastewater projects are among many eligible uses);
- \$168.5 million for USACE environmental infrastructure projects;
- \$327.0 million for Reclamation water storage projects; \$248.0 million for Reclamation rural water construction projects from the IIJA and \$125.3 million from annual appropriations; and
- \$298.0 million for Reclamation’s Title XVI reclamation/recycling projects.

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Introduction

This report provides background and funding information on water infrastructure projects, including wastewater and drinking water, and water supply projects traditionally funded by the federal government. The report also discusses federal funding programs that provide assistance to communities to support these types of projects and related, eligible activities.

For decades, Congress has authorized, modified, and funded federal programs and projects to help communities address water supply and water infrastructure needs. The approaches and statutory frameworks supporting water infrastructure vary. For example, the Department of the Interior (DOI) Bureau of Reclamation (Reclamation) and the U.S. Army Corps of Engineers (USACE) administer a number of individual projects pursuant to direct authorizations from Congress. These projects require direct, individual project authorizations from Congress prior to being eligible to receive appropriations.¹

Other agencies administer programs with standing authorizations that establish eligibility criteria rather than identify specific projects. Although these authorized programs are not guaranteed to receive annual appropriations, Congress has generally provided some level of annual appropriations in recent years to the water infrastructure programs identified in this report. Agencies administering such programs covered in this report include

- the Department of Agriculture (USDA),
- the Environmental Protection Agency (EPA),
- the Department of Housing and Urban Development (HUD), and
- the Department of Commerce’s Economic Development Administration (EDA).

In addition, the projects and programs differ due to the varied scopes and missions of the implementing agencies. For example, the statutory requirements for EPA-administered programs generally focus on protecting public health and the environment. The EDA and HUD programs focus on community and economic development. Further, the scope of the specific programs and authorized projects discussed in this report—while all address either water supply or wastewater and drinking water infrastructure to some degree—differ in other respects. Some are national in scope (e.g., USDA and EPA), while others are regionally focused (e.g., Reclamation’s programs and projects). Some focus primarily on urban areas (HUD), whereas others concentrate mainly on rural areas (USDA).

For each of the projects and programs discussed, this report describes their purposes, financing mechanisms, eligibility requirements, recent funding, and statutory/regulatory authority. The report does not address special projects and programs aimed specifically at assisting Indian tribes, Alaska Native Villages, *colonias*,² or other regional programs, such as those associated exclusively with the Appalachian region or U.S. territories.

This report focuses on programs that support drinking water and wastewater infrastructure projects and also municipal and industrial (M&I) water supply projects and activities. This report generally does not address water projects and programs for irrigation, flood control, hydroelectricity, and recreation. However, in some cases (noted below), a federal program or

¹ For Reclamation, this also includes some projects that must be submitted to, and approved by, Congress prior to funding (but no direct authorization is required). For more information, see below section, “Bureau of Reclamation.”

² *Colonias* are typically rural, unincorporated communities or housing developments near the U.S.-Mexico border that lack some or all basic infrastructure, including plumbing and public water and sewer.

agency (e.g., Reclamation and USDA) may primarily support one or more of these other objectives while providing some support for M&I activities, even if only incidentally.

Other federal authorities (e.g., ones administered by Reclamation and USACE) may be available to assist with the provision of emergency water and wastewater needs, such as improving access to water supplies during a drought. Such authorities are generally not discussed in this report.³

Table 1 summarizes financial and other key elements of the projects and program activities discussed in this report. As indicated in the table, the level and scope of federal funding for the programs and projects discussed in this report varies greatly. Congressional funding for the water programs continues to compete with many other federal programs supported by discretionary spending. Stakeholders and others continue to call for increased funding for these programs.

While Congress has maintained or increased federal support in recent years for some traditional financing tools—project grants, formula grants, capitalization grants, direct and guaranteed loans—policymakers have also considered alternative financing approaches and options to encourage private-sector investments and public-private partnerships (e.g., the Water Infrastructure Finance and Innovation Act Program). Some supporters of these approaches see them as options to supplement or complement, without replacing, traditional financing tools. In addition, in recent years, Congress has revised some existing programs and authorized new grant programs in an effort to target water infrastructure needs of small and disadvantaged communities.

³ These programs are not discussed further in this report except for the Emergency Community Water Assistance Grants administered by the U.S. Department of Agriculture. The emergency programs are summarized in CRS Report R43408, *Emergency Water Assistance During Drought: Federal Non-Agricultural Programs*, by Nicole T. Carter, Tadlock Cowan, and Joanna Barrett.

**Table I. Wastewater, Drinking Water, and Water Supply Infrastructure:
Federal Funding for Projects and Programs**

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding^a	FY2024 President Funding Request and FY2024 IJJA Enacted
DOI Bureau of Reclamation^b	Multipurpose projects, which may include some municipal and industrial (M&I) activities	De facto 40-50 year loan	0%/100%, with interest for M&I uses	Not applicable	\$1.93 billion	\$1.45 billion
DOI Bureau of Reclamation Water Infrastructure Improvements for the Nation (WIIN) Act Water Storage Projects	Multipurpose projects, which may include some M&I activities	Direct funding for the federal share of costs, with the reimbursable share of these costs subject to repayment (i.e., de facto loans)	50%/50% for federal projects; 25%/75% for nonfederal projects	Not applicable	\$134.0 million	—
DOI Bureau of Reclamation (Title XVI, P.L. 102-575)^b	Wastewater reclamation and reuse, ^c which may include some M&I activities	De facto grant	Up to 25%/75%; dollar limits may apply	Not readily available	\$60.0 million	\$4.0 million
DOI Bureau of Reclamation Rural Water Supply^b	Indian and non-Indian rural water supply	De facto grant, plus loan	Non-Indian projects: range from 75%/25% to 80%/20%; Indian projects: 100%/0%	Not applicable (see report text for detail)	\$125.3 million IJJA: \$248.0 million	\$57.8 million IJJA: \$108.0 million
DOI Bureau of Reclamation Desalination Project Construction	Brackish and seawater desalination, which may include some M&I activities	Grant	Up to 25%/75%; dollar limits may apply	Not readily available	\$12.0 million	—

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding ^a	FY2024 President Funding Request and FY2024 IJA Enacted
USACE Multipurpose Reservoirs with Storage for M&I Water^b	Reservoirs may provide M&I water storage through permanent or temporary storage agreements	Upfront federal financing of reservoirs; M&I storage is repaid through fees collected from nonfederal entities	0%/100%, with interest	Not applicable	\$7.0 million	\$25.0 million
USACE Environmental Infrastructure Assistance	Assistance is typically for public drinking water and wastewater infrastructure and source water protection and development	Technical/planning and design services or grants; design and construction services or grants	75%/25% generally; some authorities are 65%/35%	Varies (see report text for detail)	\$148.5 million ^d P.L. 117-180: \$20.0 million	\$5.0 million
USDA Rural Utilities Service, Water and Waste Disposal Program	Municipal water supply and treatment, wastewater facilities, and waste disposal	Loans and grants to eligible entities	Up to 75%/25% for grants 0%/100% for loans	Not readily available	Direct loans: \$3.0 million loan subsidy to support \$1.42 billion in loan authority Loan guarantees: No loan subsidy needed to support \$50.0 million in loan authority Grants: \$430.0 million	Direct loans: \$155.0 million loan subsidy to support \$1.61 billion in loan authority Loan guarantees: No loan subsidy needed to support \$500.0 million in loan authority Grants: \$538.0 million
USDA Rural Utilities Service, Rural Decentralized Water Systems Program	Construction, refurbishing, and servicing of individual household water well systems and decentralized wastewater systems	Grants to private nonprofit organizations for the purpose of providing loans and subgrants to eligible individuals	100%/0%	Loans up to \$15,000 per household	Grants: \$5.0 million	Grants: \$5.0 million
USDA Rural Utilities Service, Emergency Community	For water treatment, storage, or distribution projects to secure adequate	Grants for public or private nonprofit entities	100%/0%	Water source grants up to \$1.0 million	Grants: \$15.0 million	Grants: \$15.0 million

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding ^a	FY2024 President Funding Request and FY2024 IJJA Enacted
Water Assistance Grants	quantities of safe water			Water transmission line grants up to \$150,000		
USDA Watershed and Flood Prevention Operations Program	Multiple activities but must generally include flood control measures	Project grants and technical advisory services	100%/0% Varies according to purpose of improvement activity	Not applicable	\$75.0 million (discretionary) \$50.0 million (mandatory) \$20.6 million in community project funding/congressionally directed spending (CPF/CDS)	\$175.0 million (discretionary) \$50.0 million (mandatory)
USDA Small Watershed Rehabilitation Program	Dam rehabilitation	Project grants and technical advisory services	100%/0% Varies according to purpose of improvement activity	Not applicable	\$2.0 million	\$10.0 million
EPA, Clean Water State Revolving Fund (SRF) Loan Program	Municipal wastewater treatment, stormwater infrastructure, and other eligible projects and activities	Grants to states to capitalize loan funds SRF loans made by states to local project sponsors States required to provide a minimum level of additional subsidization (e.g., principal forgiveness) and authorized to provide further subsidization	80%/20% for grants to states to capitalize SRFs 0%/100% ^e (project loans are repaid 100% to states)	Average capitalization grant to state: \$58.0 million (FY2022) ^f Average assistance from SRF: \$4.8 million (FY2021) ^g	\$775.8 million for capitalization grants \$863.1 million (CPF/CDS) Infrastructure Investment and Jobs Act (IIJA): \$2.202 billion for capitalization grants \$100.0 million for emerging contaminants	\$1.639 billion for capitalization grants IIJA: \$2.403 billion for capitalization grants \$225.0 million for emerging contaminants

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding ^a	FY2024 President Funding Request and FY2024 IIJA Enacted
EPA, Drinking Water State Revolving Fund (SRF) Loan Program	Public water supply projects needed to meet federal drinking water standards and to address serious health risks	Grants to states to capitalize loan funds SRF loans made by states to local project sponsors States required to provide a minimum level of additional subsidization (e.g., principal forgiveness) and authorized to provide further subsidization	80%/20% for grants to states to capitalize SRFs 0%/100% ^e (project loans are repaid 100% to states)	Average capitalization grant to state: \$45.1 million (through FY2022) ^h Average assistance from SRF: \$2.8 million (FY2022)	\$516.9 million for capitalization grants \$609.3 million (CPF/CDS) IIJA: \$2.202 billion for capitalization grants \$3.0 billion for lead service line (LSL) replacement \$800.0 million for emerging contaminants	Request: Capitalization grants \$1.126 billion IIJA: \$2.403 billion for capitalization grants \$3.0 billion for lead service line (LSL) replacement \$800.0 million for emerging contaminants
EPA, Water Infrastructure Finance and Innovation Act (WIFIA) Program	Wastewater and drinking water projects with costs of \$20.0 million or larger (or \$5.0 million for rural areas)	Loans or loan guarantees	In general, WIFIA funding cannot exceed 49% of project costs	\$174.0 million (average of 88 closed loans) ⁱ	\$68.0 million to cover subsidy costs; authorized to provide no more than \$12.5 billion in credit assistance	\$71.9 million to cover subsidy costs; authorized to provide no more than \$12.5 billion in credit assistance
EPA, Sewer Overflow and Stormwater Grant Program	Sewer overflow or stormwater infrastructure projects, with priority for financially distressed communities	Grants to states, which make grants to municipalities	55%/45%	Not available ^l	\$50.0 million	\$280.0 million

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding ^a	FY2024 President Funding Request and FY2024 IIJA Enacted
EPA, Technical Assistance for Rural, Small, and Tribal Wastewater Systems	Assist rural, small, and tribal publicly owned treatment works and decentralized wastewater treatment systems to comply with the Clean Water Act and apply for financing from the clean water SRF	Grants to qualified nonprofits to provide technical assistance	100%/0%	EPA awarded \$4.0 million grants to three entities in 2021 ^k	\$27.0 million	\$18.0 million
EPA, Technical Assistance for Rural, Small, and Tribal Drinking Water Systems	Assist public water systems and particularly small systems (serving 25-10,000 customers) with Safe Drinking Water Act (SDWA) compliance	Grants to qualified nonprofits to provide technical assistance	100%/0%	FY2022 awards were made to two entities, average grant amount was \$12.4 million ^l	\$26.0 million	—
EPA, Small and Disadvantaged Communities Drinking Water Grant Program	Drinking water projects needed to meet federal drinking water standards, household water quality testing, assistance that benefits a community on a per-household basis	Grants to states on behalf of an underserved community, public water systems, tribal water systems	55%/45% for grants (EPA may waive match under certain circumstances)	Appropriations distributed noncompetitively to states	\$30.2 million	\$80.0 million

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding ^a	FY2024 President Funding Request and FY2024 IJJA Enacted
EPA, Lead Reduction Projects Grant Program	Drinking water projects and activities to reduce lead in drinking water; replacement of lead service lines; corrosion control activities	Grants to community water systems, tribal water systems, states, schools, and municipalities	80%/20% for grants (EPA may waive match under certain circumstances)	EPA awarded an average of \$4.7 million to grant recipients ^m	\$25.0 million	\$182.0 million
EPA, Small Water Systems Resilience and Sustainability Grant Program	Projects 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	Grants to community water systems, tribal water systems, states	90%/10% for grants (EPA may waive match under certain circumstances)	No assistance provided to date	\$7.0 million	\$25.0 million
EPA, Midsize and Large Water Systems Resilience and Sustainability Grant Program	Projects include water conservation, desalination construction, and watershed management activities, among others	50% of grants for water systems serving 10,000 or more to 100,000 individuals, and 50% for systems serving more than 100,000 individuals	100%/0%	No assistance provided to date	\$5.0 million	\$50.0 million

Agency and Projects or Program	Project/ Program Purposes	Type of Financial Assistance	Federal/ Nonfederal Cost Share	Average Amount of Assistance	FY2023 Enacted Funding ^a	FY2024 President Funding Request and FY2024 IIJA Enacted
HUD, Community Development Block Grant Programⁿ	Multipurpose community development projects; may include water and waste disposal	Formula grants, 70% of which are reserved for urban areas, 30% for state grants	100%/0%	Entitlement formula grants: \$2.1 million; average award to state programs: \$20.0 million (for subawards to communities) in FY2021	\$3.3 billion	\$3.3 billion
Commerce, EDA, Public Works and Economic Adjustment Assistance (EAA)^o	Multipurpose economic development projects; may include water and sewer	Project grants	Generally 50%/50%	Average Public Works grant \$1.4 million; average EAA grant \$650,000 (FY2023)	\$121.5 million allocated for the Public Works program and \$39.5 million for the EAA program	\$100.0 million requested for the Public Works program and \$33.0 million for the EAA program

Source: CRS.

Notes: A “—” indicates that the President did not make a funding request.

- a. Unless otherwise noted, FY2023 funding provided in P.L. 117-328. In some cases, funding amounts may address other objectives.
- b. These projects must generally be authorized by Congress prior to construction. Municipal water supply is not the primary purpose of these projects.
- c. Title XVI supports what is generally considered water reuse and reclamation. Reclamation is treatment of wastewater or other impaired surface water (e.g., seawater) or groundwater (e.g., groundwater with high levels of contaminants, such as arsenic or salts) to make it usable or reusable for nonpotable or indirect potable use (e.g., potable use after storage and recovery, such as after groundwater recharge). Reuse connotes planned beneficial use (e.g., landscape watering, agricultural irrigation, and industrial cooling) of treated municipal wastewater.
- d. P.L. 117-328 Division D provided \$130.5 million. Division N provided \$18.0 million.
- e. This ratio does not account for additional subsidization. Under certain conditions, states may provide additional subsidization, including principal forgiveness, negative interest loans, or a combination. In addition, appropriations acts in recent years have required states to use minimum percentages of their allotted funds to provide additional subsidization, including grants.
- f. Based on FY2022 allotments to states from appropriations in P.L. 117-103 (EPA, “Annual Allotment of Federal Funds,” FY2022 table, at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-allotments-federal-funds-states>); and FY2022 allotment to states from supplemental appropriations in P.L. 117-53 (EPA, “Memorandum: Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law,” March 8, 2022, at https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf).

- g. Based on total dollars of annual assistance provided and total number of assistance agreements from CWSRF National Information Management System, “National Report,” at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.
- h. “Average annual capitalization grant” includes emergency supplemental appropriations provided by the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58) directed toward specific project purposes (e.g., lead service line replacement). EPA, “Annual Allotment of Federal Funds for States, Tribes, and Territories,” at <https://www.epa.gov/dwsrf/annual-allotment-federal-funds-states-tribes-and-territories>.
- i. Based on 88 closed loans, totaling \$15.3 billion. EPA, “WIFIA Closed Loans,” at <https://www.epa.gov/wifia/wifia-closed-loans>.
- j. In November 2022, EPA announced the availability of FY2022 funding and invited states to apply for grants to support eligible projects. In August 2023, EPA announced the availability of FY2023 funding. For more information, see EPA, “Sewer Overflow and Stormwater Reuse Municipal Grants Program,” at <https://www.epa.gov/cwsrf/sewer-overflow-and-stormwater-reuse-municipal-grants-program>.
- k. For more information, see EPA, “Technical Assistance for Treatment Works,” at <https://www.epa.gov/small-and-rural-wastewater-systems/technical-assistance-treatment-works>.
- l. EPA, “EPA Selects Recipients for \$25.7 Million in Technical Assistance Funding to Help Rural Communities Access Clean Water” May 18, 2023, at <https://www.epa.gov/newsreleases/epa-selects-recipients-257-million-technical-assistance-funding-help-rural-communities>.
- m. EPA, “WIIN Grant: Reduction in Lead Exposure Via Drinking Water,” at <https://www.epa.gov/dwcapacity/wiin-grant-reduction-lead-exposure-drinking-water>.
- n. Community Development Block Grant (CDBG) figures in this table do not include Community Development Fund set-asides.
- o. The totals for the EAA program do not include supplemental appropriations or annual appropriations directed to the Assistance to Coal Communities (ACC), the Assistance to Nuclear Closure Communities (NCC), and Assistance to Biomass Closure Communities (BCC) initiatives.

Department of the Interior⁴

Bureau of Reclamation⁵

The Bureau of Reclamation was established to implement the Reclamation Act of 1902, which authorized the construction of water works to provide water for irrigation in arid western states.⁶ Reclamation owns and manages 475 dams and 337 reservoirs, which are capable of storing 245 million acre-feet of water.⁷ These facilities serve approximately 31 million people, delivering a total of approximately 28.5 million acre-feet⁸ of water annually in nondrought years. Of this amount, M&I water deliveries total approximately 2.8 million acre-feet annually and have more than doubled since 1970.

Historically, Reclamation primarily supports M&I water supplies as part of larger, multipurpose federal reclamation projects serving irrigation, flood control, power supply, and recreation purposes. However, it has constructed few such projects in recent years. Since 1980, Congress has individually authorized construction of several “rural water supply” projects that have also served these purposes. Further, since 1992 Congress has also authorized nonfederal participation in reclamation wastewater and reuse/recycling projects. These projects, discussed below, are known as Title XVI projects because they were first authorized in 1992 under Title XVI of P.L. 102-575.

Congress has recently expanded Reclamation’s involvement in other types of nonfederal water supply projects. In the 2016 Water Infrastructure Improvements for the Nation Act (WIIN Act; P.L. 114-322), Congress added authority for Reclamation to support nonfederal construction of brackish and seawater desalination projects and added new authority for Reclamation to support water storage project construction (generally referred to here as “WIIN Act water storage projects”) on a cost-shared basis, including construction of nonfederal water storage projects. Each of these areas is discussed below. In P.L. 117-169 (popularly known as the Inflation Reduction Act, or IRA), Congress appropriated \$550.0 million for Reclamation to provide up to 100% of the cost for water projects where the primary purpose is to provide domestic water supplies to disadvantaged communities or households (see text box below).

⁴ This section was prepared by Charles V. Stern, Specialist in Natural Resources Policy, Resources, Science, and Industry Division; and Anna E. Normand, Analyst in Natural Resources Policy, Resources, Science, and Industry Division.

⁵ For more information on Bureau of Reclamation water supply authorities and activities, see CRS Report R46303, *Bureau of Reclamation: History, Authorities, and Issues for Congress*, by Charles V. Stern and Anna E. Normand.

⁶ Reclamation is generally authorized to construct projects only in the 17 western states (Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming) unless otherwise directed by Congress. For example, in 1986, Congress authorized Reclamation to also work in U.S. territories (P.L. 99-396) and in 2005 to construct three water reuse facilities in Hawaii (P.L. 109-70).

⁷ U.S. Department of the Interior, *Budget Justifications and Performance Information, Fiscal Year 2016: Bureau of Reclamation*, February 2015, p. 2, at http://www.usbr.gov/budget/2016/FY16_Budget_Justifications.pdf.

⁸ An acre-foot is the amount of water needed to cover one acre of land one foot deep, or 325,851 gallons.

Bureau of Reclamation’s Disadvantaged Community Domestic Water Supply Projects

IRA Section 5023I appropriated \$550.0 million, available through FY2031, for the Bureau of Reclamation (Reclamation) to provide up to 100% of the cost for the planning, design, and/or construction of water projects where the primary purpose is to provide domestic water supplies to disadvantaged communities or households. The Commissioner of Reclamation is to establish and adopt criteria to identify applicable disadvantaged communities or households that do not have reliable access to domestic water supplies in a Reclamation state or territory (43 U.S.C. §391). The funding mechanism may be via grants, contracts, or financial assistance agreements at a cost share determined by the Commissioner. On May 9, 2023, Reclamation announced the agency was making \$5.5 million available to the U.S. territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands for projects that will provide domestic water supplies to communities or households that do not have reliable access to potable water.⁹ As of June 2023, Reclamation has not released further information or guidance on how it will implement the IRA funding.

Historically, Reclamation constructed projects with federal funds, then established a repayment schedule based on the amount of total construction costs allocated to specific project purposes. Reclamation project authorizations typically require 100% repayment, with interest, for the M&I portion of water supply facilities, which makes Reclamation assistance a de facto long-term loan.¹⁰ A similar arrangement is required for the federal portion of WIIN Act water storage projects. For M&I projects under rural water, Title XVI, desalination, and disadvantaged community domestic water supply authorities, Congress has established terms providing some or all federal funding for projects on a nonreimbursable basis.

“Traditional” Multipurpose Reclamation Projects¹¹

Reclamation undertakes “traditional” reclamation projects (i.e., projects authorized under the structure laid out in the Reclamation Act of 1902 and related laws) at the explicit direction of Congress. Local project sponsors may approach Reclamation or Congress with proposals for project construction and funding. However, except where blanket feasibility study authorizations exist (e.g., certain program areas described below), specific project feasibility studies must first be authorized by Congress.¹² Once a feasibility study is completed, congressional authorization is typically sought prior to a request for construction appropriations.¹³ Because there is no “program” per se, there are no general eligibility or program criteria for selecting large, multipurpose projects. Rather, Congress relies on information provided in feasibility studies, including cost-benefit, engineering, and environmental analyses and policy considerations. While

⁹ Bureau of Reclamation, “Biden-Harris Administration Announces \$5.5 Million Investment in Domestic Water Supplies for U.S. Territories,” May 9, 2023, at <https://www.usbr.gov/newsroom/news-release/4513>.

¹⁰ Repayment obligations are typically spread over a 40- or 50-year repayment term. In contrast to M&I repayment, Reclamation-built irrigation facilities are generally repaid without interest over similar time periods.

¹¹ This section discusses “traditional” authority for Reclamation to construct water resources projects. Reclamation also has a similar (but separate) authority to construct new surface water storage projects under Section 4007 of the Water Infrastructure Improvements for the Nation Act (P.L. 114-322). For more information about how this authority differs from Reclamation’s traditional construction authority, see CRS In Focus IF10626, *Reclamation Water Storage Projects: Section 4007 of the Water Infrastructure Improvements for the Nation (WIIN) Act*, by Charles V. Stern.

¹² See Section 8 of the Federal Water Project Recreation Act of 1965 (P.L. 89-72, 16 U.S.C. §460I-19).

¹³ Section 9(a) of the Reclamation Project Act of 1939 (53 Stat. 1193; 43 U.S.C. §485h(a)) provides that, if the Secretary of the Interior finds that the allocable benefits of the project equal or outweigh anticipated costs, then the project shall be deemed authorized. Even so, the Secretary of the Interior has first sought congressional approval for large construction projects in recent decades. In any case, Congress would need to provide appropriations for any new project construction.

Reclamation maintains almost 200 of these projects throughout the country, it has constructed few new reclamation projects in recent years.

Project Purposes

Individual authorization statutes establish project purposes. Generally, M&I projects are part of larger, multipurpose projects such as those built for irrigation water supply, flood control, and hydropower purposes.

Financing or Funding Mechanism

Projects are financed and constructed up front by the federal government. Costs for M&I portions of such projects are generally considered reimbursable to the government and are thus scheduled to be repaid in full, with interest, over extended terms. Irrigation districts must also repay their share of project benefits, but such payments are not subject to interest charges. Other water supply costs, such as costs for fish and wildlife enhancement, are considered nonreimbursable pursuant to federal law, and repayment is not required.

Eligibility Requirements

Generally, local governments and organizations, such as irrigation, water, or conservation districts, may approach Reclamation and/or Congress for project support. All construction project funding must be appropriated by Congress. As noted earlier, Reclamation works only on projects located in the 17 western states (32 Stat. 388; 43 U.S.C. §§391 et seq.) unless otherwise specifically authorized.

Recent Federal Funding

Funding information for the M&I portions of multipurpose reclamation projects is not readily available. Total discretionary Reclamation appropriations (gross current authority, not including permanent funding) for FY2023 were \$1.93 billion. The total FY2024 budget request for Reclamation was \$1.45 billion.¹⁴

Statutory and Regulatory Authority

Reclamation generally carries out its water supply activities in 17 western states as authorized by the Reclamation Act of 1902, as amended (32 Stat. 388; 43 U.S.C. §§391 et seq.), as well as through hundreds of individual project authorization statutes.

WIIN Act Water Storage Projects¹⁵

Congress enacted new authority for Reclamation to support surface and groundwater storage projects (i.e., authority apart from the aforementioned “traditional” project authority) under Section 4007 of the WIIN Act.¹⁶ Congress authorized \$335.0 million in discretionary appropriations for these projects, and approved a different approach than the traditional

¹⁴ These amounts include funding requests for Rural Water and Title XVI programs, discussed below.

¹⁵ For more on this authority, see CRS In Focus IF10626, *Reclamation Water Storage Projects: Section 4007 of the Water Infrastructure Improvements for the Nation (WIIN) Act*, by Charles V. Stern.

¹⁶ 43 U.S.C. §390b note.

reclamation law process of federal project study and construction with full, up-front federal funding for individual projects.

Funding for water storage projects under Section 4007 is available for two primary project types. *Federally owned storage projects* (surface water storage projects to which the United States holds title and which were authorized to be constructed pursuant to reclamation law and regulations) may be no more than 50% federally funded. *State-led storage projects* (surface water or groundwater storage projects constructed, operated, and maintained by states or political subdivisions) may be no more than 25% federally funded. Prior to the WIIN Act, Congress had not authorized Reclamation to fund state-led water storage projects.

Before projects can receive federal support under the WIIN Act authority, several milestones must be met. The Secretary of the Interior must find that the project is feasible and provides benefits proportionate to the federal government's cost share, and project sponsors must agree to pay their portion of project costs up front. Appropriations under the Section 4007 authority are available to individual projects only after the Secretary transmits a list of recommended projects and funding levels to Congress and Congress designates those projects by name in an enacted appropriations act.¹⁷

Any project that meets the aforementioned criteria is eligible for funding allocations by Reclamation. However, Congress also stipulated that in order to move forward, the Secretary must find projects feasible by January 1, 2021.¹⁸ As of June 2023, Reclamation had recommended funding for 13 projects in three states; Reclamation also recommended 8 of these projects for construction prior to the aforementioned WIIN Act deadline. These projects are eligible for construction funding moving forward.

Project Purposes

Congress did not specify purposes for WIIN Act water storage projects, only that a project must be feasible and have federal benefits “in accordance with the reclamation laws.”¹⁹ To date, projects receiving funding under this authority are expected to provide benefits related to agricultural irrigation and/or M&I uses, among other things.

Financing or Funding Mechanism

Water storage projects determined by Reclamation to be eligible under Section 4007 of the WIIN Act may receive direct, up-front federal funding in amounts recommended by Reclamation and approved by Congress, subject to the WIIN Act's authorized cost shares (i.e., 50% for federal projects, 25% for nonfederal projects). Similar to the “traditional” multipurpose federal reclamation projects discussed above, the federal share for WIIN Act storage projects is subject to a cost allocation by Reclamation during the study process that determines which portions of the federal cost share are reimbursable and nonreimbursable. Reimbursable costs, which include the portions of benefits estimated to accrue to M&I agricultural water supplies, must be repaid by project sponsors over a 40-year period (with interest for M&I water supply benefits, and without interest for agricultural irrigation benefits). Nonreimbursable costs, such as water supplies for fish and wildlife purposes and flood control, are considered federal benefits and do not have to be repaid.

¹⁷ For more information, see §4007(a) and (b) of P.L. 114-322.

¹⁸ P.L. 114-322, §4007(i).

¹⁹ P.L. 114-322, §4007(b)(3)(A), §4007(c)(2)(B)(i).

Eligibility Requirements

Eligible projects must be located in the 17 western states and territories authorized in reclamation law and may include federal projects—projects to which the United States holds title and were authorized and constructed pursuant to reclamation laws. “State-led” projects—projects constructed, operated, and maintained by any state, department of a state, subdivision of a state, or public agency organized pursuant to state law—are also eligible for funding under this section.²⁰

Recent Federal Funding

Similar to funding for traditional reclamation projects, there is no funding breakdown available for the M&I portions of WIIN Act water storage projects. Congress enacted \$134.0 million in FY2023 discretionary funding for WIIN Act water storage projects in P.L. 117-103. Congress also appropriated \$1.05 billion for these projects over the FY2022-FY2026 time period in the IJA (P.L. 117-58). Reclamation allocated \$210.0 million in IJA funding to be obligated on these projects in its FY2022 IJA spend plan.²¹ The Administration requested no funding for these projects in its FY2024 budget request, but it recommended allocation of another \$95.0 million in IJA funding for these projects in its FY2023 IJA spend plan.²²

Statutory and Regulatory Authority

Subtitle J, Section 4007 Water Infrastructure Improvements for the Nation Act (130 Stat. 1863-1866, 43 U.S.C. §390b note).

Rural Water Supply Projects²³

Similar to its traditional multipurpose projects, Reclamation has undertaken individual rural water projects, largely at the explicit direction of Congress. In lieu of the project-based approach to authorizing new rural water projects, Congress authorized a rural water supply program in the Reclamation Rural Water Supply Act of 2006 (Title I of P.L. 109-451; 42 U.S.C. §§2401 et seq.). Under the program, Reclamation was authorized to work with rural communities and Indian tribes to identify M&I water needs and options to address such needs through appraisal investigations and, in some cases, feasibility studies. In 2008, Reclamation published an interim final rule establishing future program criteria.²⁴ According to Reclamation, between 2006 and 2016, it used this authority to study approximately 22 projects to varying extents. It did not recommend any projects for construction, as authorized by Congress. No projects have been constructed under this authority, which expired at the end of FY2016 and has not been renewed.

Congress continues to provide funding for previously authorized rural water projects. In addition, in the Clean Water for Rural Communities Act (Division FF, Title XI, §1110, of P.L. 116-260),

²⁰ P.L. 114-322, §4007(a)(1)-(2).

²¹ Bureau of Reclamation, *Implementation of the Bipartisan Infrastructure Law, FY2022 Spend Plan*, at <https://www.usbr.gov/bil/docs/spendplan-2022/Consolidated-Reclamation-BIL-Spend-Plan-2022-With-DS-RW-AI.pdf>. Hereinafter “FY2022 Reclamation Bipartisan Infrastructure Law Spend Plan.”

²² Bureau of Reclamation, *Implementation of the Bipartisan Infrastructure Law, FY2023 Spend Plan*, at <https://www.usbr.gov/bil/docs/spendplan-2023/FY-2023-Reclamation-BIL-Spend-Plan.pdf>. Hereinafter “FY2023 Reclamation Bipartisan Infrastructure Law Spend Plan.”

²³ See also CRS Report R46308, *Bureau of Reclamation Rural Water Projects*, by Anna E. Normand.

²⁴ 43 C.F.R. §404.

Congress authorized a new rural water project, the Musselshell-Judith Rural Water System, and the review of the Dry-Redwater Regional Water Authority System.²⁵

Project Purposes

Individual authorization statutes have established rural water project purposes. Some rural water project authorizations meet obligations under Indian water settlements or otherwise provide benefits to Indian tribes.

Financing or Funding Mechanism

Projects are generally cost shared between the federal government and local sponsors. The federal government pays up to 100% of the cost of Indian rural water supply projects, and the federal cost share for current nontribal projects ranges from 75% to 80%. Reclamation requests and distributes funding from Congress generally based on prioritization criteria aimed to reflect both the priorities identified in the statutes that authorized individual projects and the goals of the Reclamation Rural Water Supply Act of 2006.

Eligibility Requirements

Local governments and organizations such as water and conservation districts or associations, including tribes, may approach Reclamation and/or Congress for project support. Currently, all construction project funding must be authorized at the project level and appropriated by Congress. As noted earlier, Reclamation works only on projects located in the 17 western states (32 Stat. 388; 43 U.S.C. §§391 et seq.) unless specifically authorized by Congress.

Reclamation previously published an interim final rule (43 C.F.R. Part 404) that established criteria for developing new rural supply projects.²⁶ However, the authority for the program has since expired, and Congress last authorized a project in 2009.²⁷ The rule does not apply to previously authorized projects. As previously stated, ongoing rural water construction activities are limited to ongoing, previously authorized projects.

Recent Federal Funding

Enacted funding for rural water supply projects in FY2023 was \$125.3 million from the Consolidated Appropriations Act, 2023, and \$248.0 million from the IIJA. The amount provided in the Consolidated Appropriations Act, 2023, included funding for one project above the President's budget request that was requested as congressionally directed spending (\$12.0 million for Lewis and Clark Rural Water System) and \$50.0 million in additional funding for rural water

²⁵ The Clean Water for Rural Communities Act (§1110 of Title XI of Division FF of P.L. 116-260) directed the Secretary of the Interior to enter into a cooperative agreement to provide assistance at a 65% federal cost share for the planning, design, and construction of the Musselshell-Judith Rural Water System and authorized appropriations at \$56.7 million subject to cost indexing for the 2014 cost estimate of the feasibility report. The act also authorized \$5.0 million for reviewing the Dry-Redwater Regional Water Authority System submitted to Reclamation on September 1, 2010, and for completing any additional work to ensure the study complied with Reclamation's feasibility standards.

²⁶ 73 *Federal Register* 67782, November 17, 2008.

²⁷ Department of the Interior, "Reclamation Rural Water Supply Program," 73 *Federal Register* 67778-67791, November 7, 2008, at <http://edocket.access.gpo.gov/2008/pdf/E8-26584.pdf>. Under the rule, priority was given to domestic, residential, and municipal uses. Communities or groups of communities with populations under 50,000 were also eligible. The use of water for commercial irrigation purposes was not allowed.

projects that Reclamation distributed in its spend plan.²⁸ Reclamation released an FY2023 spend plan for the IJA funding that details the allocation among seven projects.²⁹ For FY2023, the Administration’s spend plan for IJA funding includes \$108.0 million for rural water supply projects. The FY2024 budget proposal requested \$57.8 million for six ongoing authorized rural water projects.³⁰

Statutory and Regulatory Authority

The Rural Water Supply Program was authorized by the Reclamation Rural Water Supply Act of 2006. This programmatic authority expired at the end of FY2016 and has not been renewed. Construction and operations and maintenance are ongoing for several geographically specific projects that were authorized under various individual acts.

Title XVI Projects

Title XVI of the Reclamation Projects Authorization and Adjustment Act of 1992 (P.L. 102-575) directs the Secretary of the Interior to develop a program to “investigate and identify” opportunities to reclaim and reuse wastewater and naturally impaired ground and surface water. Water reclaimed via Title XVI projects is primarily used for M&I water supply (nonpotable and indirect potable purposes only). Other uses include irrigation supply, groundwater recharge, fish and wildlife enhancement, and outdoor recreation.

The original Title XVI legislation authorized construction of five reclamation wastewater projects and six wastewater and groundwater recycling/reclamation studies. The act has been amended on multiple occasions, resulting in a total of 53 projects individually authorized for construction.

Amendments to Title XVI enacted in the WIIN Act made changes to the program, including authorizing the Secretary of the Interior to accept and review nonfederal feasibility studies for potential planning, design, and construction projects.³¹ The WIIN Act also authorized a competitive grant program for construction of projects approved under this authority.³²

In the IJA, Congress further amended the Title XVI authority and created a new category of “large-scale” Title XVI projects, defined as projects with total costs in excess of \$500.0 million.³³ In contrast to “regular” Title XVI projects (which are generally limited to the lesser of \$20.0 million or 25% federal cost share), projects under this section are entitled to a federal cost share of 25% of project costs, with no dollar cap on federal support. As a result, Reclamation currently

²⁸ See “Explanatory Statement Accompanying H.R. 2471, Consolidated Appropriations Act, 2022,” *Congressional Record*, vol. 168, part 42-III (March 9, 2022), pp. H2320-H2321, at <https://www.congress.gov/117/crec/2022/03/09/168/42/CREC-2022-03-09-bk3.pdf>; and Bureau of Reclamation, *FY2022 Additional Funding for Ongoing Work*, at <https://www.usbr.gov/budget/2022/fy2022-Spendplan/FY2022DistributionofAdditionalFundsforOngoingWork.pdf>.

²⁹ Bureau of Reclamation, “Bureau of Reclamation Implementation of the Bipartisan Infrastructure Law, Addendum to FY2023 Spend Plan: Rural Water,” March 2, 2023, at <https://www.usbr.gov/bil/docs/spendplan-2023/Reclamation-BIL-Spend-Plan-Addendum-Rural-Water-03-02-23.pdf.pdf>.

³⁰ Bureau of Reclamation, “Bureau of Reclamation Implementation of the Bipartisan Infrastructure Law, Annual Spend Plan Update, FY2024 Submission,” at <https://www.usbr.gov/bil/docs/spendplan-2024/FY-2024-Reclamation-BIL-Spend-Plan.pdf>.

³¹ These guidelines were published in Bureau of Reclamation, *Reclamation Manual Directive and Standard WTR 11-01*, February 8, 2017, at <https://www.usbr.gov/recman/wtr/wtr11-01.pdf>.

³² While selection criteria for WIIN Act grants have generally been the same as those for “traditional” Reclamation projects, the two groups of projects are typically allocated funding amounts separately by Congress, and Reclamation solicits grant proposals for each category separately.

³³ See Title IX, §40905 of P.L. 117-58.

supports three types of water reuse and recycling projects: congressionally authorized Title XVI projects; WIIN Act Title XVI projects, and large-scale water reuse/recycling projects.

Project Purposes

The general purpose of Title XVI projects is to provide supplemental water supplies by recycling/reusing agricultural drainage water, wastewater, brackish surface and groundwater, and other sources of contaminated water. Projects may be permanent or for demonstration purposes.

Financing or Funding Mechanism

Title XVI projects are funded through grants that are available only to authorized projects (i.e., projects with individual authorizations from Congress or approved by the Administration and Congress pursuant to the WIIN Act). Title XVI project construction costs are shared by the federal government and a local project sponsor or sponsors. The federal share is nonreimbursable, and is generally limited to the lesser of \$20.0 million (1996 dollars) or 25% of total project costs.³⁴ The exception is large-scale water reuse and recycling projects funded pursuant to the IJA, which are eligible to receive up to 25% of project costs, with no comparable cost cap.

Eligibility Requirements

Similar to other Reclamation activities, the Title XVI water reclamation and wastewater recycling program is limited to projects and studies in the 17 western states, unless otherwise specified.³⁵ Prior to enactment of the WIIN Act, Administration requests for construction funding had generally been limited to individual congressionally authorized projects where (1) an appraisal investigation and feasibility study had been completed and approved by the Secretary, (2) the Secretary determined that the project sponsor was capable of funding the nonfederal share of project costs, and (3) the local sponsor entered into a cost-share agreement with Reclamation. The WIIN Act provided the Department of the Interior with additional authority to accept nonfederal feasibility studies and to approve and consider these projects for construction funding if they meet Title XVI program criteria.³⁶ These criteria require that (1) the study comply with federal laws and regulations applicable to water reuse and recycling studies, and (2) the project is technically and financially feasible and provides a federal benefit in accordance with Reclamation laws. The WIIN Act authority has essentially rendered unnecessary the prior practice of obtaining specific authorizations for individual Title XVI projects before Reclamation can pursue funding, although Congress may still choose to authorize individual projects where it wishes to alter the terms for federal support.

Over time, Reclamation has issued and revised multiple documents outlining evaluation criteria for prioritizing Title XVI projects. Reclamation posted the most recent evaluation criteria for Title XVI projects in March 2018.³⁷

³⁴ The exceptions are individually authorized projects where Congress authorized costs shares that differ from this amount, and large-scale water recycling and reuse projects receiving support under the IJA (authorized to receive up to 25% of total costs, with no dollar cap).

³⁵ For example, Congress has authorized three projects for construction in Hawaii (P.L. 109-70).

³⁶ See generally P.L. 114-322, §4009(c).

³⁷ Bureau of Reclamation, *Title XVI Water Reclamation and Reuse Program, Updated Evaluation Criteria for Review and Comment*, March 2018, at <https://www.usbr.gov/watersmart/title/docs/2018/Title%20XVI-Evaluation-Criteria-Review.pdf>.

Recent Federal Funding

The total regular appropriations for the Title XVI program in FY2023 was \$60.0 million, with \$20.0 million of this funding designated as being available for WIIN Act-authorized projects. The Administration also allocated \$240.0 million in IJA funding for Title XVI projects in its FY2022 IJA spend plan,³⁸ and it allocated an additional \$150.0 million for “regular” projects and \$50.0 million for large-scale Title XVI projects in its FY2023 IJA spend plan.³⁹ The Administration’s FY2024 budget request for all Title XVI projects was \$4.0 million.⁴⁰

Statutory and Regulatory Authority

The original statutory authority for the Reclamation wastewater and reuse program is the Reclamation Wastewater and Groundwater Study and Facilities Act, Title XVI of P.L. 102-575, as amended (43 U.S.C. §§390h et seq.). Other statutes that authorized individual Title XVI projects include the Reclamation Recycling and Water Conservation Act of 1996 (P.L. 104-266); the Oregon Public Land Transfer and Protection Act of 1998 (P.L. 105-321); the 1999 Water Resources Development Act (WRDA; P.L. 106-53, §595); the Consolidated Appropriations Act, 2001 (P.L. 106-554, Division B, §106); a bill amending the Reclamation Wastewater and Groundwater Study and Facilities Act (P.L. 107-344); the Consolidated Appropriations Resolution, 2003 (P.L. 108-7, Division D, §211); the Emergency Wartime Supplemental Appropriations Act of 2003 (P.L. 108-11); the Irvine Basin Surface and Groundwater Improvement Act of 2003 (P.L. 108-233); the Williamson County Water Recycling Act of 2004 (P.L. 108-316); the Hawaii Water Resources Act of 2005 (P.L. 109-70); the Consolidated Appropriations Act, 2008 (P.L. 110-161); the Consolidated Natural Resources Act of 2009 (P.L. 110-229); and the Omnibus Public Land Management Act of 2009 (P.L. 111-11; Title IX, Subtitle B). Programmatic authority for Reclamation to approve studies and grant funding for individual Title XVI projects was provided in the WIIN Act (P.L. 114-322, Title III, Subtitle J) and the IJA (P.L. 117-58).

Desalination Projects

Desalination projects develop and supplement water supplies through the treatment of ocean or brackish water. Water supplies created by desalination projects are primarily used for M&I and irrigation water supply, but they may also be used for other purposes. Congress authorized the Secretary of the Interior, through Reclamation, to support nonfederal construction of ocean or brackish water desalination projects in Section 4009(a) of the WIIN Act. Similar to congressionally authorized Title XVI projects, this funding is awarded as grants to projects with a completed feasibility study that has been submitted to Reclamation and that meets all of the requirements in Reclamation’s Directive and Standard for feasibility study review of Title XVI and Desalination Projects.⁴¹

³⁸ FY2022 Reclamation Bipartisan Infrastructure Law Spend Plan.

³⁹ FY2023 Reclamation Bipartisan Infrastructure Law Spend Plan.

⁴⁰ Bureau of Reclamation, *FY2024 Bureau of Reclamation Congressional Justification*, at <https://www.usbr.gov/budget/2024/FY-2024-Bureau-of-Reclamation-Budget-Justifications.pdf>.

⁴¹ Bureau of Reclamation, *Title XVI Water Reclamation and Reuse Program and Desalination Construction Program Feasibility Study Review Process*, Reclamation Manual, WTR 11-01, October 18, 2019, at <https://www.usbr.gov/recman/wtr/wtr11-01.pdf>.

Project Purposes

The general purpose of desalination construction projects is to provide supplemental water supplies by treating seawater or brackish water. Projects may be permanent or for demonstration purposes.⁴²

Financing or Funding Mechanism

Desalination projects are funded through grants, which are available only to projects that have submitted a feasibility study to Reclamation. Project construction costs are shared by the federal government and a local project sponsor or sponsors. The maximum federal share is 25% of total project costs; thus, nonfederal sponsors must be capable of funding 75% of project costs.⁴³ These costs may be made available through cash, costs contributed by the applicant, or third-party in-kind contributions. Other federal funding may *not* be counted toward the required nonfederal cost share, unless the statute authorizing a program stipulates that it may be made available for matching cost-share requirements.

Eligibility Requirements

Like other Reclamation activities, support for nonfederal desalination projects is limited to nonfederally owned and operated projects and studies in the 17 western United States or territories identified in the Reclamation Act of 1902, as amended. Projects must meet several other requirements, including having completed feasibility studies that have been submitted to Reclamation and that meet all of the requirements in Reclamation’s Directive and Standard for feasibility study review of Title XVI and Desalination Projects.⁴⁴ Projects must also be included in a state-approved plan or, as an alternative, be requested by the governor of the state in which it is located. The sponsor of any project in a western state that meets the aforementioned criteria may be eligible to apply for grants under this authority.

Several types of projects are not eligible for funding under this authority, including projects with water reuse and recycling components (some of which may be eligible for funding from the aforementioned Title XVI program), research and/or demonstration projects, and operations, maintenance, and repair projects.

Recent Federal Funding

Grants for desalination project construction are funded through Reclamation’s research and development program for desalination and water purification; total FY2023 regular appropriations for that program were \$17.7 million, of which \$12.0 million was designated for grants under the WIIN Act authority. Congress also appropriated \$250.0 million for these projects in the IJA over the FY2022-FY2026 period; Reclamation included \$15.0 million for desalination projects in its FY2022 IJA spend plan and \$20.0 million for these projects in its FY2023 IJA

⁴² See generally P.L. 114-322, §4009(a).

⁴³ Cost-shares and other requirements under this section were established administratively. For more information, see Bureau of Reclamation, “WaterSMART: Desalination,” at <https://www.usbr.gov/watersmart/desalination/index.html>.

⁴⁴ Bureau of Reclamation, *Title XVI Water Reclamation and Reuse Program and Desalination Construction Program Feasibility Study Review Process*, Reclamation Manual, WTR 11-01, October 18, 2019, at <https://www.usbr.gov/recman/wtr/wtr11-01.pdf>.

spend plan.⁴⁵ The Administration did not request any funding for desalination construction projects in its FY2024 budget.

Statutory and Regulatory Authority

Water Desalination Act of 1996, P.L. 104-298, as amended by Section 4009(a) of Title II, Subtitle J of the WIIN Act, P.L. 114-322.

Department of Defense⁴⁶

U.S. Army Corps of Engineers (USACE) Civil Works

USACE Civil Works Projects

Storage at USACE Authorized and Constructed Reservoirs. As part of its civil works activities, USACE operates water resource projects throughout the country. USACE civil works projects and authorities are concentrated on three principal missions—navigation, flood damage reduction, and aquatic ecosystem restoration. Some USACE activities may also support M&I water supply storage, hydroelectric generation, fish and wildlife, and recreation. The most common way that USACE infrastructure supports M&I water supply is through providing storage of M&I water at a USACE reservoir.⁴⁷ M&I water supply is generally not a USACE reservoir’s or project’s primary purpose.⁴⁸ These projects are discussed further under the heading “Storage of Municipal and Industrial Water at Multipurpose USACE Reservoirs.”

Specific Projects. Congress has authorized two USACE civil works projects to have significant water supply components. Both projects are located in Arkansas and address groundwater overdraft: the Grand Prairie Area Demonstration Project and the Bayou Meto Basin Project. These projects received USACE funding most recently in FY2022 at \$13.0 million and \$24.0 million, respectively. These specific projects are not discussed further in this report.

Unfunded Construction Authority. In Section 155 of the Water Resources Development Act of 2020 (Division AA of P.L. 116-260), Congress authorized USACE to carry out small water

⁴⁵ See FY2022 Reclamation Bipartisan Infrastructure Law Spend Plan and FY2023 Reclamation Bipartisan Infrastructure Law Spend Plan.

⁴⁶ This section was prepared by Anna E. Normand, Analyst in Natural Resources Policy, Resources, Science, and Industry Division; and Nicole T. Carter, Specialist in Natural Resources Policy, Resources, Science, and Industry Division.

⁴⁷ Prior to the enactment of the WIIN Act (P.L. 114-322), U.S. Army Corps of Engineers (USACE) participated in water conservation at its reservoirs in two ways. First, Congress had authorized specific USACE projects to have water conservation as a purpose for project operations. This allowed USACE to provide for seasonal M&I use of storage space at those USACE reservoirs. The use could be either as a direct withdrawal from the reservoir or for enhancing groundwater supplies (e.g., the USACE dam would release water in a way that would benefit passive or active groundwater recharge efforts). Second, according to USACE planning guidance, “project operations may be modified to enhance ground water replenishment, to increase downstream flows, or to otherwise enhance usage of projects for M&I purposes. Modifications must be consistent with authorized project purposes and law” (USACE, *Planning Guidance Notebook*, Engineer Regulation 1105-2-100, April 22, 2000, pp. 3-34). With WIIN Act Sections 1116, 1117, and 1118, Congress provided some general authority for USACE to operate reservoirs for “water conservation,” including groundwater recharge.

⁴⁸ Congress in Section 221 of Division AA of P.L. 116-260 directed that USACE provide the authorizing committees within 18 months of enactment a report that analyzes the benefits and consequences of including water supply and water conservation as a primary mission of USACE in carrying out water resources development projects.

storage projects,⁴⁹ including for water supply. The authority has not been funded and is not discussed further in this report.

USACE Assistance for Nonfederal Projects

Environmental Infrastructure Assistance. At the direction of Congress, USACE also provides assistance for municipal environmental infrastructure (EI), which typically consists of assistance with municipal drinking water and wastewater infrastructure projects and municipal source water protection and development. These authorities are discussed further under the heading “Environmental Infrastructure Assistance.”

Upcoming USACE Credit Assistance Program. The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) authorizes USACE and EPA to provide credit assistance—loans or loan guarantees—for a broad range of water projects.⁵⁰ USACE’s program is known as Corps Water Infrastructure Financing Program (CWIFP) to differentiate it from EPA’s WIFIA program.

In December 2021, Congress created an account for USACE to implement its WIFIA authority. From FY2021 through FY2023, Congress provided USACE with a total of \$81.0 million for credit assistance, as well as funding for program administration. Congress has limited the available appropriations for credit assistance to nonfederal dam safety projects (based on dam ownership information in the National Inventory of Dams).⁵¹ Dam safety projects can include work to upgrade, repair, and maintain a dam, and can include dam removals.⁵² USACE identifies 12 selection criteria for its CWIFP credit assistance, including the extent to which the project is nationally or regionally significant in generating public benefits (e.g., water quality and quantity, including aquifer recharge, and protection of drinking water, including source water protection).

USACE may be able to make up to \$7.5 billion in loans with the appropriations available through FY2023. USACE’s final rule for the program went into effect on June 21, 2023. On September 20, 2023, USACE published a Notice of Funding Availability to solicit preliminary applications from prospective borrowers seeking credit assistance under CWIFP for nonfederal dam safety projects.⁵³ The first loans are expected to close roughly two years later.

The program’s loans are long-term, low-cost loans with flexible repayment options for creditworthy nonfederal borrowers. CWIFP-eligible entities include various state, local, and tribal government entities and various private entities (e.g., corporations, partnerships, and trusts) that are publicly sponsored.⁵⁴

⁴⁹ The provision provides various criteria for the maximum size of the storage projects and other specific project and program requirements (e.g., federal project costs are limited to \$65.0 million; M&I costs are 100% nonfederal).

⁵⁰ WIFIA 2014, Title V, Subtitle C, of P.L. 113-121; 33 U.S.C. §§3901-3914, as amended by P.L. 115-270.

⁵¹ Congress authorized USACE’s program for a broader set of activities than have been funded. Congress authorized USACE to provide credit assistance for water resource projects, such as flood control, hurricane and storm damage reduction; aquatic ecosystem restoration; and navigation; and multipurpose projects that are supported by USACE and the EPA WIFIA authorities (e.g., drinking water, wastewater, and/or stormwater system improvements). USACE’s appropriations have been limited to nonfederal dam safety projects.

⁵² An eligible dam safety project must also be a project for flood damage reduction, hurricane and storm damage reduction, environmental restoration, coastal or inland harbor navigation improvement, or inland and intracoastal waterways navigation improvement that the Secretary determines is technically sound, economically justified, and environmentally acceptable.

⁵³ USACE, Department of Defense, “Notice of Funding Availability for Applications for Credit Assistance Under the Corps Water Infrastructure Financing Program,” 88 *Federal Register* 64892-64897, September 20, 2023.

⁵⁴ 33 U.S.C. §3907(a)(4).

Given the program's current focus on nonfederal dam safety projects, CWIFP is not discussed further in this report. For more information on USACE's program, see CRS Insight IN12021, *Corps Water Infrastructure Financing Program (CWIFP)*. For more information on the EPA WIFIA program, see "Water Infrastructure Finance and Innovation Act Program" in the EPA portion of the report.

Storage of Municipal and Industrial Water at Multipurpose USACE Reservoirs

A total of 136 USACE reservoirs have roughly 9.8 million acre-feet of storage designated for M&I water.⁵⁵ Most of this water was allocated to M&I purposes when the projects were constructed. Around 0.9 million acre-feet of this storage space has been assigned to M&I use from existing USACE reservoirs using USACE's general water supply authorities.⁵⁶ The storage of M&I water at USACE reservoirs, as discussed below, is subject to availability of storage space, and the associated costs are 100% a local, nonfederal responsibility. For its projects, USACE policy is that the agency does not acquire water rights for either M&I or agricultural water supply and conservation purposes. Rather, the water user is responsible for securing water rights.

Congress has given USACE limited general authority for M&I water supply under two different statutes:

1. The Water Supply Act of 1958 authorized USACE (and Reclamation) to recommend economically justified M&I water supply storage space in new or existing reservoirs.⁵⁷
2. The Flood Control Act of 1944 authorizes USACE to provide, through temporary agreements, surplus water from USACE reservoirs.⁵⁸ Surplus water contracts have generally been limited to five-year terms with options to extend.

Pursuant to these statutes, the agency can enter into agreements with nonfederal entities for water supply storage.

While much of USACE's water supply activities are conducted using the above general authorities, Congress has also at times authorized M&I water supply activities at specific USACE projects, principally USACE reservoirs.

Project Purposes

As previously noted, Congress authorized USACE to allocate a portion of its multipurpose reservoirs for permanent M&I storage or to provide M&I water from USACE reservoirs under temporary agreements for surplus water.⁵⁹ Neither authority allows USACE to sell or allocate quantities of water. Instead, USACE M&I agreements are for space in a reservoir.⁶⁰ They provide no guarantee of a fixed quantity of water to be delivered in a given year. Under these authorities,

⁵⁵ U.S. Army Engineer Institute for Water Resources (IWR), *FY 2016 Municipal, Industrial, and Irrigation Water Supply Database Report*, 2017-R-02, Alexandria, VA, June 2017, p. 6, at <https://publibrary.planusace.us/#/document/e71cd9b9-faff-4d63-8d42-8ee1baa3cc7f>. Hereinafter: "IWR FY 2016 Municipal, Industrial, and Irrigation Water Supply Database Report, 2017."

⁵⁶ IWR FY 2016 Municipal, Industrial, and Irrigation Water Supply Database Report, 2017. p. 8.

⁵⁷ 43 U.S.C. §390b.

⁵⁸ 33 U.S.C. §708.

⁵⁹ 43 U.S.C. §390b; 33 U.S.C. §708.

⁶⁰ U.S. Army Corps of Engineers (USACE), *Planning Guidance Notebook*, ER 1105-2-100, April 22, 2000, p. 3-31. Hereinafter "USACE Planning Guidance Notebook."

USACE delivers water if it is available in the storage space and if delivery does not substantially affect other authorized purposes.

Financing or Funding Mechanism

Most agreements for new M&I water supply storage are associated with existing USACE reservoirs and require nonfederal entities to make annual payments for M&I water storage services at USACE reservoirs.⁶¹ USACE construction projects are financed up front by the federal government, and costs for M&I project purposes are repaid 100%, with interest, via long-term (typically 30 years) agreements,⁶² unless specified otherwise in law. The fees collected from nonfederal entities pursuant to water supply agreements are deposited into a general account at the U.S. Treasury.

Eligibility Requirements

For USACE's water supply activities conducted using the above general authorities, nonfederal entities can contact USACE directly about pursuing water supply activities under the general authorities. Otherwise, nonfederal entities may submit a proposal to add or adjust water supply aspects of specific USACE projects through an annual public proposal submission process (for more information, see CRS Insight IN11118, *Army Corps of Engineers: Section 7001 Report on Future Studies and Projects*, by Anna E. Normand). Congress has used submitted Section 7001 proposals to identify activities to be authorized in USACE authorization legislation.

For new USACE projects with M&I water supply, existing law and agency policy require that (1) water supply benefits and costs be equitably allocated among multiple purposes, (2) repayment by state or local interests be agreed to before construction, (3) the water supply allocation for anticipated demand at any project not exceed 30% of the total estimated cost, (4) repayment shall be either during construction (without interest) or over 30 years (with adjustable interest rates), and (5) users reimburse USACE annually for all associated operation and maintenance or replacement costs.⁶³ Congress has enacted occasional exceptions to USACE's general authority, which is generally limited to storage of water supply at existing projects that does not "seriously affect" other project purposes.⁶⁴

Recent Federal Funding

USACE primarily uses annual appropriations for administration of its water supply authorities. From FY2023 annual appropriations, USACE planned to use \$7.0 million for USACE's costs for implementing its reservoir-related water supply authorities.⁶⁵ The Administration's FY2024 budget request included \$25.0 million for USACE's implementation costs.⁶⁶

⁶¹ USACE Planning Guidance Notebook, p. E-209.

⁶² Ibid.

⁶³ 43 U.S.C. §390b; USACE Planning Guidance Notebook, pp. 3-31-3-36.

⁶⁴ 43 U.S.C. §390b(e).

⁶⁵ P.L. 117-58 did not specifically provide for water supply funding.

⁶⁶ USACE, Fiscal Year 2024 Civil Works Budget of the U.S. Army Corps of Engineers, March 2023, p. 6, at <https://usace.contentdm.oclc.org/utills/getfile/collection/p16021coll6/id/2317>.

Statutory Authority

Statutory authority is provided in the Water Supply Act of 1958 (Title III, 72 Stat. 320, as amended; 43 U.S.C. §390b),⁶⁷ the Flood Control Act of 1944 (§6, 58 Stat. 890, as amended, 33 U.S.C. §708), and project-specific authorities in Water Resource Development Acts (WRDAs) or similar legislation.

Environmental Infrastructure Assistance

Project Purpose

Since 1992, Congress has enacted more than 400 authorizations allowing USACE to provide designated communities, counties, and states with design and construction assistance for drinking water and wastewater infrastructure (including treatment and distribution/collection facilities) and source water protection and development. These activities are known as *environmental infrastructure* (EI) projects or programs. The authorizations of federal appropriations for these activities have varied widely, from \$0.1 million for a water monitoring station to \$1.0 billion for a seven-state EI program. As with Reclamation's rural water supply and Title XVI projects, congressional funding of these authorizations has enlarged the scope of USACE's activities.

Financing or Funding Mechanism

Under most USACE EI assistance authorizations, federal assistance typically requires a 75% federal and 25% nonfederal cost share (some authorities are 65% federal and 35% nonfederal). Congress typically provides the federal portion in annual Energy and Water Development Appropriations acts. How USACE and nonfederal financing is managed varies according to the specifics of the authorization. USACE may perform the authorized design or construction work and, for some authorities, use appropriated funds to reimburse nonfederal sponsors for work the sponsors perform, subject to the availability of appropriations.

Eligibility Requirements

Because EI assistance activities are not part of a national USACE program per se, there are no general eligibility criteria. Most USACE EI authorities specify a specific geographic location (e.g., a city, county, or state) and a type of project (e.g., municipal drinking water) as the principal eligibility requirements. Consequently, USACE evaluates an activity's eligibility by identifying whether there is an authorization for the geographic area of the activity and whether the type of activity is eligible under that authorization. Based on a review of enacted legislation likely to include EI assistance authorities, CRS identified authorized EI assistance in at least 46 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands. CRS did not identify authorities for EI assistance in Iowa, Maine, Nebraska, Rhode Island, and other U.S. territories. Because this assistance is not associated with traditional USACE water resources projects, it is not subject to USACE planning requirements (e.g., a benefit-cost analysis is not performed).

⁶⁷ For information on USACE's civil works program, see USACE, "Missions: Civil Works," at <https://www.usace.army.mil/Missions/Civil-Works/>.

Recent Federal Funding

Only a subset of the approximately \$12.8 billion in authorized USACE EI activities has received appropriations.⁶⁸ Congress provided USACE with \$168.5 million for EI assistance activities in FY2023.

The explanatory statement accompanying Division D of the Consolidated Appropriations Act, 2023 (P.L. 117-328) included recommendations to fund \$130.5 million for EI assistance specifically requested by Members as community project funding or congressionally directed spending proposals (32 requests were funded). In addition, Division N of P.L. 117-328 provided \$18.0 million in emergency appropriations for USACE to allocate to EI assistance authorities in an agency work plan. Division A of the Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023 (P.L. 117-180) provided \$20.0 million for EI assistance, which USACE allocated to assistance for Jackson, MS, water and wastewater infrastructure. The FY2024 President's budget request included \$5.0 million for EI assistance; this is the first time an Administration has requested EI assistance funding.⁶⁹

Statutory Authority

Prior to 1992, USACE was generally not widely involved with municipal drinking water treatment and distribution and wastewater collection and treatment. The agency is now authorized to contribute to more than 400 EI projects and programs. A WRDA or similar legislation is the typical legislative vehicle for USACE authorizations. Beginning with WRDA 1992 (P.L. 102-580), Congress has authorized USACE to assist local interests with planning, design, and construction assistance for EI projects. Subsequent USACE authorization acts have included new EI assistance activities and raised the authorized funding ceilings for previously authorized projects. Policies limiting congressionally directed spending in the 112th through 116th Congresses limited congressional authorizing activity of EI assistance during that period. In WRDA 2016 (Title I of P.L. 114-322) and WRDA 2018 (Title I of P.L. 115-270), Congress expanded the Section 7001 process for nonfederal entities to propose modifications to existing authorities for EI assistance.⁷⁰ Congress amended EI authorities in WRDA 2018 and WRDA 2020 (Division AA of P.L. 116-260).⁷¹

Congressional interest in expanding EI assistance continued in the 117th Congress, which included new EI assistance authorities in WRDA 2022. The respective WRDA bills from the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee, S. 4136 and H.R. 7776,⁷² included Member proposals and proposals transmitted by the Administration (e.g., nonfederal proposals included in a Section 7001 report) for new and amended authorizations for EI assistance. In total, the enacted WRDA 2022 (Division H, Title LXXXI; P.L. 117-263) increased the authorization of appropriations for EI by

⁶⁸ For more information, see CRS Report R47162, *Overview of U.S. Army Corps of Engineers Environmental Infrastructure (EI) Assistance*, by Anna E. Normand.

⁶⁹ USACE, FY2024 Construction Budget Justification, p. 114, March 2023, at <https://usace.contentdm.oclc.org/utills/getfile/collection/p16021coll6/id/2354>.

⁷⁰ §1157 of WRDA 2016 and §1332 of WRDA 2018. For more information on the Section 7001 process, see CRS Insight IN11118, *Army Corps of Engineers: Section 7001 Report on Future Studies and Projects*, by Anna E. Normand.

⁷¹ §1303 of WRDA 2018 and §352 of WRDA 2020.

⁷² The Senate Environment and Public Works Committee reported S. 4136, WRDA 2022, on May 4, 2022, without a report. The House Transportation and Infrastructure Committee ordered reported H.R. 7776, WRDA 2022, on May 18, 2022.

\$6.6 billion, more than doubling the authorization of appropriations previously provided by EI authorities.

In WRDAs, Congress has also authorized various processes to deauthorize existing authorities meeting certain criteria. In two instances, these processes have resulted in the deauthorization of EI assistance authorities.⁷³

Department of Agriculture

Rural Utilities Service (Water and Waste Disposal Programs)⁷⁴

USDA administers a variety of water and waste disposal⁷⁵ programs that provide loans and grants for drinking water, sanitary sewer, and storm drainage facilities in rural communities. Eligibility is limited to rural communities with populations of 10,000 or fewer for grants and direct loans and 50,000 or fewer for guaranteed loans. These programs are administered at the national level by the Rural Utilities Service (RUS) at USDA. RUS allocates program funds to the USDA State Rural Development offices through an allocation formula based on rural population, poverty, and unemployment. Loans originate at the USDA's State Rural Development offices.

Over the last six years, RUS obligated \$8.4 billion to 3,418 direct loans for water and waste disposal projects.⁷⁶ During that time, RUS obligated \$115.0 million for 80 guaranteed loans and \$4.4 billion for over 2,587 grants for water and waste disposal projects.⁷⁷

Water and Wastewater Loans and Grants

Program Purpose

The purpose of these programs is to provide basic human amenities, alleviate health hazards, and promote the orderly growth of the nation's rural areas by meeting the need for new and improved rural water and waste disposal facilities. Eligible projects can include drinking water facilities, sanitary sewers, and stormwater drainage and disposal facilities. Funds may be used for installation, repair, improvement, or expansion of rural water facilities, including costs of distribution lines and well-pumping facilities.

USDA is required to use 3% to 5% of the water and waste grants appropriation to make grants to qualified nonprofits to provide technical assistance and training to help communities identify solutions to water and waste problems, prepare applications for grants and loans, and improve operation and maintenance of existing water and waste disposal facilities in rural areas.⁷⁸ The 2018 farm bill (P.L. 115-334) directed the Secretary to reserve 3%-5% of total water and waste grant funding for this technical assistance and training. This activity has received approximately

⁷³ CRS did not identify any enacted provisions where Congress has deauthorized individual EI assistance authorities.

⁷⁴ This section was prepared by Lisa Benson, Analyst in Agricultural Policy, Resources, Science, and Industry Division.

⁷⁵ The programs' official titles contain "Waste Disposal," but the vast majority of the waste disposal projects are for wastewater infrastructure. A very small amount of funding, typically less than 1%, goes to technical assistance related to solid waste management, although Congress authorizes annual appropriations for solid waste management grants.

⁷⁶ USDA, Office of Budget and Program Analysis, "2024 USDA Explanatory Notes – Rural Utilities Service," at <https://www.usda.gov/sites/default/files/documents/34-2024-RUS.pdf>.

⁷⁷ Ibid.

⁷⁸ 7 U.S.C. §1926(a)(14)(C), Rural Water and Wastewater Technical Assistance Training Programs.

\$37.0 million annually in recent years.⁷⁹ For FY2023, Congress provided funding for technical assistance for water and waste disposal facilities in the amount of \$38.0 million.⁸⁰ In addition, the similar Circuit Rider technical assistance program has an appropriation of \$21.0 million for FY2023.⁸¹ The 2018 farm bill authorized appropriations for this program at \$25.0 million annually for FY2019-FY2023.⁸²

Financing or Funding Mechanism

USDA supports water and waste disposal projects through direct loans, guaranteed loans, and grants. USDA provides loans and grants for water and waste disposal projects that serve the “most financially needy communities.”⁸³

Water and Waste Disposal Loans

Water and Waste Disposal Program loans are authorized by Section 306 of the Consolidated Farm and Rural Development Act.⁸⁴ Among other activities, loans can be used (direct and guaranteed) for projects for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in low-income rural areas.⁸⁵ Applicants must certify in writing that they are unable to obtain financing for the project through commercial credit institutions at reasonable rates and terms.⁸⁶ Loans are repayable in not more than 40 years or the useful life of the facilities, whichever is less.⁸⁷ USDA makes either direct loans to applicants or guarantees up to 90% of loans made by third-party lenders such as banks and savings and loan associations.

Loan interest rates are based on the community’s economic capacity and health environment. Interest rates are designated as poverty, market, or intermediate. Poverty-rate loans are made in areas where the median household income (MHI) falls below 80% of the statewide nonmetropolitan MHI or the poverty level, whichever is higher, and where the project is needed to meet health or sanitary standards.⁸⁸ By law, this rate is set at 80% of the market rate and cannot exceed 5% annually.⁸⁹ The intermediate rate applies to loans that do not meet the criteria for the poverty rate and where the median household income (MHI) is not more than 100% of the statewide nonmetropolitan MHI.⁹⁰ By law, this rate is set at 80% of the market rate and cannot

⁷⁹ As per the USDA, Office of Budget and Program Analysis’s “FY2024 USDA Explanatory Notes – Rural Utilities Service,” appropriations for the technical assistance grants for rural waste systems for FY2021 were \$36.777 million and for FY2022 were \$37.387 million.

⁸⁰ Consolidated Appropriations Act, 2023 (P.L. 117-328).

⁸¹ *Ibid.*

⁸² Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334).

⁸³ 7 C.F.R. §1780.2.

⁸⁴ 7 U.S.C. §1926.

⁸⁵ 7 U.S.C. §1926(a)(1).

⁸⁶ 7 C.F.R. §1780.7(d).

⁸⁷ 7 C.F.R. §1780.13(e).

⁸⁸ 7 C.F.R. §1780.13(b).

⁸⁹ *Ibid.*

⁹⁰ 7 C.F.R. §1780.13(c).

exceed 7% annually.⁹¹ The market rate applies to all loans that do not qualify for poverty-rate loans or intermediate-rate loans.⁹² The market rate is set using the Bond Buyer Index.⁹³

Water and Waste Disposal Grants

Water and Waste Disposal Program grants are also authorized by Section 306 of the Consolidated Farm and Rural Development Act.⁹⁴ Grants can be used for projects for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in low-income rural areas.⁹⁵ The 2018 farm bill (P.L. 115-334) authorized appropriations at \$15.0 million annually for FY2019-FY2023 for these grants.⁹⁶

Grant funds may be available for up to 75% of the cost of a project.⁹⁷ Priority is given to projects that (1) serve rural areas with lower populations, (2) support health initiatives, and (3) support populations with lower median household incomes.⁹⁸

Eligibility Requirements

Eligible entities are municipalities, counties, and other political subdivisions of a state; associations, cooperatives, and organizations operated on a not-for-profit basis; Indian Tribes on federal and state reservations; and other federally recognized Tribes.⁹⁹ USDA's loan and grant programs are limited to community service areas (including areas in cities or towns) with populations of 10,000 or fewer for grants and direct loans and 50,000 or fewer for guaranteed loans.¹⁰⁰ To be eligible for assistance, communities must be unable to get financing for the proposed projects from their own resources or through commercial credit at reasonable rates and terms.¹⁰¹

Statutory and Regulatory Authority

Statutory authority for the water and waste disposal loan and grant programs, water technical assistance, and other rural water assistance programs is the Consolidated Farm and Rural Development Act, as amended (§306, 7 U.S.C. §1926). Regulations for these programs are codified at Title 7, Parts 1779-1780, of the *Code of Federal Regulations*.¹⁰²

Recent Federal Funding

FY2023 appropriations for USDA's water and waste disposal programs and related programs were included in the Consolidated Appropriations Act, 2023 (P.L. 117-328). Division A, Title III

⁹¹ Ibid.

⁹² 7 C.F.R. §1780.13(d).

⁹³ Ibid.

⁹⁴ 7 U.S.C. §1926.

⁹⁵ 7 U.S.C. §1926(a)(2).

⁹⁶ Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334).

⁹⁷ 7 C.F.R. §1780.10(c).

⁹⁸ 7 C.F.R. §1780.17.

⁹⁹ 7 C.F.R. §1780.7.

¹⁰⁰ 7 C.F.R. §1780.3 and 7 C.F.R. §5001.3.

¹⁰¹ 7 C.F.R. §1780.7(d).

¹⁰² For additional information on RUS water and environmental programs, see USDA, "Water & Waste Disposal Loan & Grant Program," at <http://www.rd.usda.gov/programs-services/water-waste-disposal-loan-grant-program>.

provided \$596.0 million in total for FY2023.¹⁰³ The appropriations included \$430.0 million in water and waste disposal grants; \$1.0 million to capitalize revolving funds for water and waste disposal projects; and \$70.0 million for water and waste disposal grants for colonias, Alaskan Native and rural villages, and Native American tribes. Congress provided a \$3.0 million loan subsidy to support \$1.42 billion in loan authority for water and waste disposal direct loans, and \$50.0 million in loan authority for water and waste disposal loan guarantees (no loan subsidy was needed to support the loan authority). Congress also included \$38.0 million for water and waste disposal technical assistance grants and \$21.0 million for the Circuit Rider Program.

For FY2024, the Administration requested \$882.0 million for USDA’s water and waste disposal and related programs.¹⁰⁴ The request included \$538.0 million in water and waste disposal grants; \$1.0 million to capitalize revolving funds for water and waste disposal projects; and \$87.0 million for water and waste disposal grants for colonias, Alaskan Native and rural villages, Native American tribes, and Hawaiian home lands. The request provided \$1.61 billion in loan authority for water and waste disposal direct loans (with a loan subsidy of \$155.0 million to support the loan authority), and \$50.0 million for water and waste disposal loan guarantees (no loan subsidy is needed to support the loan authority). The request included \$42.0 million for water and waste disposal technical assistance grants and \$25.0 million for the Circuit Rider Program, which also provides technical assistance.

Emergency Community Water Assistance Grants

RUS is also authorized to help eligible communities prepare for or recover from an emergency that threatens the availability of safe, reliable drinking water.¹⁰⁵ Grants ranging from \$10,000 to a maximum of \$1.0 million are provided for projects to serve a rural area with a population of 10,000 or fewer that has an MHI not in excess of the statewide nonmetropolitan MHI. Grants for repairs, partial replacement, or significant maintenance of an established system cannot exceed \$150,000. Communities use the funds for new systems, waterline extensions, construction of water source and treatment facilities, and repairs or renovation of existing systems, and may be awarded for 100% of project cost. Applicants compete on a national basis for available funding. Funding for this program is provided primarily through a reservation of 5%-7% of appropriated water and waste disposal grant funds. The 2018 farm bill also authorized appropriations of an additional \$50.0 million per year through FY2023 for this program.¹⁰⁶

Statutory authority for the emergency community water assistance grant program is the Consolidated Farm and Rural Development Act, as amended, Section 306A (7 U.S.C. §1926a). Regulations for this program are codified at Title 7, Part 1778, of the *Code of Federal Regulations*.

¹⁰³ U.S. Congress, House Committee on Appropriations, *Consolidated Appropriations Act, 2023*, committee print, 117th Congress, 2nd session, H.Prt. 50-347.

¹⁰⁴ USDA, Office of Budget and Program Analysis, “2024 USDA Explanatory Notes – Rural Utilities Service,” at <https://www.usda.gov/sites/default/files/documents/34-2024-RUS.pdf>.

¹⁰⁵ 7 U.S.C. §1926a.

¹⁰⁶ Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334).

Congress provided \$15.0 million for the Emergency Community Water Assistance Grant Program for FY2023.¹⁰⁷ The FY2024 Administration request also includes \$15.0 million for the program.¹⁰⁸

Rural Decentralized Water Systems Grants

USDA is also authorized to make grants to private nonprofit organizations for the purpose of providing loans to eligible individuals for construction, refurbishing, and servicing of “individual household water well systems and individually owned decentralized wastewater systems.”¹⁰⁹ Loans are limited to \$15,000 per household. The 2018 farm bill authorized \$20.0 million for each fiscal year through FY2023 for the program.¹¹⁰

Statutory authority for the rural decentralized water systems grant program is the Consolidated Farm and Rural Development Act, as amended, Section 306E (7 U.S.C. §1926e). Regulations for this program are codified at Title 7, Part 1776, of the *Code of Federal Regulations*.

Congress provided \$5.0 million for the Rural Decentralized Water Systems Grant Program for FY2023.¹¹¹ The FY2024 Administration request also included \$5.0 million for the program.¹¹²

Natural Resources Conservation Service¹¹³

The USDA provides assistance for watershed activities under four closely related authorities that are administered by the Natural Resources Conservation Service (NRCS). The Watershed and Flood Prevention Operations Program (WFPO) consists of two authorities—P.L. 83-566 and P.L. 78-534. Projects funded under these authorities are referred to as P.L. 566 and P.L. 534 projects, respectively. These authorize NRCS to provide technical and financial assistance to state and local organizations to plan and install measures to prevent erosion, sedimentation, and flood damage and to conserve, develop, and utilize land and water resources. Dams constructed under the WFPO program may also be eligible to receive assistance under the Small Watershed Rehabilitation Program. The fourth watershed authority is an emergency program that is not discussed in this report.¹¹⁴

Watershed and Flood Prevention Operations

The WFPO program consists of projects built under two authorities—the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566) and the Flood Control Act of 1944 (P.L. 78-534).

¹⁰⁷ U.S. Congress, House Committee on Appropriations, *Consolidated Appropriations Act, 2023*, committee print, 117th Congress, 2nd session, H.Prt. 50-347.

¹⁰⁸ USDA, Office of Budget and Program Analysis, “2024 USDA Explanatory Notes – Rural Utilities Service,” at <https://www.usda.gov/sites/default/files/documents/34-2024-RUS.pdf>.

¹⁰⁹ 7 U.S.C. §1926e.

¹¹⁰ Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334).

¹¹¹ U.S. Congress, House Committee on Appropriations, *Consolidated Appropriations Act, 2023*, committee print, 117th Congress, 2nd session, H.Prt. 50-347.

¹¹² USDA, Office of Budget and Program Analysis, “2024 USDA Explanatory Notes – Rural Utilities Service,” at <https://www.usda.gov/sites/default/files/documents/34-2024-RUS.pdf>.

¹¹³ This section was prepared by Megan Stubbs, Specialist in Agricultural Conservation and Natural Resources Policy, Resources, Science, and Industry Division.

¹¹⁴ The Emergency Watershed Protection (EWP) program is used to restore the natural functions of a watershed after a natural disaster has occurred and to minimize the risks to property and life posed by floods by purchasing easements on flood plains. For more information on the EWP program, see CRS Report R42854, *Emergency Assistance for Agricultural Land Rehabilitation*, by Megan Stubbs.

The vast majority of the projects (referred to as P.L. 566 projects) have been built pursuant to the authority of P.L. 83-566, which authorizes the chief of the NRCS to approve construction of smaller projects (discussed below). Larger projects must be approved by Congress. In FY2022, NRCS funded 261 projects in 39 states and territories.¹¹⁵

Eleven specific projects were authorized under P.L. 78-534 (referred to as P.L. 534 projects). They are much larger and more expensive than P.L. 566 projects. In total, the P.L. 534 projects encompass almost 37.9 million acres and are divided into component projects in subwatersheds. Approximately 90% of the work on the P.L. 534 projects is complete. With the exception of the two smallest projects, the estimated federal costs for each of these projects range from \$40.0 million to more than \$275.0 million. Three of the projects have been completed, and work on the remainder continues in one or more subwatersheds.¹¹⁶

The FY2023 Consolidated Appropriations Act (P.L. 117-328, Division A) appropriated \$75.0 million, of which \$20.6 million (27.5%) was identified as congressionally directed spending. Amendments in the 2018 farm bill (P.L. 115-334) permanently authorized an additional \$50.0 million annually from mandatory sources to the WFPO program.¹¹⁷

Program Purpose

The purpose of the WFPO program is to provide technical and financial assistance to states and local organizations to plan and install watershed projects. Both P.L. 566 and P.L. 534 projects have similar objectives and are implemented following similar procedures. Both project types fund land treatment and nonstructural and structural facilities for flood prevention, erosion reduction, agricultural water management, public recreation development, fish and wildlife habitat development, and municipal or industrial water supplies. Structural measures can include dams, levees, canals, and pumping stations. Local sponsors agree to operate and maintain completed projects.

Financing or Funding Mechanism

USDA provides partial project grants plus technical advisory services. Financing for water projects under the WFPO program varies depending on project purposes. The federal government pays all costs related to construction for flood control purposes only. Costs for nonagricultural water supply must be repaid by local organizations. However, up to 50% of costs for land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with program funds. Additionally, sponsors may apply for RUS Water and Waste Program loans to finance the local share of project costs. Participating state and local organizations pay all operation and maintenance costs.¹¹⁸

¹¹⁵ USDA, *FY2024 USDA Budget Congressional Justification*, “2024 USDA Explanatory Notes—Natural Resources Conservation Service,” at https://www.obpa.usda.gov/explan_notes.html (hereafter referred to as FY2024 USDA Budget Justification).

¹¹⁶ FY2024 USDA Budget Justification.

¹¹⁷ For additional discussion, see CRS Report R47560, *Agricultural Conservation: FY2023 and FY2024 Appropriations*, by Megan Stubbs.

¹¹⁸ For additional information on financing requirements, see USDA, NRCS, “Watershed Programs – Sponsor Guide,” at <https://www.nrcs.usda.gov/sites/default/files/2022-08/Sponsor%20Guide.pdf>.

Eligibility Requirements

P.L. 566 has been called the “small watershed program” because no project may exceed 250,000 acres and no structure may exceed more than 12,500 acre-feet of floodwater detention capacity or 25,000 acre-feet of total capacity.¹¹⁹ The Senate and House Agriculture Committees must approve projects that need an estimated federal contribution of more than \$25.0 million for construction or include a storage structure with a capacity in excess of 2,500 acre feet. If the storage structure will have a capacity in excess of 4,000 acre feet, approval is also required from the Senate Environment and Public Works Committee and the House Transportation and Infrastructure Committee. There are no population or community income-level limits on applications for P.L. 566 projects, but at least 20% of the total benefits of the project must directly relate to agriculture (including rural communities).¹²⁰

Recent Federal Funding

The enacted FY2023 appropriations provided WFPO with \$75.0 million. Of the \$75.0 million, \$20.6 million is directed to “community project funding/congressionally directed spending” (CPF/CDS) items, which some have referred to as “earmarks”; \$10.0 million is directed to projects that provide water to rural communities; and \$10.0 million is required to be allocated to projects and activities that (1) can “commence promptly”; (2) address regional priorities for flood prevention, agricultural water management, inefficient irrigation systems, fish and wildlife habitat, or watershed protection; or (3) address ongoing P.L. 534 projects.¹²¹ The Administration’s FY2024 budget requested \$175.0 million in discretionary funding for the WFPO program.¹²²

In addition to discretionary funding through appropriations, the 2018 farm bill permanently authorizes \$50.0 million annually from mandatory sources.¹²³ This mandatory funding will be available unless otherwise amended by Congress. Mandatory funds are authorized for P.L. 566 projects as well as rehabilitation work under the Small Watershed Rehabilitation Program.

Statutory and Regulatory Authorities

The WFPO program consists of two authorities: the Flood Control Act of 1944, P.L. 78-534, as amended, 58 Stat. 905 (33 U.S.C. §701b-1); and the Watershed Protection and Flood Prevention Act of 1954, P.L. 83-566, as amended, 68 Stat. 666 (16 U.S.C. §§1001-1008). Regulations are codified at Title 7, Part 622, of the *Code of Federal Regulations*.¹²⁴

¹¹⁹ The enacted FY2023 appropriation included a policy provision that waives the 250,000-acre project limit when the project’s primary purpose is something other than flood prevention. This provision did not amend the WFPO authorization. Therefore, it is effective only for the funds provided through the FY2023 annual appropriation.

¹²⁰ 16 U.S.C. §1002.

¹²¹ For additional information on FY2023 WFPO earmarks, see CRS Report R47560, *Agricultural Conservation: FY2023 and FY2024 Appropriations*, by Megan Stubbs.

¹²² FY2024 USDA Budget Justification.

¹²³ The 2018 farm bill authorizes mandatory funding from the Commodity Credit Corporation, a government-owned entity that finances programs supporting U.S. agriculture. For more information, see CRS Report R44606, *The Commodity Credit Corporation (CCC)*, by Megan Stubbs.

¹²⁴ For information on the program, see NRCS, “Watershed and Flood Prevention Operations (WFPO) Program,” at <https://www.nrcs.usda.gov/programs-initiatives/watershed-and-flood-prevention-operations-wfpo-program>.

Small Watershed Loans

As part of its lending responsibilities, RUS makes loans to local organizations to finance the local share of the cost of installing, repairing, or improving facilities, purchasing sites and easements, and related costs for P.L. 566 and P.L. 534 projects (see discussion above). Loans are limited to \$10.0 million, they must be repaid within 50 years, and the cost-share assistance may not exceed the rate of assistance for similar projects under other USDA conservation programs. NRCS and the local organization must also agree on a plan of work before a loan is obligated. Over the life of the program, 495 RUS loans have been made at a value of almost \$176.0 million.¹²⁵

Small Watershed Rehabilitation

Some of the oldest P.L. 566 projects that have exceeded their design life (dams were constructed starting in 1948) need rehabilitation work to continue to protect public health and safety by reducing any possibility of dam failure and to meet changing resource needs. By the end of 2025, 6,782 watershed dams will have reached the end of their designed life spans. In response to this concern, Congress created a dam rehabilitation program, known as the Small Watershed Rehabilitation Program, in Section 313 of the Grain Standards and Warehouse Improvement Act of 2000 (P.L. 106-472), which revised the WFPO program. From 2000 to 2022, the program authorized the rehabilitation of 269 dams in 26 states. Of this total, 176 projects are complete, 62 are in the design or construction phase, and the remaining projects are waiting for funding.¹²⁶

Program Purpose

The purpose of rehabilitation is to extend the service life of the dams and bring them into compliance with applicable safety and performance standards or to decommission the dams so they no longer pose a threat to life and property.

Financing or Funding Mechanism

Partial project grants, plus provision of technical advisory services, are provided. NRCS may provide 65% of the total rehabilitation costs but no more than 100% of the actual construction cost and is prohibited from funding operation and maintenance expense. Rehabilitation projects also provide an opportunity to modify projects to provide additional benefits, including municipal water supplies. Local watershed project sponsors provide 35% of the cost of a rehabilitation project and obtain needed land rights and permits. The source of these funds varies from state to state and may include bonds, local taxing authority, state appropriations, or in-kind technical services.¹²⁷

Eligibility Requirements

Only dams constructed under the P.L. 83-566 authority, the Resource Conservation and Development program, and pilot watershed projects from 1953 are eligible for assistance under the Small Watershed Rehabilitation Program.¹²⁸

¹²⁵ FY2024 USDA Budget Justification.

¹²⁶ Ibid.

¹²⁷ For additional information on financing requirements, see USDA, NRCS, “Watershed Programs – Sponsor Guide,” at <https://www.nrcs.usda.gov/sites/default/files/2022-08/Sponsor%20Guide.pdf>.

¹²⁸ 16 U.S.C. §1012.

Recent Federal Funding

Since FY2000, Congress has appropriated more than \$880.0 million for rehabilitation projects. The Small Watershed Rehabilitation Program has discretionary funding authority of up to \$85.0 million annually through the end of FY2023. The program has received an average annual appropriation of \$6.6 million over the last five years, not including the \$118.0 million provided by the Infrastructure Investment and Jobs Act (P.L. 117-58) in 2022. The Administration's FY2024 budget requested \$10.0 million in discretionary funding for the Small Watershed Rehabilitation Program.¹²⁹

In the past, the program was authorized through omnibus farm bills to receive mandatory funding to remain available until expended. This funding was frequently restricted through annual appropriations and used to offset other discretionary spending.¹³⁰ The 2018 farm bill reauthorized discretionary funding authority of \$85.0 million annually for the program.¹³¹ Mandatory funds authorized for WFPO through the 2018 farm bill may also be used for rehabilitation work under the Small Watershed Rehabilitation Program.¹³² Discretionary funding authority expires at the end of FY2023. Mandatory funding authority is permanent.

Statutory and Regulatory Authorities

The Small Watershed Rehabilitation Program is authorized by the Watershed Protection and Flood Prevention Act of 1954, P.L. 83-566, as amended by Section 313 of the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, 114 Stat. 2077 (16 U.S.C. §1012). Regulations are codified at Title 7, Part 622, of the *Code of Federal Regulations*.¹³³

Environmental Protection Agency

Clean Water State Revolving Fund Loan Program¹³⁴

In 1987, Congress amended the Clean Water Act (CWA)¹³⁵ to establish the Clean Water State Revolving Fund (CWSRF) program.¹³⁶ All 50 states, plus Puerto Rico, participate in the CWSRF program.¹³⁷ EPA receives annual appropriations to support the CWSRF program and distributes

¹²⁹ FY2024 USDA Budget Justification.

¹³⁰ For additional information on past reductions to mandatory programs, see CRS In Focus IF10041, *Reductions to Mandatory Agricultural Conservation Programs in Appropriations Law*, by Megan Stubbs.

¹³¹ 16 U.S.C. §1012.

¹³² For additional information, see CRS Report R45698, *Agricultural Conservation in the 2018 Farm Bill*, by Megan Stubbs.

¹³³ For information on the program, see NRCS, "Watershed Rehabilitation Program," at <https://www.nrcs.usda.gov/programs-initiatives/watershed-rehabilitation>.

¹³⁴ This section was prepared by Jonathan Ramseur, Specialist in Resources and Environmental Policy, Resources, Science, and Industry Division.

¹³⁵ The official statutory name is the Federal Water Pollution Control Act (P.L. 92-500), as amended, codified at Title 33, §§1251 et seq, of the *U.S. Code*.

¹³⁶ Prior to 1989 (when the CWSRF program became effective), EPA states used their annual allotment to make grants to cities and other eligible recipients.

¹³⁷ U.S. territories, Indian tribes, and the District of Columbia receive grants from EPA under separate CWA authorities.

grants to the states based on a CWA statutory formula.¹³⁸ States provide matching funds equal to 20% of the federal grant to capitalize their revolving loan funds and use their funds primarily to provide loans to cities and other eligible recipients. Over the long term, the loan programs are intended to be sustained through repayment of loans to states, thus creating a continuing source of assistance for other communities. According to the most recent formal estimate by EPA and states (prepared in 2016), an additional \$271.0 billion nationwide is needed over the next 20 years for all types of projects eligible for funding through the CWSRF program.¹³⁹

EPA data indicate that since 1988, 68% of all awarded loans and other assistance have gone to assist communities with 10,000 people or fewer. These loans and assistance have accounted for 23% of total CWSRF funding.¹⁴⁰

Program Purpose

The CWSRF program provides assistance in constructing and upgrading publicly owned municipal wastewater treatment plants and related equipment (including stormwater infrastructure), implementing nonpoint pollution management programs, developing and implementing management plans under the National Estuary Program, and supporting a range of other eligible activities that were added to the program in 2014 and in subsequent amendments.

Financing or Funding Mechanism

EPA grants (from appropriated funds) and state matching funds help capitalize state CWSRF programs. These programs may provide seven general types of financial assistance: making loans; buying or refinancing existing local debt obligations; guaranteeing or purchasing insurance for local debt obligations; guaranteeing CWSRF debt obligations (i.e., to be used as security for leveraging the assets in the CWSRF); providing loan guarantees for local government revolving funds; earning interest on fund accounts; and supporting reasonable costs of administering the CWSRF.¹⁴¹ Loans are made at or below market interest rates, including zero interest loans, as determined by the state in negotiation with the applicant.

Although the CWSRF program is generally a loan program, states may (under certain conditions) provide “additional subsidization”—such as principal forgiveness, negative interest loans, or a combination—to eligible entities that meet the state’s affordability criteria and for particular projects, such as those that implement water or energy efficiency goals or mitigate stormwater runoff. IJJA (P.L. 117-58) amended the CWSRF statutory provisions to direct states to use at least 10% of their capitalization grants for additional subsidization under certain conditions.¹⁴²

Prior to the enactment of IJJA, appropriations acts in recent years have required states to use minimum percentages of their allotted funds to provide additional subsidization. This trend began with the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), which required states to use at least 50% of their funds for this purpose. Recent appropriations acts included an identical condition, requiring 10% of the CWSRF grants be used “to provide additional subsidy to eligible

¹³⁸ For more information, see CRS Report RL31073, *Allocation of Wastewater Treatment Assistance: Background and Formula History*, by Jonathan L. Ramseur.

¹³⁹ EPA, *Clean Watersheds Needs Survey 2012*, 2016, at <https://www.epa.gov/cwns>.

¹⁴⁰ Based on data in EPA, National Information Management System (January 30, 2023), at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.

¹⁴¹ 33 U.S.C. §1383(d).

¹⁴² For more information, see CRS Report R46892, *Infrastructure Investment and Jobs Act (IJJA): Drinking Water and Wastewater Infrastructure*, by Elena H. Humphreys and Jonathan L. Ramseur.

recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).”¹⁴³ In an EPA memorandum on May 12, 2022, EPA interprets the additional subsidization provided in appropriations act to be “additive” to the 10% floor in the Clean Water Act.¹⁴⁴ Therefore, as long as these appropriations acts’ provisions continue, states are effectively required to provide at least 20% of their annual financing as additional subsidization.

All principal and interest payments on loans must be credited directly to the SRF, and loans are to be repaid within 30 years of a project’s completion, not to exceed the project’s useful life. States are required to ensure that CWSRF-funded projects use American iron and steel products and apply the prevailing wage requirements of the Davis-Bacon Act.¹⁴⁵

Eligibility Requirements

In general, eligible loan recipients for CWSRF assistance are any municipal, intermunicipal, interstate, or state agency. Private utilities are not eligible to receive funds for construction of wastewater treatment works and most other eligible activities, but in some cases, privately owned projects are eligible for certain types of activities (e.g., decentralized wastewater treatment projects; projects to manage, reduce, or treat stormwater; or development of watershed management projects).

Projects or activities eligible for funding were initially those needed for constructing or upgrading (and planning and designing) publicly owned municipal wastewater treatment plans. As defined in Clean Water Act Section 212, devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage are eligible.¹⁴⁶ These include construction or upgrading of secondary or advanced treatment plants; construction of new collector sewers, interceptor sewers, or storm sewers; and projects to correct existing problems of sewer system rehabilitation, infiltration/inflow of sewer lines, and combined sewer overflows. Operation and maintenance are not eligible activities. All funds in the CWSRF resulting from federal capitalization grants are first to be used to assure compliance with enforceable deadlines, goals, and requirements of the act, including municipal compliance.¹⁴⁷ After satisfying the “first use” requirement, funds may be used to implement other eligible uses. The statutory list of eligible activities initially included nonpoint source management programs and estuary activities in approved State Nonpoint Management Programs and estuarine Comprehensive Conservation and Management Plans, respectively.¹⁴⁸ In 2014, the Water Resources Reform and Development Act of 2014 (WRRDA; P.L. 113-121) amended the list of eligible projects by adding several types of projects and activities, including

- replacement of decentralized treatment systems (e.g., septic tanks);
- energy-efficiency improvements at treatment works;

¹⁴³ For example, see the Consolidated Appropriations Act, 2023 (P.L. 117-328); and the Consolidated Appropriations Act, 2022 (P.L. 117-103).

¹⁴⁴ Memorandum from Michael Deane (EPA Office of Wastewater Management) to EPA Regions, “FY 2022 CWSRF Base Allotment Availability,” May 12, 2022, at <https://www.epa.gov/system/files/documents/2022-05/FY%202022%20CWSRF%20Base%20Allotment%20Availability.pdf>.

¹⁴⁵ For more information, see U.S. Department of Labor, “Davis-Bacon and Related Acts,” at <https://www.dol.gov/whd/govcontracts/dbra.htm>.

¹⁴⁶ 33 U.S.C. §1292.

¹⁴⁷ 33 U.S.C. §1382(b)(5).

¹⁴⁸ For a detailed breakdown of SRF funding by category, see EPA, *Clean Water SRF Program Information, National Summary*, updated annually, at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.

- reuse and recycling of wastewater or stormwater; and
- security improvements at treatment works.

In 2018, the America’s Water Infrastructure Act of 2018 (AWIA; P.L. 115-270) amended the list of eligible activities to allow qualified nonprofits to provide assistance to certain individuals for the repair or replacement of existing decentralized wastewater treatment systems or for the connection of an individual household to a centralized publicly owned treatment works.

Recent Federal Funding

Since the first appropriations for the CWSRF program in FY1989, Congress has provided approximately \$56 billion in grants to states and Puerto Rico to capitalize their CWSRFs. According to EPA’s national CWSRF funding data report, federal funds—together with state matching contributions, repaid loans, and other funds—have provided approximately \$163 billion in SRF assistance to support more than 46,000 SRF loans and debt refinance agreements.¹⁴⁹

For FY2020 and FY2021, Congress appropriated \$1.639 billion (P.L. 116-94 and P.L. 116-260) for the CWSRF program. The FY2022 CWSRF appropriations included both supplemental appropriations from IJA of \$1.902 billion and regular appropriations (P.L. 117-103) of \$1.639 billion, a portion of which did not go directly to the CWSRF program. P.L. 117-103 included CPF/CDS items. The act set aside 27% (\$443.6 million) of the FY2022 CWSRF appropriations (\$1.639 billion) to CPF/CDS. Similarly, the FY2023 CWSRF appropriation includes both supplemental appropriations from IJA of \$2.202 billion and regular appropriations of \$1.639 billion, a portion of which will not go directly to the CWSRF program. P.L. 117-328 includes CPF/CDS items and sets aside 53% (\$863.1 million) of the FY2023 CWSRF appropriation to CPF/CDS. The CPF/CDS funds are to 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.¹⁵⁰

For FY2024, the President requested \$1.639 billion for the CWSRF program.¹⁵¹ This would be in addition to the FY2024 supplemental appropriations of \$2.403 billion provided by IJA.

Through a separate process, EPA provides direct grants for the District of Columbia, the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands.¹⁵² EPA also provides direct grants to Indian tribes.¹⁵³ The funding for the District of Columbia, U.S. territories, and Indian tribes is part of the SRF appropriations to EPA.

Statutory and Regulatory Authority

Statutory authority for the clean water SRF program is the Clean Water Act, as amended, Sections 601-607 (33 U.S.C. §§1381-1387). Regulations are codified at Title 40, Section 35.3100, of the *Code of Federal Regulations*.

¹⁴⁹ This figure includes funds through the end of FY2022, as it is based on data in EPA, National Information Management System (September 2022), at <https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-national-information-management-system-reports>.

¹⁵⁰ For more information, see CRS Report R47633, *The Role of Earmarks in CWSRF and DWSRF Appropriations in the 117th Congress*, by Elena H. Humphreys.

¹⁵¹ OMB, *Budget of the U.S. Government, FY2024, Appendix*, at https://www.whitehouse.gov/wp-content/uploads/2023/03/hud_fy2024.pdf.

¹⁵² See 33 U.S.C. §1384 note.

¹⁵³ See 33 U.S.C. §1377.

Drinking Water State Revolving Fund Loan Program¹⁵⁴

The Safe Drinking Water Act (SDWA) requires public water systems to comply with federal drinking water regulations promulgated by EPA.¹⁵⁵ Through these regulations, EPA has set standards to control the levels of more than 90 contaminants in drinking water, and more regulations are under development. To help communities meet these federal mandates and to meet the act’s public health objectives, Congress amended SDWA in 1996 to establish a drinking water state revolving fund (DWSRF) loan program.¹⁵⁶ The program is patterned closely after the CWSRF and authorizes EPA to make grants to states to capitalize drinking water state revolving loan funds. States use their DWSRFs to provide assistance to public water systems for infrastructure and other drinking water projects.¹⁵⁷ States may use a portion of their annual grants to administer the DWSRF program and to implement other SDWA requirements.¹⁵⁸ States must match 20% of the federal capitalization grant.¹⁵⁹

Each year, states are required to develop an “intended use plan” that includes a list of projects the state intends to fund through the DWSRF.¹⁶⁰ The law generally directs states to give funding priority to projects that (1) address the most serious health risks; (2) are needed to ensure compliance with SDWA regulations; and (3) assist systems most in need on a per household basis, according to state affordability criteria.¹⁶¹ The law also directs states to make available at least 15% of their annual allotment to public water systems that serve 10,000 or fewer persons (to the extent the funds can be obligated to eligible projects).¹⁶² Over the life of the program, roughly 71% of DWSRF assistance agreements and 38% of funds have gone to these smaller systems. Capitalization grants are allotted among the states according to the results of the most recent quadrennial survey of the capital improvements needs of eligible water systems.¹⁶³ Needs surveys are prepared by EPA and the states, and the most recent survey (2023) indicates that public water systems need to invest at least \$625 billion in infrastructure improvements over 20 years (\$31.25 billion annually) to ensure the provision of safe drinking water and compliance with federal standards.¹⁶⁴

Program Purpose

This state-administered program provides assistance for infrastructure projects and other expenditures that facilitate compliance with federal drinking water regulations or that promote public health protection. The SDWA directs states to give funding priority to infrastructure

¹⁵⁴ This section was prepared by Elena Humphreys, Analyst in Environmental Policy, Resources, Science, and Industry Division.

¹⁵⁵ See CRS Report RL31243, *Safe Drinking Water Act (SDWA): A Summary of the Act and Its Major Requirements*, by Elena H. Humphreys and Mary Tiemann.

¹⁵⁶ P.L. 104-182.

¹⁵⁷ Private, residential wells are not regulated under the SDWA and are not eligible for assistance through this program.

¹⁵⁸ 42 U.S.C. §300j-12(a)(2).

¹⁵⁹ 42 U.S.C. §300j-12(e).

¹⁶⁰ 42 U.S.C. §300j-12(b).

¹⁶¹ 42 U.S.C. §300j-12(b)(3).

¹⁶² 42 U.S.C. §300j-12(a)(2) (F).

¹⁶³ Detailed national and state program data are available at EPA, “Drinking Water State Revolving Fund National Information Management System Reports,” at <https://www.epa.gov/drinkingwatersrf/drinking-water-state-revolving-fund-national-information-management-system-reports>.

¹⁶⁴ This estimate is not adjusted for inflation. EPA, *7th Drinking Water Infrastructure Needs Survey and Assessment*, April 2023, at https://www.epa.gov/system/files/documents/2023-04/Final_FAQ_DWINSAs_4.4.23.v1.pdf.

projects that are needed to achieve or maintain compliance with SDWA requirements, protect public health, and assist systems with economic need. Further, states may use a portion of the capitalization grant for specified purposes, including programs for protecting sources of drinking water and improving the managerial and technical capacity of water systems.

Financing or Funding Mechanism

States may use the DWSRF to make low- or zero-interest loans to public water systems. Loan recipients must generally repay the entire loan plus any interest to the state. DWSRFs may also be used to buy or refinance local debt obligations, guarantee or purchase insurance for a local obligation, provide revenue or security for payment of principal and interest on state revenue or general obligation bonds if the proceeds of bond sale are deposited into the DWSRF, and earn interest on DWSRF accounts.¹⁶⁵

The statute authorizes states to use up to 35% of their annual DWSRF grants to provide additional subsidies (e.g., principal forgiveness and negative interest rate loans) to help economically disadvantaged communities of any size.¹⁶⁶ The Consolidated Appropriations Act, 2023 (P.L. 117-328), requires states to use 14% of their DWSRF capitalization grants for additional subsidization to eligible recipients. In EPA memorandum from 2023, the agency clarified its interpretation that the appropriations act’s additional subsidization percentage is additive to the SDWA additional subsidization statutory floor of 12% for the DWSRF, meaning that states are required to dedicate 26% of their capitalization grant amounts to additional subsidization.¹⁶⁷

Eligibility Requirements

Drinking water systems that are eligible to receive DWSRF assistance include community water systems, whether publicly or privately owned, and not-for-profit noncommunity water systems. Federally owned systems are not eligible to receive assistance from this program.¹⁶⁸

Projects eligible for DWSRF assistance include (1) capital investments to rehabilitate or replace infrastructure in order to continue providing the public with safe drinking water (e.g., storage facilities and transmission and distribution pipes); (2) projects needed to address violations of SDWA regulations (e.g., treatment facilities); and (3) project design and planning and associated preconstruction activities.¹⁶⁹ Assistance may also be available for construction of new wells to replace contaminated wells, source water protection, land acquisition, security measures (including infrastructure improvements), and consolidation of water supplies (e.g., in cases where individual homes or public water systems have a water supply that is contaminated or a system is unable to maintain compliance for financial or managerial reasons).¹⁷⁰

Projects and activities not eligible for funding include projects primarily intended to serve future growth or to provide fire protection, construction of dams or reservoirs (except reservoirs for

¹⁶⁵ 42 U.S.C. §300j-12(a)(2).

¹⁶⁶ SDWA Section 1452(d)(2)(B) (42 U.S.C. §300j-12(d)(2)(B)) conditionally requires states to use at least 12% of their capitalization grants to further subsidize DWSRF loans. A disadvantaged community is one in which the service area of a public water system meets state-established affordability criteria.

¹⁶⁷ EPA, FY 2023 Allotments for the Drinking Water State Revolving Fund based on the Seventh Drinking Water Infrastructure Needs Survey and Assessment, May 2023, at <https://www.epa.gov/dwsrf/annual-allotment-federal-funds-states-tribes-and-territories>.

¹⁶⁸ 42 U.S.C. §300j-12(a)(2)(A).

¹⁶⁹ 42 U.S.C. §300j-12(a)(2)(B).

¹⁷⁰ For more information, see EPA’s website “DWSRF Eligibility Handbook” at <https://www.epa.gov/dwsrf/dwsrf-eligibility-handbook>.

treated water), monitoring, and operation and maintenance. Ineligible systems include those that lack the financial, technical, or managerial capacity to maintain SDWA compliance and systems in significant noncompliance with any SDWA regulation (unless the project is likely to ensure compliance).

Recent Federal Funding

For FY2022, two acts provided appropriations for the DWSRF program. IIJA (P.L. 117-58) provided three appropriations for the DWSRF. It included \$1,902.0 million for the DWSRF program, \$3,000.0 million through the DWSRF for lead service line replacement projects and related activities, and \$800.0 million through the DWSRF for grants to support projects to address emerging contaminants with a focus on per- and polyfluoroalkyl substances (PFAS). The Consolidated Appropriations Act, 2022 (P.L. 117-103) provided \$1,126.1 million for the DWSRF. Of this total appropriation, the act dedicates \$397.8 million to CPF/CDS items. Accordingly, the act provides \$728.3 million for the DWSRF program.

The Consolidated Appropriations Act, 2023 (P.L. 117-328) provided \$1,126.1 million for the DWSRF. Of this total appropriation, \$609.3 million is dedicated to earmarks and the remaining \$516.9 million is for the DWSRF program. In addition, for FY2023, IIJA (P.L. 117-58) provides three appropriations for FY2023 of

1. \$2,202.0 million for the DWSRF program,
2. \$3,000.0 million through the DWSRF for lead service line replacement projects and related activities, and
3. \$800.0 million through the DWSRF for grants to support projects to address emerging contaminants with a focus on per- and polyfluoroalkyl substances.

For FY2024, the President requested \$1,126.1 million for the DWSRF program.¹⁷¹

From FY1997 through FY2022, more than 18,843 projects had received DWSRF financial assistance, and 13,109 had been completed.¹⁷²

Statutory and Regulatory Authority

The statutory authority for the DWSRF program is the Safe Drinking Water Act Amendments of 1996 (P.L. 104-182, §1452, 42 U.S.C. §300j-12). Regulations are codified at Title 40, Section 35.3500, of the *Code of Federal Regulations*.¹⁷³

Water Infrastructure Finance and Innovation Act Program¹⁷⁴

Localities are primarily responsible for providing water infrastructure services, which include both drinking water and wastewater infrastructure. According to the most recent estimates by states and EPA, funding needs for projects eligible for CWSRF or DWSRF funding—described in

¹⁷¹ EPA, *Fiscal Year 2024 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R23001, Washington, DC, March 2023, at <https://www.epa.gov/system/files/documents/2023-03/fy-2024-congressional-justification-all-tabs.pdf>.

¹⁷² Detailed national and state program data are available at EPA, “Drinking Water State Revolving Fund National Information Management System Reports,” at <https://www.epa.gov/drinkingwatersrf/drinking-water-state-revolving-fund-national-information-management-system-reports>.

¹⁷³ DWSRF program information, regulations, facts, and statistics are available at <https://www.epa.gov/dwsrf>.

¹⁷⁴ This section was prepared by Jonathan Ramseur, Specialist in Environmental Policy, Resources, Science, and Industry Division.

the sections above (i.e., projects needed to address water quality and public health-related problems or regulations)—total over \$840 billion over a 20-year period.¹⁷⁵ However, many water infrastructure capital needs are ineligible for assistance through the SRF programs or are too large or otherwise not suited for those programs.

The Water Infrastructure Finance and Innovation Act (WIFIA) authorizes EPA to provide credit assistance—secured (direct) loans or loan guarantees—for a broad range of drinking water and wastewater projects.¹⁷⁶ In contrast to SRF programs, EPA provides credit assistance directly to eligible recipients. Thus far, EPA has provided credit assistance in the form of secured loans, and the agency does not expect much demand for loan guarantees.¹⁷⁷

Section 4201 of AWIA (P.L. 115-270) amended WIFIA to authorize EPA to enter into agreements with relevant federal agencies to administer and service loans that such agencies are authorized to make.¹⁷⁸ Section 4301 of AWIA directs EPA and Reclamation to enter into such an agreement. In October 2019, EPA and Reclamation entered into a memorandum of understanding for administering and servicing credit instruments. Under this agreement, EPA is responsible for providing support in administering and servicing Reclamation federal credit instruments, including determining project creditworthiness and loan terms, among other responsibilities.¹⁷⁹

Program Purpose

WIFIA provides an additional source of financing for water infrastructure projects, including projects eligible for CWSRF and DWSRF assistance. Some stakeholders have argued that the clean water and drinking water SRF programs are structured in a way that makes them useful primarily for smaller communities and smaller projects. The WIFIA program can provide credit assistance to large water infrastructure projects that otherwise have difficulty obtaining financing. Moreover, SRF funding is generally limited to projects that promote CWA or SDWA compliance and other statutory objectives. WIFIA can provide capital at a low cost to the borrower, because Treasury rates are typically lower than traditional municipal bonds.

Financing or Funding Mechanism

In federal budgetary terms, WIFIA assistance has much less of an impact on federal spending than a grant, which is not repaid to the U.S. Treasury. The volume of loans and other types of credit assistance that the programs can provide is determined by the size of congressional appropriations and calculation of the subsidy amount. WIFIA defines the *subsidy amount* as follows:

The amount of budget authority sufficient to cover the estimated long-term cost to the Federal Government of a Federal credit instrument, as calculated on a net present value

¹⁷⁵ EPA published its most recent estimate of capital needs for *wastewater* infrastructure in 2016. See EPA, *Clean Watersheds Needs Survey 2012*, Report to Congress, 2016. EPA issued the most recent EPA needs estimate for *drinking water* infrastructure in 2018. See EPA, *Drinking Water Infrastructure Needs Survey and Assessment*, 2018. These estimates are not adjusted for inflation.

¹⁷⁶ In 2014, WRRDA established a five-year WIFIA pilot program. In 2018, AWIA (P.L. 115-270) amended the WIFIA provisions to remove the pilot designation from the program. For more details, see CRS Report R43315, *Water Infrastructure Financing: The Water Infrastructure Finance and Innovation Act (WIFIA) Program*, by Jonathan L. Ramseur, Mary Tiemann, and Elena H. Humphreys.

¹⁷⁷ See EPA, *WIFIA Program Handbook*, 2019, footnote 24.

¹⁷⁸ 33 U.S.C. §3909(g).

¹⁷⁹ See EPA's WIFIA website at <https://www.epa.gov/wifia/mou-administering-and-servicing-federal-credit-instruments>.

basis, excluding administrative costs and any incidental effects on governmental receipts or outlays in accordance with the Federal Credit Reform Act of 1990 (2 U.S.C. §661 *et seq.*).¹⁸⁰

Although subsidy rates are project-specific, in the Administration’s FY2023 budget proposal, OMB estimated a 1.01% subsidy rate for WIFIA in FY2023.¹⁸¹ At this subsidy rate, \$10.0 million in appropriations could support direct loans totaling \$990.0 million.¹⁸² Thus, one advantage of the WIFIA program is that it can provide a large amount of credit assistance relative to the amount of budget authority provided.

Eligibility Requirements

WIFIA credit assistance is available to state infrastructure financing authorities for a group of projects and individual project sponsors, which may include

- a corporation;
- a partnership;
- a joint venture;
- a trust; or
- a federal, state, local, or tribal government (or consortium of tribal governments).

Categories eligible for assistance by EPA include

- wastewater treatment and community drinking water facilities;
- enhanced energy efficiency of a public water system or wastewater treatment works;
- repair or rehabilitation of aging wastewater and drinking water systems;
- desalination, water recycling, aquifer recharge, or development of alternative water supplies to reduce aquifer depletion;
- prevention, reduction, or mitigation of the effects of drought;¹⁸³ or
- a combination of eligible projects.

The act authorizes EPA to provide credit assistance for a range of wastewater and drinking water projects. Generally, project costs must be \$20.0 million or larger to be eligible for credit assistance. For projects in less populous communities (defined by WIFIA as populations of 25,000 or fewer), project costs must be \$5.0 million or more.¹⁸⁴

¹⁸⁰ 33 U.S.C. §3901(13).

¹⁸¹ OMB, *Budget of the United States Government, FY2024*, Federal Credit Supplement, Table 1, at <https://www.govinfo.gov/app/collection/budget/2024>.

¹⁸² The subsidy rate, which is often expressed in percentage terms or as a ratio, largely determines the amount of credit assistance that can be made available to project sponsors. For example, if a project’s subsidy rate is 10% and is the only charge against available budget authority, a \$20.0 million budgetary allocation could theoretically support a \$200.0 million loan. A lower subsidy rate would support a larger loan amount.

¹⁸³ The WIIN Act (P.L. 114-322) expanded WIFIA eligibility to include projects involving aquifer recharge; development of alternative water supplies to reduce aquifer depletion; and prevention, reduction, or mitigation of the effects of drought.

¹⁸⁴ 33 U.S.C. §3907(a).

Recent Federal Funding

For FY2022, the Consolidated Appropriations Act (P.L. 117-103) provided \$69.5 million for WIFIA (including \$6.0 million for administrative costs). For FY2023, the Consolidated Appropriations Act, 2023 (P.L. 117-328) provides \$75.6 million for WIFIA (including \$7.6 million for administrative costs). For FY2024, the President requested \$80.4 million for the program (including \$8.5 million for administrative costs).¹⁸⁵

To receive funding, a prospective borrower submits a letter of interest to EPA. The letter must document project eligibility, financial creditworthiness, engineering feasibility, and alignment with EPA’s policy priorities. From these submittals, the agency selects projects for funding.¹⁸⁶ On June 17, 2022, EPA announced a sixth round of WIFIA funding. EPA estimated that its FY2022 budget authority would provide approximately \$5.5 billion in credit assistance.¹⁸⁷ In 2023, EPA’s WIFIA website announced that the program has funding available on an “ongoing basis” that allows for a “rolling selection process.”¹⁸⁸

Statutory and Regulatory Authority

The statutory authority for the WIFIA program is WRRDA (P.L. 113-121, Title V, codified at 33 U.S.C. §§3901-3914). The Fixing America’s Surface Transportation Act (FAST Act; P.L. 114-94) and AWIA amended WIFIA provisions in 2015 and 2018, respectively. EPA promulgated an interim final rule for the program on December 19, 2016 (81 *Federal Register* 91822). Regulations are codified at Title 40, Section 35.10000, of the *Code of Federal Regulations*.

Other EPA Water Infrastructure Funding Programs¹⁸⁹

In recent WRDAs, Congress has authorized several new drinking water and wastewater infrastructure funding programs. These programs are discussed below.¹⁹⁰

Sewer Overflow and Stormwater Grant Program

In 2000, the Consolidated Appropriations Act, 2001, authorized EPA to establish a new grant program in the CWA to address overflows from municipal combined sewer systems and from municipal separate sanitary sewers (“wet weather” projects).¹⁹¹ At that time, Congress authorized annual appropriations of \$750.0 million for FY2002 and FY2003, but the program never received appropriations.

¹⁸⁵ Office of Management and Budget, *Budget of the U.S. Government, FY2024, Appendix*, at https://www.whitehouse.gov/wp-content/uploads/2023/03/hud_fy2024.pdf.

¹⁸⁶ For more up-to-date details of project selection, see EPA’s WIFIA website at <https://www.epa.gov/wifia>.

¹⁸⁷ EPA, “Notice of Funding Availability for Credit Assistance Under WIFIA Program,” 87 *Federal Register* 36489, June 17, 2022, at <https://www.epa.gov/wifia/wifia-available-funding>.

¹⁸⁸ See EPA, “WIFIA Available Funding,” at <https://www.epa.gov/wifia/wifia-available-funding>.

¹⁸⁹ This section was prepared by Elena Humphreys, Analyst in Environmental Policy, Resources, Science, and Industry Division; and Jonathan Ramseur, Specialist in Environmental Policy, Resources, Science, and Industry Division.

¹⁹⁰ Other drinking water grant programs include the Voluntary Lead Testing in Drinking Water at Schools and Child Care Program Grant Program (authorized in SDWA §1464(d), added by P.L. 114-322 §2107) and the Drinking Water Fountain Replacement for Schools Grant Program (authorized in SDWA §1465, added by P.L. 115-270, §2006(b)).

¹⁹¹ P.L. 106-554.

In 2018, AWIA Section 4106 amended the grant program by modifying the eligibility provisions to include stormwater infrastructure, among other changes.¹⁹² In addition, AWIA reauthorized appropriations for the grant program for \$225.0 million for FY2019 and FY2020.¹⁹³ IJA reauthorized appropriations for \$280.0 million annually for FY2022 through FY2026.¹⁹⁴

Under this program, EPA provides grants to states, which in turn, provide sub-awards to eligible entities. The grants to states are allocated based on a formula prepared by EPA.¹⁹⁵ In November 2022, EPA announced the availability of FY2022 funding and invited states to apply for grants to support eligible projects.¹⁹⁶ In August 2023, EPA announced the availability of FY2023 funding.¹⁹⁷

Recent Federal Funding

For FY2022, the Consolidated Appropriations Act, 2022 (P.L. 117-103) provided \$43.0 million for this program. For FY2023, the Consolidated Appropriations Act, 2023 (P.L. 117-328) provides \$50.0 million for the program. For FY2024, the President requested \$280.0 million for this program.¹⁹⁸

Statutory Authority

The statutory authority for this program is CWA Section 221 (codified at 33 U.S.C. §1301). The Consolidated Appropriations Act, 2001 (P.L. 106-554) amended the CWA in 2000 to provide this authority. CWA Section 221 was subsequently amended in 2018 by AWIA (P.L. 115-270).

Technical Assistance for Rural, Small, and Tribal Wastewater Systems

In 2018, AWIA amended the CWA (adding Section 104(b)(8)) to authorize EPA to make grants to qualified nonprofits to provide technical assistance to help rural, small, and tribal publicly owned treatment works and decentralized wastewater treatment systems to comply with the CWA and apply for financing from the CWSRF.¹⁹⁹ For this purpose, AWIA authorized appropriations of \$25.0 million per year for FY2019 through FY2023. IJA reauthorized appropriations of \$75.0 million per year for FY2022 through FY2026 to carry out grant programs in Section 104(b)(8), as

¹⁹² P.L. 115-270.

¹⁹³ AWIA §4106.

¹⁹⁴ IJA §50204.

¹⁹⁵ EPA, “State Formula Allocations for Sewer Overflow and Stormwater Reuse Grants,” 86 *Federal Register* 11287, February 24, 2021, at <https://www.federalregister.gov/documents/2021/02/24/2021-03756/state-formula-allocations-for-sewer-overflow-and-stormwater-reuse-grants>.

¹⁹⁶ EPA, Memorandum from Assistant Administrator Radhika Fox to EPA Regional Water Division Directors, “Amendments to the Sewer Overflow and Stormwater Reuse Municipal Grants Program and Allocation of Federal Fiscal Year 2022 Funding,” November 18, 2022, at <https://www.epa.gov/system/files/documents/2022-11/OSG-BIL-amendments-and-FY22-allotment.pdf>.

¹⁹⁷ EPA, Memorandum from Assistant Administrator Radhika Fox to EPA Regional Water Division Directors, “Allocation of Federal Fiscal Year 2023 Funding for the Sewer Overflow and Stormwater Reuse Municipal Grant Program,” August 9, 2023, at <https://www.epa.gov/system/files/documents/2023-08/OSG-FY2023-Allotment-August-2023.pdf>.

¹⁹⁸ OMB, *Budget of the U.S. Government, FY2024, Appendix*, at https://www.whitehouse.gov/wp-content/uploads/2023/03/hud_fy2024.pdf.

¹⁹⁹ For more information, see EPA, “Technical Assistance for Treatment Works,” at <https://www.epa.gov/dwcapacity/training-and-technical-assistance-small-systems-funding>.

well as Section 104(b)(3) and Section 104(g). These latter two programs have not received appropriations in recent years.

Recent Federal Funding

For FY2022, the Consolidated Appropriations Act, 2022 (P.L. 117-103) provided \$20.0 million for this program. For FY2023, the Consolidated Appropriations Act, 2023 (P.L. 117-328) provides \$27.0 million for the program. For FY2024, the President requested \$18.0 million for this program. In addition, the President requested \$75.0 million to carry out this grant program and grant programs in Section 104(b)(3) and Section 104(g).²⁰⁰

Statutory Authority

The statutory authority for this technical assistance is CWA Section 104(b)(8) (codified at 33 U.S.C. §1254(b)(8)). This provision was added to the CWA in 2018 by AWIA (P.L. 115-270, §4106).

Technical Assistance for Small, Rural, and Tribal Drinking Water Systems

Added in 1996, SDWA Section 1442(e) authorizes EPA and states to provide compliance assistance to public water systems and particularly to small systems (serving 25-10,000 customers).²⁰¹ Accounting for 92% of community water systems, these small systems frequently lack both economies of scale and the financial, managerial, and technical capacity to meet statutory requirements.

This technical assistance is intended to enable small systems to achieve and maintain compliance with drinking water regulations. Assistance may include circuit-rider and multistate regional technical assistance programs, training, and assistance in implementing regulations; source water protection plans; monitoring plans; and water security enhancements. The WIIN Act (P.L. 114-322) amended Section 1442 to specify that technical assistance grants to tribes may be used for operator training and certification.

Recent Federal Funding

For FY2021, the Consolidated Appropriations Act, 2021 (P.L. 116-260), provided \$19.0 million for this program. For FY2022, the Consolidated Appropriations Act, 2022 (P.L. 117-103), provided \$22.0 million for this program. The Consolidated Appropriations Act, 2023 (P.L. 117-328), provided \$26.0 million for this program. For FY2024, the President did not request funds for this program.

Statutory Authority

The statutory authority for this technical assistance is SDWA Section 1442(e) (codified at 42 U.S.C. §300j-1(e)).

²⁰⁰ OMB, *Budget of the U.S. Government, FY2024, Appendix*, at https://www.whitehouse.gov/wp-content/uploads/2023/03/hud_fy2024.pdf.

²⁰¹ 42 U.S.C. §300j-1(e).

Small and Disadvantaged Communities Drinking Water Grant Program

In 2016, Congress amended SDWA to add a drinking water grant program to help assist disadvantaged or small communities afford projects needed to comply with SDWA regulations.²⁰² Eligible projects include investments needed for SDWA compliance, household water quality testing, and assistance that benefits a community on a per-household basis.²⁰³ Eligible grant recipients include public water systems or tribal water systems that serve a disadvantaged community or a community of 10,000 or fewer individuals or a state on behalf of an underserved community.²⁰⁴ For the purposes of this grant program, *underserved community* is defined to mean “a political subdivision of a State that, as determined by the Administrator, has an inadequate system for obtaining drinking water.”²⁰⁵ This grant program requires a cost share of no less than 10% of total project costs in the form of monetary funding, services, materials, supplies, or other in-kind services.²⁰⁶ EPA may waive this matching requirement if the grant recipient would experience significant financial hardship from providing the nonfederal share.²⁰⁷

In April 2019, EPA announced the distribution of FY2018 and FY2019 funding for these grants among the states and territories, using a formula similar to the DWSRF allotment formula, with a 2% allotment for tribes.²⁰⁸ EPA reports that states need to develop a list of fundable projects that meet the grant program’s eligibility criteria to receive their allotment of funding.²⁰⁹ For FY2020, EPA announced that the agency would distribute \$20.0 million for public water systems serving tribal communities.²¹⁰ For FY2021 funding, EPA allotted \$23.2 million among the states by using “an algorithmic formula that includes factors for population below poverty, small water systems, and underserved communities,” after reserving 10% of available funds for projects serving Indian tribes and Alaska Native villages.²¹¹ For the FY2022 and FY2023 funding, EPA waived the 10% statutory cost share and allotted \$50.4 million among the states, after reserving \$5.6 million for projects serving Indian tribes and Alaska Native Villages.²¹²

²⁰² P.L. 114-322.

²⁰³ 42 U.S.C. §300j-19a(c).

²⁰⁴ *Ibid.*

²⁰⁵ 42 U.S.C. §300j-19a(a)(2).

²⁰⁶ 42 U.S.C. §300j-19a(h).

²⁰⁷ *Ibid.*

²⁰⁸ EPA, “Final Allotments of FY2018 and FY2019 Appropriations for the Assistance to Small and Disadvantaged Communities Grants, Authorized under Section 2104 of the Water Infrastructure Improvements for the Nation Act,” April 29, 2019, at https://www.epa.gov/sites/production/files/2019-04/documents/wiin_2104_allotment_memo_april_2019.pdf.

²⁰⁹ EPA, *Assistance for Small and Disadvantaged Communities Drinking Water Grant Program: Grant Implementation Document*, August 2019, at https://www.epa.gov/sites/production/files/2019-08/documents/assistance_for_small_and_disadvantaged_communities_grant_implementation_document_08_27_19.pdf.

²¹⁰ See EPA website “WIIN Act Section 2104: Assistance for Small and Disadvantaged Communities Tribal Grant Program,” at <https://www.epa.gov/tribaldrinkingwater/wiin-act-section-2104-assistance-small-and-disadvantaged-communities-tribal>.

²¹¹ EPA, “Final Allotments of FY2021 Appropriations for the Assistance to Small and Disadvantaged Communities Grants, Authorized under Section 2104 of the Water Infrastructure Improvements for the Nation Act,” July 27, 2021, at <https://www.epa.gov/system/files/documents/2021-08/fy2021-initial-state-allotment-memo.pdf>.

²¹² EPA, “Allotments for Fiscal Year 2022 and 2023 for the Assistance to Small, Underserved and Disadvantaged Communities Grant, Authorized under Section 1459A of the Safe Drinking Water Act, as Amended by Section 2104 of the Water Infrastructure Improvements for the Nation Act,” June 23, 2023, at https://www.epa.gov/system/files/documents/2023-06/SUDC%20Grant%20Allotments%20for%20Fiscal%20Year%202022%20and%202023_0.pdf.

Recent Federal Funding

Beginning in FY2018, Congress has appropriated funds each year to support this grant program for small and disadvantaged communities. For FY2018, Congress provided \$20.0 million to support these grants (P.L. 115-141). For FY2019, the Consolidated Appropriations Act, 2019 (P.L. 116-6) provided \$25.0 million for this grant program. For FY2020, the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) provided \$25.4 million. For FY2021, the Consolidated Appropriations Act, 2021 (P.L. 116-260) provided \$26.4 million for this grant program. For FY2022, two acts provided appropriations for this grant program. IIJA (P.L. 117-58) provided appropriations for FY2022 of \$1.0 billion for this grant program for projects to address emerging contaminants. The Consolidated Appropriations Act, 2021 (P.L. 117-103) provided \$27.2 million for this grant program. Similarly, IIJA provided this grant program with \$1.0 billion dedicated to emerging contaminant projects in FY2023. For FY2023, the Consolidated Appropriations Act, 2023 (P.L. 117-328) provided \$30.2 million for this grant program. For FY2024, the President requested \$80.0 million for this grant program.²¹³

Statutory Authority

The statutory authority for the Assistance for Small and Disadvantaged Communities Drinking Water Grant program is SDWA Section 1459A (codified at 42 U.S.C. §300j-19a, added by the WIIN Act, P.L. 114-322, §2104).

Lead Reduction Projects Grant Program

In 2016, Congress amended SDWA to direct EPA to establish a grant program for projects and activities that reduce lead in drinking water.²¹⁴ These grants may be used to replace a publicly owned lead service line; to test, plan, or perform other relevant activities to control lead in drinking water; and to provide assistance to low-income homeowners to replace their portions of lead service lines.²¹⁵ Eligible grant recipients include public water systems; tribal water systems; qualified nonprofits with experience in lead reduction; and local, state, or municipal governments.²¹⁶ This grant program generally requires recipients to provide a 20% match. EPA may waive this matching requirement for reasons of affordability.

Recent Federal Funding

Congress first appropriated funds for this grant program in FY2018. In FY2018, the Consolidated Appropriations Act, 2018 (P.L. 115-141) provided \$10.0 million to support these grants. In FY2019, the Consolidated Appropriations Act, 2019 (P.L. 116-6) provided \$15.0 million for this grant program. In FY2020, the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) provided \$19.5 million to support this grant program. For FY2021, the Consolidated Appropriations Act, 2021 (P.L. 116-260) provided \$21.5 million for this grant program. The Consolidated Appropriations Act, 2022 (P.L. 117-103) provided \$22.0 million for this grant

²¹³ EPA, *Fiscal Year 2024 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R23001, Washington, DC, March 2023, at <https://www.epa.gov/system/files/documents/2023-03/fy-2024-congressional-justification-all-tabs.pdf>.

²¹⁴ P.L. 114-322.

²¹⁵ 42 U.S.C. §300j-19b(a)(2).

²¹⁶ 42 U.S.C. §300j-19b(a)(1).

program for FY2022. The Consolidated Appropriations Act, 2023 (P.L. 117-328) provided \$25.0 million for this grant program. For FY2024, the President requested \$182.0 million.²¹⁷

Statutory Authority

The statutory authority for this grant program is SDWA Section 1459B (codified at 42 U.S.C. §300j-19b, added by the WIIN Act, P.L. 114-322, §2105).

Small Water System Resilience and Sustainability Grant Program

In 2018, Congress amended SDWA to authorize EPA to establish the Drinking Water System Infrastructure Resilience and Sustainability Program, a grant program for small and disadvantaged public water systems.²¹⁸ EPA is to award grant funds to eligible public water systems 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.²¹⁹ This grant program generally requires recipients to provide a 10% cost share that EPA can waive.²²⁰

Recent Federal Funding

Congress first appropriated funds for this grant program in FY2020. In FY2020, the Further Consolidated Appropriations Act, 2020 (P.L. 116-94), provided \$3.0 million to support this grant program. For FY2021, the Consolidated Appropriations Act, 2021 (P.L. 116-260), provided \$4.0 million for this grant program. The Consolidated Appropriations Act, 2022 (P.L. 117-103), provided \$5.0 million for this grant program for FY2022. The Consolidated Appropriations Act, 2023 (P.L. 117-328), provided \$7.0 million for this grant program. For FY2024, the President requested \$25.0 million.²²¹

Statutory Authority

The statutory authority for the Small Water System Resilience and Sustainability grant program is SDWA Section 1459A(l) (codified at 42 U.S.C. §300j-19a(l), added by AWIA (P.L. 115-270, §2005)).

Midsize and Large Drinking Water System Infrastructure Resilience and Sustainability Program

In 2021, Congress amended SDWA to direct EPA to establish a grant program for public water systems serving 10,000 or more individuals to improve resilience to natural hazards and to address cybersecurity vulnerabilities.²²² Eligible uses of funds include various water conservation,

²¹⁷ EPA, *Fiscal Year 2024 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R23001, Washington, DC, March 2023, at <https://www.epa.gov/system/files/documents/2023-03/fy-2024-congressional-justification-all-tabs.pdf>.

²¹⁸ P.L. 115-270.

²¹⁹ 42 U.S.C. §300j-19a(l)(3).

²²⁰ 42 U.S.C. §300j-19a(l)(5).

²²¹ EPA, *Fiscal Year 2024 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R23001, Washington, DC, March 2023, at <https://www.epa.gov/system/files/documents/2023-03/fy-2024-congressional-justification-all-tabs.pdf>.

²²² P.L. 117-58.

desalination construction, and watershed management activities, among others.²²³ EPA is directed to use 50% of amounts available for grants for water systems serving 10,000 or more to 100,000 individuals, and 50% for systems serving more than 100,000 individuals.²²⁴

Recent Federal Funding

Congress first provided appropriations for this grant program for FY2023. The Consolidated Appropriations Act, 2023 (P.L. 117-328), provided \$5.0 million for this grant program. For FY2024, the President requested \$50.0 million.²²⁵

Statutory Authority

The statutory authority for the Midsize and Large Drinking Water System Resilience and Sustainability grant program is SDWA Section 1459F (codified at 42 U.S.C. §300j-19g, added by IIJA (P.L. 117-58, §50107)).

Department of Housing and Urban Development²²⁶

Community Development Block Grants

HUD administers assistance in support of state and local government neighborhood revitalization, including infrastructure improvements, primarily under the Community Development Block Grant (CDBG) program. The program's primary objective is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate income. State and local governments use CDBG funds for a broad range of neighborhood revitalization and community and economic development activities intended to meet one of three national objectives. Specifically, eligible activities must

1. principally benefit low- or moderate-income persons,
2. aid in preventing or eliminating slums and blight, or
3. address an imminent threat to the health and safety of residents.²²⁷

The program statute requires that at least 70% of a grantee's funds must benefit low- and moderate-income persons.²²⁸

The block grant nature of the CDBG program provides local government discretion in selecting the eligible activities to be undertaken in pursuit of national objectives. Water and waste disposal needs compete with many other eligible activities for this assistance, including historical preservation, energy conservation, economic development, lead-based paint abatement, public facilities, and public service activities.

²²³ 42 U.S.C. §300j-19(g)(1)(c).

²²⁴ 42 U.S.C. §300j-19(g)(1)(f).

²²⁵ EPA, *Fiscal Year 2024 Justification of Appropriation Estimates for the Committee on Appropriations*, EPA-190R23001, Washington, DC, March 2023, at <https://www.epa.gov/system/files/documents/2023-03/fy-2024-congressional-justification-all-tabs.pdf>.

²²⁶ This section was prepared by Joe Jaroscak, Analyst in Economic Development Policy, Government and Finance Division.

²²⁷ 24 C.F.R. § 570.208.

²²⁸ 42 U.S.C. §5301(c).

Congress has also used the program to provide supplemental appropriations to assist communities and states in response to natural disasters, the mortgage foreclosure crisis of 2008, economic recessions, terrorist attacks, and the Coronavirus Disease 2019 (COVID-19) pandemic. Since 1993, Congress has appropriated approximately \$99.6 billion in supplemental CDBG funding to assist targeted states and local governments in their recovery and mitigation efforts, as CDBG-Disaster Recovery (CDBG-DR) and CDBG-Mitigation (CDBG-MIT) funding.²²⁹

After subtracting any amounts specified in appropriations acts, 70% of CDBG funds (the entitlement program) are allocated by formula to entitlement communities.²³⁰ Entitlement communities are defined as central cities of metropolitan areas; metropolitan cities with populations of 50,000 or more; and statutorily defined urban counties.²³¹ These funds are not available for projects in rural communities. The remaining 30% of CDBG funding (the state program) is allocated by formula to the states for distribution to nonentitlement communities for use in areas that are not part of a CDBG entitlement community allocation. These funds, which are administered by each state, may be available for rural community water projects, among other eligible activities.²³²

Funds from both the state and the entitlement CDBG programs are disbursed across several broad categories, including the acquisition and demolition of real property, planning and administrative activities, housing, public services, and public improvements such as water and wastewater treatment facilities. From FY2018 to FY2022, water and sewer improvements accounted for an average of 12% of total CDBG expenditures. CDBG expenditures for public improvements overall—including water, sewer, and related improvements—accounted for approximately 36% of all CDBG funds expended during the same five-year span.²³³

Program Purpose

As noted, the primary goal of the CDBG program is the development of viable communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for low- and moderate-income persons. Funds may also be used to aid in preventing or eliminating slums and blight or to address an imminent threat to residents of the impacted area.

Financing or Funding Mechanism

The CDBG funding allocation process is outlined in the program's statute.²³⁴ After amounts specified in an appropriations act are allocated, 70% of the remaining funds are allocated by formula to entitlement communities and 30% to the states for distribution to nonentitlement communities. Funds are awarded to entitlement communities based on the higher yield from one of two weighted formulas. The first formula uses population, overcrowded housing, and poverty data, while the second formula allocates funds based on an entitlement community's relative share of poverty, housing built before 1940, and the lag in population growth rate relative to the

²²⁹ U.S. Department of Housing and Urban Development (HUD), *CDBG Grant History Report* (as of April 2023), at <https://www.hudexchange.info/programs/cdbg-dr/reports/>.

²³⁰ HUD, *Awards and Allocations*, at <https://www.hudexchange.info/grantees/allocations-awards/>.

²³¹ 42 U.S.C. §5302.

²³² HUD, *CDBG Expenditure Reports, National Expenditure Reports (FY2001-FY2020), All CDBG Disbursements*, at <https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/>.

²³³ Between FY2018 and FY2022, disbursements by CDBG recipients for water and sewer improvements averaged \$398.4 million per year. See HUD, *CDBG Expenditure Reports, National Expenditure Reports (FY2001-FY2020), All CDBG Disbursements*, at <https://www.hudexchange.info/programs/cdbg/cdbg-expenditure-reports/>.

²³⁴ 42 U.S.C. §5306.

total for all entitlement communities. Similar formulas are used to allocate nonentitlement funds to states.

In order to receive CDBG funds, eligible grantees are required to participate in HUD's Consolidated Plan process, in which grantees assess conditions and needs related to community development and housing to inform the selection of program activities. Under this process, grantees submit three- to five-year consolidated plans as well as annual strategic plans that must be developed with community input and conform to HUD specifications. Grantees also report annually on performance against their stated goals for the previous year through a Comprehensive Annual Performance Evaluation Report (CAPER).²³⁵

States do not undertake eligible CDBG activities directly. Instead, states act as fiscal agents charged with three distinct responsibilities: (1) determining the method or methods to be used to distribute funds to nonentitlement communities, including seeking the input of affected local governments; (2) selecting local governments that will receive funds; and (3) monitoring local government grant recipients and project implementation to ensure compliance with rules governing the program.

Eligibility Requirements

There are three categories of recipients eligible for direct allocations of CDBG program funds: entitlement communities, states (for distribution to nonentitlement communities), and insular areas (U.S. territories). Before funds are allocated to states and entitlement communities, a statutory amount of \$7.0 million is set aside annually for the U.S. territories or insular areas of Guam, the Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands. These funds are awarded annually based on each insular area's relative share of aggregate population for all insular areas.

Eligible activities include a wide range of projects such as public facilities and improvements, housing, public services, economic development, and brownfields redevelopment. Grantees must ensure that each activity meets one of the program's three national objectives: benefiting low- and moderate-income persons (the primary objective), aiding in the prevention or elimination of slums or blight, or assisting other community development needs that present a serious and immediate threat to the health or welfare of the community. Under the state program that assists smaller communities, states develop their own program and funding priorities and have considerable latitude to define community eligibility and criteria, within general criteria in law and regulations.

Recent Federal Funding

The Consolidated Appropriations Act, 2023, appropriated \$6.4 billion for the Community Development Fund (CDF),²³⁶ including \$3.3 billion in CDBG entitlement, nonentitlement, and insular area funds. The act included \$3.0 billion in the CDF for Economic Development Initiative funding, for congressionally directed community project spending, among other provisions.²³⁷ Of the amount appropriated for CDBG grants in FY2023, \$2.3 billion was allocated to entitlement

²³⁵ HUD, *Consolidated Plan Process, Grant Programs, and Related HUD Programs*, at <https://www.hudexchange.info/programs/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/>.

²³⁶ The CDBG program is funded in an account called the Community Development Fund.

²³⁷ HUD, *Economic Development Initiative—Community Project Funding Grants*, March 2023, at https://www.hud.gov/program_offices/comm_planning/economic_development_initiative_community_project_funding_grants.

communities, \$987.9 million to states for distribution to nonentitlement communities, and \$7.0 million to insular areas.²³⁸ The Administration’s FY2024 budget requested \$3.4 billion for the CDF, of which \$3.3 billion was requested for the CDBG program.²³⁹

Statutory and Regulatory Authority

Statutory authority for the CDBG program is Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. §§5301 et seq.). Regulations are codified at Title 24, Part 570, of the *Code of Federal Regulations*. Regulations covering the CDBG state program for nonentitlement communities are codified at Title 24, Part 570, Subpart I (§570.480).²⁴⁰ CDBG has operated under an expired authorization since 1994.

CDBG Section 108 Loan Guarantees

Authorized under the same title (Title I of the Housing and Community Development Act of 1974) as the formula-based CDBG program, Section 108 provides loan guarantees to CDBG grantees. The program allows entitlement communities and states, on behalf of a nonentitlement community, to leverage its annual CDBG allocation in support of large-scale economic development and housing rehabilitation projects and the construction, reconstruction, or installation of public facilities.

Program Purpose

Consistent with the goals and objectives of the CDBG program, Section 108 loan guarantees are intended to supplement CDBG program activities. The program allows entitlement communities and states to extend the reach of the formula-based CDBG program, giving them access to additional financial resources to undertake large-scale, transformative neighborhood revitalization efforts.

Eligible activities include acquiring and rehabilitating publicly owned real property; housing rehabilitation; economic development activities, including those carried out by for-profit and nonprofit entities; debt service reserves; payment of interest on the guaranteed loan; issuance cost of the public offering; and the acquisition, construction, reconstruction, and installation of public facilities, including water and sewer improvements.²⁴¹

Financing or Funding Mechanism

Section 108 loan guarantees are financed through public offerings. Under the program, states and communities are allowed to float bonds, notes, or debentures worth up to five times their annual CDBG allocation, minus any existing Section 108 commitments or outstanding principal balances, with a repayment period of up to 20 years. States and entitlement communities must

²³⁸ HUD’s Office of Community Planning and Development (CPD) administers the CDBG program. CPD’s Appropriations Budget/Allocations table provides the FY2023 amount of funding allocated for entitlement (called “local governments” in the table) and state CDBG programs. See HUD, “CPD Appropriations Budget/Allocations,” at https://www.hud.gov/program_offices/comm_planning/appropriations_budget_allocations.

²³⁹ OMB, *Budget of the U.S. Government, FY2024, Appendix*, p. 562, at https://www.whitehouse.gov/wp-content/uploads/2023/03/hud_fy2024.pdf.

²⁴⁰ For more program information on CDBG entitlements grants, see <https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/>. For information on the CDBG state program, see <https://www.hudexchange.info/programs/cdbg-state/>.

²⁴¹ 42 U.S.C. §5308(a).

pledge their current and future CDBG allocations as security against default of the bonds or notes. Section 108 funds are made available on an ongoing basis, allowing communities to apply for funds any time during the year. Section 108 loan funds are made available to eligible public entities that may reloan the funds to private participants in a redevelopment project. Applicants are encouraged to meet with HUD staff prior to submitting a formal application.

Eligibility Requirements

Section 108 loan guarantees may be accessed only by CDBG entitlement communities and states on behalf of a CDBG nonentitlement community. All eligible activities must meet at least one of the three national objectives of the regular CDBG program: the project must principally benefit low- and moderate-income persons, aid in eliminating or preventing slums and blight, or address an imminent threat to the health and safety of residents. The program has an open application process, allowing entitlement communities and states to submit applications anytime during the year. The application process governing the Section 108 program can be grouped into several distinct stages: application presubmission, citizen participation, application submission, application review and notification, award allocation, and reporting.

When submitting formal applications, states and entitlement communities must include a description of activities to be carried out, financing structure, source of loan repayment, citizen participation plan, antidisplacement strategy, and a pledge of the applicant's CDBG allocation as security for the Section 108 guaranteed loan.²⁴²

Recent Federal Funding

For FY2023, Congress authorized a loan commitment ceiling of \$300.0 million and directed HUD to collect fees from borrowers that result in a credit subsidy cost of zero for guaranteeing Section 108 loans.²⁴³ Until FY2015, Congress appropriated an amount necessary to cover the estimated long-term liability to the federal government of a Section 108 loan guarantee (credit subsidy). The Department of Housing and Urban Development Appropriations Act of FY2014²⁴⁴ changed that arrangement, allowing HUD to collect a fee from the borrower to cover the cost of the credit subsidy. The amount of the fee is determined annually by HUD based on a percentage of the principal amount of the Section 108 guaranteed loan. For FY2024, the Administration requested \$400.0 million in Section 108 loan guarantee authority.²⁴⁵

Statutory and Regulatory Authority

Statutory authority for the Section 108 program is Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. §5308). Regulations are codified at Title 24, Part 570, Subpart M, of the *Code of Federal Regulations*.

²⁴² 24 C.F.R. § 570.704.

²⁴³ P.L. 117-328.

²⁴⁴ P.L. 113-76, 128 Stat. 617.

²⁴⁵ OMB, *Budget of the U.S. Government, FY2024, Appendix*, p. 562, at https://www.whitehouse.gov/wp-content/uploads/2023/03/hud_fy2024.pdf.

Department of Commerce²⁴⁶

Economic Development Administration Public Works Program

The Department of Commerce’s Economic Development Administration (EDA) is authorized to provide certain types of development assistance to areas experiencing substantial economic distress.²⁴⁷ EDA grants for community water and sewer projects are available primarily through its Public Works program.²⁴⁸ Similar assistance is also available under the agency’s Economic Adjustment Assistance program, which is discussed in the subsequent section.²⁴⁹

Under the Public Works program, grants are awarded competitively to eligible applicants to revitalize, expand, and upgrade their physical infrastructure. These investments in public works improvements are generally linked to projects intended to enable communities to attract new industry, encourage business expansion and retention, diversify local economies, and generate or retain private-sector jobs in EDA-designated distressed regions. Grants may be used for a wide range of purposes, and may have a water supply or wastewater element.

The types of projects funded include business and science parks, expansion of port and harbor facilities, business incubator facilities, skill-training facilities, telecommunications infrastructure, redevelopment of brownfields, and water and wastewater facilities primarily serving industry and commerce.²⁵⁰ Federal law requires that eligible recipients retain ownership of EDA-funded projects.²⁵¹ Because EDA grants are designed to primarily support economic development, foster job creation, and attract private investment, these grants are generally not available for *residential* sewer and water supply development.²⁵²

Program Purpose

The purpose of EDA’s Public Works program is to promote long-term economic development and assist in the construction of public works and the development of facilities needed to initiate and support the creation or retention of permanent private-sector jobs in areas experiencing long-term economic deterioration and distress. The program supports investments that help distressed areas address their competitive disadvantages.²⁵³

Financing or Funding Mechanism

EDA competitively awards public works grants directly to approved applicants. Generally, EDA investment assistance may not exceed 50% of the project cost. Projects may receive an additional amount, not to exceed 30%, based on the relative needs of the region in which the project will be

²⁴⁶ This section was prepared by Julie Lawhorn, Analyst in Economic Development Policy, Government and Finance Division.

²⁴⁷ 42 U.S.C. §3161.

²⁴⁸ 42 U.S.C. §3141.

²⁴⁹ 42 U.S.C. §3149.

²⁵⁰ EDA, “Public Works,” at <https://www.eda.gov/funding/programs/public-works>.

²⁵¹ 13 C.F.R. §314.7.

²⁵² EDA, “FY2023 Public Works and Economic Adjustment Assistance Notice of Funding Opportunity,” p. 10, at <https://www.grants.gov/web/grants/view-opportunity.html?oppId=346815>. For additional information, see EDA, “Public Works,” at <https://www.eda.gov/funding/programs/public-works>.

²⁵³ 42 U.S.C. §3141(b).

located, as determined by EDA.²⁵⁴ In the case of certain Indian tribes, nonprofit organizations that have exhausted their effective borrowing capacity, or a state or political subdivision of a state that has exhausted its effective taxing and borrowing capacity, grants totaling 100% of a project's cost may be awarded.²⁵⁵ Credit may be given toward the nonfederal share for in-kind contributions, including contributions of space, equipment, and services.²⁵⁶ No minimum or maximum project amount is specified in law.

Eligibility Requirements

Public works grants may be made to states, cities, counties and other political subdivisions of states, Indian Tribes, economic development districts, institutions of higher education or a consortium of such institutions, and private or public not-for-profit organizations acting in cooperation with officials of a political subdivision of a state.²⁵⁷ Individuals and for-profit, private-sector entities do not qualify.²⁵⁸

Qualified projects must fill a pressing need of the area and must (1) be intended to improve the opportunities for the successful establishment or expansion of businesses, (2) assist in the creation of additional long-term private-sector employment, and (3) benefit long-term unemployed or underemployed persons and low-income families.²⁵⁹ Projects must also be consistent with the region's certified Comprehensive Economic Development Strategy (CEDS) or equivalent EDA-accepted regional economic development strategy²⁶⁰ and have an adequate share of nonfederal funds.²⁶¹ In addition, eligible projects must be located in areas that meet at least one of the following criteria: low per-capita income, unemployment above the national average, or "special need" as determined by EDA.²⁶²

Recent Federal Funding

In FY2020, Congress directed EDA to allocate \$118.5 million of total appropriations for the Public Works grant program.²⁶³ The amount of Public Works funding increased by \$1.0 million

²⁵⁴ 42 U.S.C. §3144. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 301, Subpart D—Investment Rates and Matching Share Requirements.

²⁵⁵ 42 U.S.C. §3144(c).

²⁵⁶ 42 U.S.C. §3144(b).

²⁵⁷ Under this program, the term *state* includes the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Under this program, the term *Indian tribe* includes any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village or Regional Corporation (as defined in or established under the Alaska Native Claims Settlement Act (43 U.S.C. §§1601 et seq.)), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (42 U.S.C. §3122).

²⁵⁸ 42 U.S.C. §3122(4).

²⁵⁹ 42 U.S.C. §3141(b).

²⁶⁰ 42 U.S.C. §3141(b)(3).

²⁶¹ 42 U.S.C. §3144.

²⁶² 42 U.S.C. §3161. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 300, Subpart C—Economic Distress Criteria. See also EDA's Notice of Funding Opportunity, Public Works and Economic Adjustment Assistance Programs, FY2023, at <https://www.grants.gov/web/grants/view-opportunity.html?oppId=346815>.

²⁶³ *Congressional Record*, December 17, 2019, pp. H10961-10962, at <https://www.govinfo.gov/content/pkg/CREC-2019-12-17/pdf/CREC-2019-12-17-house-bk2.pdf>.

each fiscal year through 2023, reaching \$121.5 million in FY2023.²⁶⁴ For FY2024, the Administration requested \$100.0 million for the Public Works program.²⁶⁵

Statutory and Regulatory Authority

The statutory authority for the Public Works program is the Public Works and Economic Development Act of 1965, as amended, P.L. 89-136 (42 U.S.C. §§3121 et seq.). Regulations are codified at Title 13, Chapter III, Parts 302, 305, 316, and 317, of the *Code of Federal Regulations*.

Economic Development Administration Economic Adjustment Assistance Program

EDA, through its Economic Adjustment Assistance (EAA) grant program, awards development assistance to areas experiencing long-term economic deterioration and distress or sudden and substantial economic dislocation. This may include assisting communities/regions affected by natural disasters, natural resource depletion, mass layoffs, and other severe economic shocks that communities experience in restructuring and diversifying their regional economies. Funds have also been made available to aid communities experiencing chronic unemployment and underinvestment, and communities affected by military base realignments and closures.²⁶⁶

EAA funds are competitively awarded to qualified applicants to assist them in developing and implementing a five-year CEDS or for implementation grants that support the activities and strategies identified in a CEDS. Examples of EAA activities may include

- construction of public infrastructure projects, including water and sewer facilities, industrial parks, and business incubators;
- strategic planning activities that include short-term action plans intended to stabilize a distressed community and regionally oriented, long-term development strategies intended to assess and redirect the region’s economic future;
- capitalization of revolving loan funds, which would allow qualifying businesses and other borrowers to borrow funds at favorable interest rates; or
- market or industry research and analysis; technical assistance, including feasibility studies; public services; and training.²⁶⁷

Federal law requires that eligible recipients retain ownership of EDA-funded projects.²⁶⁸ Because EDA grants are designed to primarily support economic development, foster job creation, and

²⁶⁴ *Congressional Record*, vol. 166, no. 28 (December 21, 2020), p. H7922, at <https://www.govinfo.gov/content/pkg/CREC-2020-12-21/pdf/CREC-2020-12-21-house-bk3.pdf>; *Congressional Record*, vol. 168, no. 42 (March 9, 2022), p. H1772, at <https://www.congress.gov/117/crec/2022/03/09/168/42/CREC-2022-03-09-bk3.pdf>; and *Congressional Record*, vol. 168, no. 198 (December 20, 2022), p. S7898, at <https://www.congress.gov/117/crec/2022/12/20/168/198/CREC-2022-12-20-pt1-PgS7819-2.pdf>.

²⁶⁵ U.S. Department of Commerce (DOC), *FY2024 EDA Congressional Budget Justification*, p. 27, at <https://www.commerce.gov/sites/default/files/2023-03/EDA-FY2024-Congressional-Budget-Submission.pdf>.

²⁶⁶ 42 U.S.C. §3149. For additional information, see EDA, “Economic Adjustment Assistance,” at <https://www.eda.gov/economic-adjustment-assistance>.

²⁶⁷ 13 C.F.R. Part 307 and EDA, “FY2023 Public Works and Economic Adjustment Assistance Notice of Funding Opportunity,” at <https://www.grants.gov/web/grants/view-opportunity.html?oppId=346815>.

²⁶⁸ 13 C.F.R. §314.7.

attract private investment, these grants are generally not available for *residential* sewer and water supply development.²⁶⁹

Program Purpose

The purpose of the program is to promote long-term economic development in areas experiencing sudden economic dislocation or long-term economic distress. EDA’s EAA program supports investments intended to help distressed areas address their competitive disadvantages and evaluate their economic futures.

Financing or Funding Mechanism

EDA competitively awards EAA grants directly to eligible applicants. Generally, EAA investment assistance may not exceed 50% of the project cost. Projects may receive an additional amount, not to exceed 30%, based on the relative needs of the region in which the project will be located, as determined by EDA.²⁷⁰ In the case of certain Indian tribes and nonprofit organizations that have exhausted their effective borrowing capacity, or a state or political subdivision of a state that has exhausted its effective taxing and borrowing capacity, grants totaling 100% may be awarded.²⁷¹ Credit may be given toward the nonfederal share for in-kind contributions, including contributions of space, equipment, and services.²⁷² No minimum or maximum project amount is specified in law.

Eligibility Requirements

EAA grants may be made to states, cities, counties and other political subdivisions of states, Indian Tribes, economic development districts, institutions of higher education or a consortium of such institutions, and private or public not-for-profit organizations acting in cooperation with officials of a political subdivision of a state.²⁷³ Individuals and for-profit, private-sector entities do not qualify.²⁷⁴

Qualified projects must fill a pressing need of the area arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe changes in economic conditions.²⁷⁵ Projects must also have an adequate share of local funds.²⁷⁶ With the exception of

²⁶⁹ EDA, “FY2023 Public Works and Economic Adjustment Assistance Notice of Funding Opportunity,” p. 10, at <https://www.grants.gov/web/grants/view-opportunity.html?oppId=346815>. For additional information, see EDA, “Public Works,” at <https://www.eda.gov/funding/programs/public-works>.

²⁷⁰ 42 U.S.C. §3144. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 301, Subpart D—Investment Rates and Matching Share Requirements.

²⁷¹ 42 U.S.C. §3144(c).

²⁷² 42 U.S.C. §3144(b).

²⁷³ Under this program, the term *state* includes the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Under this program, the term *Indian tribe* includes any Indian tribe, band, nation, pueblo, or other organized group or community, including any Alaska Native village or Regional Corporation (as defined in or established under the Alaska Native Claims Settlement Act (43 U.S.C. §§1601 et seq.)), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (42 U.S.C. §3122).

²⁷⁴ 42 U.S.C. §3122(4).

²⁷⁵ 42 U.S.C. §3149.

²⁷⁶ 42 U.S.C. §3144.

strategy grants, EAA projects must also be consistent with the area’s CEDS.²⁷⁷ In addition, eligible projects must be located in areas that meet at least one of the following criteria: low per-capita income, unemployment above the national average, or “special need” as determined by EDA.²⁷⁸

Recent Federal Funding

Congress directed EDA to allocate \$37.0 million annually to the EAA program in FY2018-FY2020 and \$37.5 million to the program in FY2021 and FY2022.²⁷⁹ Congress directed EDA to allocate \$39.5 million to the EAA program in FY2023.²⁸⁰ For FY2024, the Administration’s budget requested \$33.0 million for the EAA program.²⁸¹

Congress has approved additional funding for EDA grant programs that support economic transition strategies and help affected communities build economic development capacity through Assistance to Energy Transition initiatives (e.g., the Assistance to Coal Communities [ACC], the Assistance to Nuclear Closure Communities [NCC], and Assistance to Biomass Closure Communities [BCC] initiatives). Congress directed EDA to allocate \$10.0 million in FY2015 and \$15.0 million in FY2016 to the ACC initiative.²⁸² Funding for the ACC initiative remained at \$30.0 million each year for FY2017 through FY2020 and increased to \$33.5 million in FY2021 and to \$41.5 million in FY2022. In FY2020, Congress directed EDA to allocate \$15.0 million for the first time to the NCC initiative and increased the amount to \$16.5 million each fiscal year from FY2021 through FY2023. For the first time in FY2022, Congress directed EDA to provide funding (\$4.5 million) through the EAA program to biomass power plant closure communities. In FY2023, Congress again directed EDA to provide \$4.5 million to the BCC initiative. For FY2024, the Administration requested \$80.5 million for the ACC initiative and \$10.0 million for the NCC initiative.²⁸³ ACC, NCC, and BCC grants are administered primarily under the authority of EDA’s EAA program and can be used for a variety of eligible activities, including infrastructure, water, and wastewater projects.²⁸⁴

²⁷⁷ 42 U.S.C. §3149(b)(2).

²⁷⁸ 42 U.S.C. §3161. Additionally, agency regulations describe the economic distress criteria at 13 C.F.R. Part 300, Subpart C—Economic Distress Criteria. See also the EDA’s Notice of Funding Opportunity, Public Works and Economic Adjustment Assistance Programs, FY2020, at <https://www.grants.gov/web/grants/view-opportunity.html?oppId=321695>.

²⁷⁹ See explanatory statements accompanying P.L. 115-141, P.L. 116-6, P.L. 116-93, P.L. 116-260, and P.L. 117-103.

²⁸⁰ Sen. Patrick Leahy, “Explanatory Statement Submitted by Mr. Leahy, Chair of the Senate Committee on Appropriations, Regarding H.R. 2617, Consolidated Appropriations Act, 2023,” Senate, *Congressional Record*, vol. 168, No. 198 (December 20, 2022), p. S7898, at <https://www.congress.gov/congressional-record/volume-168/issue-198/senate-section/article/S7819-2>.

²⁸¹ U.S. Department of Commerce, *FY2024 EDA Congressional Budget Justification*, p. 57, at <https://www.commerce.gov/sites/default/files/2023-03/EDA-FY2024-Congressional-Budget-Submission.pdf>.

²⁸² In FY2015 and FY2016, the ACC initiative was administered as a component of the multiagency POWER Initiative—a coordinated federal effort to assist coal-impacted communities. For more information, see CRS Report R46015, *The POWER Initiative: Energy Transition as Economic Development*, by Julie M. Lawhorn.

²⁸³ U.S. Department of Commerce, *FY2024 EDA Congressional Budget Justification*, pp. 69-75, at <https://www.commerce.gov/sites/default/files/2023-03/EDA-FY2024-Congressional-Budget-Submission.pdf>.

²⁸⁴ For more information, see “Assistance to Energy Transition Communities” in CRS Report R46991, *Economic Development Administration: An Overview of Programs and Appropriations (FY2011-FY2023)*, by Julie M. Lawhorn; CRS Insight IN11648, *The Economic Development Administration’s Assistance to Coal and Nuclear Closure Communities Initiatives for Economic Transitions*, by Julie M. Lawhorn; and EDA, “Notice of Funding Opportunity, Public Works and Economic Adjustment Assistance Programs, FY2023,” at <https://www.grants.gov/web/grants/view-opportunity.html?oppId=346815>.

Additionally, in FY2020 and FY2021, Congress approved two rounds of supplemental funding, primarily through the EAA program. Congress approved \$1.5 billion of supplemental funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) in FY2020. The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) included \$3.0 billion in supplemental funding to the EDA for economic adjustment assistance activities. Congress directed EDA to use CARES Act and ARPA funding to prevent, prepare for, and respond to COVID-19 and for responding to economic injury as a result of the COVID-19 pandemic, which could include infrastructure, water, and wastewater activities.²⁸⁵

Statutory and Regulatory Authority

The statutory authority for the Economic Adjustment Assistance program is the Public Works and Economic Development Act of 1965, as amended, P.L. 89-136 (42 U.S.C. §§3121 et seq.). Regulations are codified at Title 13, Chapter III, Parts 302, 305, 316, and 317 of the *Code of Federal Regulations*.

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²⁸⁵ In March 2021, EDA announced that the agency had awarded more than \$1 billion in CARES Act grants. See EDA, “U.S. EDA Marks Milestone \$1 Billion in CARES Act Grants Awarded,” March 22, 2021, at <https://www.eda.gov/news/blogs/2021/03/22/eda-marks-cares-act-milestone.htm>.

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