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Water Infrastructure Financing: History of EPA Appropriations

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Summary

The principal federal program to aid municipal wastewater treatment plant construction is authorized in the Clean Water Act (CWA). Established as a grant program in 1972, it now capitalizes state loan programs through the clean water state revolving loan fund (CWSRF) program. Since FY1972, appropriations have totaled $98 billion.

In 1996, Congress amended the Safe Drinking Water Act (SDWA, P.L. 104-182) to authorize a similar state loan program for drinking water to help systems finance projects needed to comply with drinking water regulations and to protect public health. Since FY1997, appropriations for the drinking water state revolving loan fund (DWSRF) program have totaled $23 billion.

The U.S. Environmental Protection Agency (EPA) administers both SRF programs, which annually distribute funds to the states for implementation. Funding amounts are specified in the State and Tribal Assistance Grants (STAG) account of EPA annual appropriations acts. The combined appropriations for wastewater and drinking water infrastructure assistance have represented 25%-32% of total funds appropriated to EPA in recent years.

Prior to CWA amendments in 1987 (P.L. 100-4), Congress provided wastewater grant funding directly to municipalities. The federal share of project costs was generally 55%; state and local governments were responsible for the remaining 45%. The 1987 amendments replaced this grant program with the SRF program. Local communities are now often responsible for 100% of project costs, rather than 45%, as they are required to repay loans to states. The greater financial burden of the act's loan program on some cities has caused some to seek continued grant funding.

Although the CWSRF and DWSRF have largely functioned as loan programs, both allow the implementing state agency to provide "additional subsidization" under certain conditions. Since its amendments in 1996, the SDWA has *authorized* states to use up to 30% of their DWSRF capitalization grants to provide additional assistance, such as forgiveness of loan principal or negative interest rate loans, to help disadvantaged communities. America's Water Infrastructure Act of 2018 (AWIA; P.L. 115-270) increased this proportion to 35% while conditionally requiring states to use at least 6% of their capitalization grants for these purposes.

Congress amended the CWA in 2014, adding similar provisions to the CWSRF program. In addition, appropriations acts in recent years have *required* states to use minimum percentages of their allotted SRF grants to provide additional subsidization.

Final full-year appropriations were enacted as part of the Consolidated Appropriations Act, FY2019 (P.L. 116-6), on February 15, 2019. The act provided $1.694 billion for the CWSRF and $1.163 billion for the DWSRF program, nearly identical to the FY2018 appropriations. The FY0219 act provided $68 million for the WIFIA program, a $5 million increase from the FY2018 appropriation.

Compared to the FY2019 appropriation levels, the Trump Administration's FY2020 budget request proposes to decrease the appropriations for the CWSRF, DWSRF, and WIFIA programs by 34%, 26%, and 63%, respectively.

Contents

Introduction 1
Summary of Water Infrastructure Appropriations 3
Historical Funding Developments 6
Special Purpose Project Grants 6
Local Cost Share on Special Purpose Grants 7
Additional Subsidization 9
Noninfrastructure Grants 10
Appropriations Chronology 10
FY1986, FY1987 10
FY1988 10
FY1989 11
FY1990 11
FY1991 12
FY1992 12
FY1993 13
FY1994 14
FY1995 14
FY1996 15
FY1997 17
FY1998 18
FY1999 20
FY2000 21
FY2001 22
FY2002 23
FY2003 24
FY2004 25
FY2005 25
FY2006 26
FY2007 28
FY2008 29
FY2009 30
FY2009 Supplemental Appropriations, the American Recovery and Reinvestment Act 30
FY2010 31
FY2011 31
FY2012 32
FY2013 33
FY2014 33
FY2015 34
FY2016 34
FY2017 35
FY2018 36
FY2019 37
FY2020 37

Figures

Figure 1. EPA Water Infrastructure Annual Appropriations: FY1986-FY2019 6

Tables

Table 1. EPA Water Infrastructure Funding 4

Contacts

Author Information 38
Acknowledgments 38

Introduction

The Clean Water Act (CWA)[1] authorizes the principal federal program to aid municipal wastewater treatment plant construction and related eligible activities. Congress established this program in the Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500) (although prior versions of the act had authorized less ambitious grants assistance since 1956). Title II of P.L. 92-500 authorized grants to states for wastewater treatment plant construction under a program administered by the Environmental Protection Agency (EPA). Federal funds were provided through annual appropriations under a state-by-state allocation formula contained in the act itself. States used their allotments to make grants to cities to build or upgrade wastewater treatment plants, supporting the overall objectives of the act: restoring and maintaining the chemical, physical, and biological integrity of the nation's waters. The federal share of project costs, originally 75% under P.L. 92-500, was reduced to 55% in 1981.

By the mid-1980s, there was considerable policy debate between Congress and the Administration over the future of the act's construction grants program and, in particular, the appropriate federal role in funding municipal water infrastructure projects. Through FY1984, Congress had appropriated nearly $41 billion under this program, representing the largest nonmilitary public works programs since the Interstate Highway System. The grants program was a target of budget cuts in the Reagan Administration, which sought to redirect budgetary priorities in part to sort out the appropriate roles of federal, state, and local governments in a number of domestic policy areas, including water pollution control. The Administration's rationale included several points:

- The original intent of the program to address the backlog of sewage treatment needs had been virtually eliminated by the mid-1980s.
- Most remaining projects (such as small, rural systems) were believed to pose little environmental threat and were not appropriate federal responsibilities.
- State and local governments, in the Administration's view, were fully capable of running construction programs and have a clear responsibility to construct treatment capacity to meet environmental objectives that were primarily established by states.

Thus, the Reagan Administration sought a phaseout of the act's construction grants program by 1990. Many states and localities supported the idea of phasing out the grants program, since many were critical of what they viewed as burdensome rules and regulations that accompanied the federal grant money. However, they sought a longer transition and ample flexibility to set up long-term financing to promote state and local self-sufficiency.

Congress's response to this debate was contained in 1987 amendments to the act (P.L. 100-4, the Water Quality Act of 1987). It authorized $18 billion over nine years for sewage treatment plant construction, through a combination of the Title II grants program and a new State Water Pollution Control Revolving Funds program—hereinafter the clean water state revolving fund (CWSRF) program. Under the new program, in CWA Title VI, federal grants would be provided as seed money for state-administered loans to build sewage treatment plants and, eventually, other water quality projects. Cities, in turn, would repay loans to the state, enabling a phaseout of federal involvement while the state built up a source of capital for future investments. Under the amendments, the CWSRF program was phased in beginning in FY1989 (in FY1989 and FY1990,

[1] The official statutory name is the Federal Water Pollution Control Act, P.L. 92-500, as amended, codified at 33 U.S.C. §1251 *et seq.*

appropriations were split equally between Title II and Title VI grants) and entirely replaced the previous Title II program in FY1991. The intention was that states would have flexibility to set priorities and administer funding, while federal aid would end after FY1994.

The CWSRF authorizations for appropriations provided in the 1987 amendments expired in FY1994, but pressure to extend federal funding has continued, in part because, although Congress has appropriated $98 billion in CWA Title II and Title VI wastewater infrastructure assistance since 1972, funding needs remain high: According to the most recent formal estimate by EPA and states (prepared in 2016), an additional $271 billion nationwide is needed over the next 20 years for all types of projects eligible for funding under the act.[2] Congress has continued to appropriate funds, and continued to assist states and localities in meeting wastewater infrastructure needs and complying with CWA requirements.

In 1996, Congress established a parallel program under the Safe Drinking Water Act (SDWA) to help communities finance projects needed to comply with federal drinking water regulations.[3] Funding support for drinking water occurred for several reasons. First, until the 1980s, the number of drinking water regulations was fairly small, and public water systems often did not need to make large investments in treatment technologies to meet those regulations. Second, good quality drinking water traditionally has been available to many communities at relatively low cost. By comparison, essentially all communities have had to construct or upgrade sewage treatment facilities to meet the requirements of the CWA.

Over time, drinking water circumstances changed, as communities grew, and commercial, industrial, agricultural, and residential land-uses became more concentrated, thus resulting in more contaminants reaching drinking water sources. Moreover, as the number of federal drinking water standards has increased, many communities have found that their water may not be as good as once thought and that additional treatment technologies are required to meet the new standards and protect public health. Between 1986 and 1996, for example, the number of regulated drinking water contaminants grew from 23 to 83, and EPA and the states expressed concern that many of the nation's 52,000 small community water systems were likely to lack the financial capacity to meet the rising costs of SDWA compliance. According to the most recent EPA-state survey (issued in 2018), future funding needs for projects to treat and deliver public drinking water supplies in the United States are $473 billion over the next 20 years.[4]

Congress responded to these concerns by enacting the 1996 SDWA Amendments (P.L. 104-182), which authorized a drinking water state revolving loan fund (DWSRF) program to help systems finance projects needed to comply with SDWA regulations and to protect public health. This program, fashioned after the CWSRF program, authorizes EPA to make grants to states to capitalize DWSRFs which states then use to make loans to public water systems. Appropriations for the program were authorized at $599 million for FY1994 and $1 billion annually for FY1995 through FY2003.

Capitalization grants for DWSRF programs were provided for the first time in FY1997. Although the authorizations for appropriations expired in FY2003, Congress continued to provide funding for the program in annual appropriations, totaling $23 billion through FY2019. America's Water Infrastructure Act of 2018 (AWIA; P.L. 115-270), enacted on October 23, 2018, reauthorized

[2] EPA, *Clean Watersheds Needs Survey 2012, Report to Congress*, 2016, http://www.epa.gov/sites/production/files/2015-12/documents/cwns_2012_report_to_congress-508-opt.pdf.

[3] For information, see CRS Report R45304, *Drinking Water State Revolving Fund (DWSRF): Overview, Issues, and Legislation*, by Mary Tiemann.

[4] EPA, *Drinking Water Infrastructure Needs Survey and Assessment*, EPA-816-K-17-002, March 2018.

appropriations for the DWSRF at $1.17 billion in FY2019, $1.30 billion in FY2020, and $1.95 billion in FY2021.[5]

The first section of this report includes a table that summarizes the history of appropriations for both wastewater and drinking water infrastructure programs. The next section discusses several historical developments in water infrastructure funding. The last section contains a detailed chronology of congressional activity regarding wastewater and drinking water infrastructure funding for each fiscal year since the 1987 CWA amendments.

Summary of Water Infrastructure Appropriations

Table 1 summarizes funding for the wastewater and drinking infrastructure programs since enactment of the 1987 CWA amendments (P.L. 100-4). Funding for these EPA programs is contained in the appropriations act providing funds for the Department of the Interior, Environment, and Related Agencies.[6] Within the portion of the bill that funds EPA, wastewater treatment assistance was first specified in an account called Construction Grants, which was subsequently renamed State Revolving Funds/Construction Grants, and then renamed Water Infrastructure. Since FY1996, this account has been titled State and Tribal Assistance Grants (STAG).

The STAG account now includes all water infrastructure funds and management grants provided to assist states in implementing air quality, water quality, and other media-specific environmental programs. The FY1996 appropriation was the first to include both water infrastructure and other state environmental grants; the latter previously were included in EPA's general program management account. Amounts shown in **Table 1** include funds for CWA Title II grants, CWSRF grants, drinking water SRF grants, special project grants (discussed below), and the Water Infrastructure Finance and Innovation Act (WIFIA) program.[7] Congress first provided appropriations to cover the subsidy costs of this program in FY2017, as discussed in the detailed chronology section below.

Table 1 does not include funds for consolidated state environmental management grants. These grants include funding for a wide range of environmental programs, which have changed over time. In recent years, the categorical grants have included funding for water, air, and waste programs. The categorical grant programs most closely related to water infrastructure issues include grants for states' nonpoint source management programs (CWA Section 319) and states' pollution control programs (CWA Section 106). Funding levels for the environmental management state grants are discussed below in the appropriations chronology section.

As an additional comparison, **Figure 1** illustrates the total EPA water infrastructure appropriations (for clean water and drinking water assistance combined) between FY1986 and FY2019 in both nominal dollars (i.e., not adjusted for inflation) and constant (2018) dollars (i.e., adjusted for inflation).

[5] For more information about AWIA revisions to the DWSRF program, see CRS Report R45656, *America's Water Infrastructure Act of 2018 (P.L. 115-270): Drinking Water Provisions*, by Elena H. Humphreys.

[6] Prior to the 109th Congress, EPA appropriations were included in acts funding the Department of Veterans Affairs, Department of Housing and Urban Development, and Independent Agencies. In January 2005, House and Senate Appropriations Committees reorganized, and Congress moved jurisdiction over funding for EPA and several other entities to the Appropriations subcommittees covering Interior and Related Agencies.

[7] For more information, see CRS Report R43315, *Water Infrastructure Financing: The Water Infrastructure Finance and Innovation Act (WIFIA) Program*, by Jonathan L. Ramseur and Mary Tiemann.

Table 1. EPA Water Infrastructure Funding

Millions of Dollars—Not Adjusted for Inflation

Fiscal Year	CWA Authorization	SDWA Authorization	President's Request	CWA Title II	CWSRF	DWSRF	Special Projects	WIFIA	Total Appropriation
1986	2,400		2,400	1,800					1,800
1987	2,400		2,000	2,361					2,361
1988	2,400		2,000	2,304					2,304
1989	2,400		1,500	941	941		68		1,950
1990	2,400		1,200	960	967		53		1,980
1991	2,400		1,600		2,048		36		2,084
1992	1,800		1,883		1,949		435		2,384
1993	1,200		2,467		1,928		556		2,484
1994	600	599	2,047		1,218		558		1,776
1995	—	1,000	2,528		1,235		834		2,069
1996	—	1,000	2,365		2,074		307		2,380
1997	—	1,000	2,178		625	1,275	301		2,201
1998	—	1,000	2,078		1,350	725	393		2,468
1999	—	1,000	2,028		1,350	775	402		2,527
2000	—	1,000	1,753		1,345	820	395		2,561
2001	—	1,000	1,753		1,350	825	466		2,641
2002	—	1,000	2,233		1,350	850	459		2,659
2003	—	1,000	2,185		1,341	845	413		2,599
2004	—	—	1,798		1,342	845	425		2,612
2005	—	—	1,794		1,091	843	402		2,336
2006	—	—	1,649		887	838	281		2,005
2007	—	—	1,570		1,084	838	84		2,005

Fiscal Year	CWA Authorization	SDWA Authorization	President's Request	CWA Title II	CWSRF	DWSRF	Special Projects	WIFIA	Total Appropriation
2008	—	—	1,553		689	829	177		1,695
2009[a]	—	—	1,397		4,689	2,829	184		7,702
2010	—	—	3,920		2,100	1,387	187		3,674
2011	—	—	3,307		1,522	963	20		2,505
2012	—	—	2,560		1,467	918	15		2,399
2013[b]	—	—	2,045		1,376	861	14		2,252
2014	—	—	1,927		1,449	907	15		2,371
2015	—	—	1,790		1,449	907	15		2,371
2016	—	—	2,317		1,394	863	30		2,287
2017	—	—	2,022		1,394	963	30	30	2,420
2018[c]	—	—	2,257		1,694	1,163	30	63	2,950
2019	—	1,174	2,280		1,694	1,164	40	68	2,966
2020	—	1,300	2011(R)		1,120(R)	863(R)	3(R)	25(R)	

Source: Compiled by CRS from annual appropriations acts. Requested amounts from EPA's FY2020 Budget in Brief.

Notes: (R) = requested

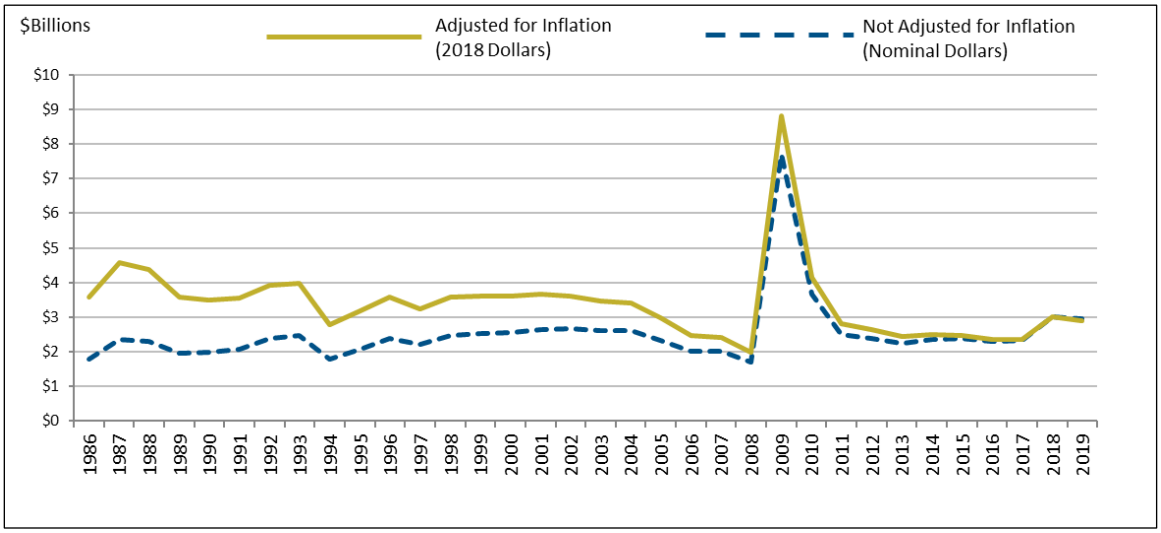
a. The FY2009 total includes $6.0 billion in supplemental appropriations provided under the American Recovery and Reinvestment Act, P.L. 111-5, consisting of $4.0 billion for CWA SRF capitalization grants and $2.0 billion for SDWA SRF capitalization grants.

b. FY2013 total reflects post-sequester/post-rescission amounts. See text for detail.

c. The FY2018 appropriation provided new funding (in aggregate $50 million) for three SDWA grant programs authorized in the Water Infrastructure Improvements for the Nation Act (P.L. 114-322, Title II, the Water and Waste Act of 2016): $20 million for small and disadvantaged communities for investments needed to achieve SDWA compliance, $20 million for grants for lead testing in school and childcare program drinking water, and $10 million for lead reduction projects. Similarly, FY2019 appropriations included a total of $50 million for these programs. This funding is not included in the table.

Figure 1. EPA Water Infrastructure Annual Appropriations: FY1986-FY2019

Adjusted ($2018) and Not Adjusted for Inflation (Nominal)



Source: Prepared by CRS using information from annual appropriations acts, committee reports, and explanatory statements presented in the *Congressional Record*. Amounts reflect applicable rescissions and supplemental appropriations, including $6 billion in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). Constant dollars calculated from Office of Management of Budget, Table 10.1, "Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2024," https://www.whitehouse.gov/omb/budget/Historicals.

Historical Funding Developments

This section discusses several historical developments of note regarding appropriations for EPA's water infrastructure programs.

Special Purpose Project Grants

The practice of earmarking a portion of the construction grants/SRF account for specific wastewater treatment and other water quality projects began with the FY1989 appropriations. The practice increased to the point of representing a significant portion of appropriated funds (31% of the total water infrastructure appropriation in FY1994, for example, but less in subsequent years: 2.5% in FY2009 and 5% in FY2010). The number of projects receiving these earmarked funds also increased: from 4 in FY1989 to 319 in FY2010. Beginning in FY2000, the larger total number of earmarked projects resulted in more communities receiving such grants, but at the same time receiving smaller amounts of funds. Thus, while a few communities received individual earmarked awards of $1 million or more, the average size of earmarked grants shrank: $18.1 million in FY1995, $4.9 million in FY1999, $1.08 million in FY2006, and $586,000 in FY2010. (Conference reports on the individual appropriations bills, noted in the later discussion in this report, provide some detail on projects funded in this manner.) The effective result of earmarking was to reduce the amount of funds provided to states to capitalize their SRF programs. Between FY1989 and FY2010, approximately 10% of the total water infrastructure appropriations ($7.4 billion) went to earmarked project grants.[8]

[8] For additional information, see CRS Report RL32201, *Water Infrastructure Projects Designated in EPA Appropriations: Trends and Policy Implications*, by Claudia Copeland.

Interest groups representing state water quality program managers and administrators of infrastructure financing programs criticized the practice of earmarked appropriations. They contended that earmarking undermined the intended purpose of the state funds—promoting water quality improvements nationwide. Many state officials preferred funds to be allocated more equitably, not based on what they viewed largely as political considerations, and they preferred for state environmental and financing officials to retain responsibility to set actual spending priorities. Further, they argued that the special projects funding would diminish the level of seed funding to SRFs, delaying the time when SRFs would be financially self-sufficient.

The practice of earmarking was criticized because designated projects were arguably receiving more favorable treatment than other communities' projects: They were generally eligible for 55% federal grants (and were not required to repay 100% of the funded project cost, as is the case with a loan through an SRF), and the practice circumvented the standard process of states determining the priority by which projects will receive funding. It also meant that the projects were generally not reviewed by the CWA authorizing committees. This was especially true after FY1992, when special purpose grant funding was designated for types of projects not authorized in the Clean Water Act or the Safe Drinking Water Act.

Members of Congress intervened for a specific community for a number of reasons. In some cases, the communities may have been unsuccessful in seeking state approval to fund the project under an SRF loan or other program. For some, the cost of a project financed through a state loan was deemed unacceptably high, because repaying the loan would result in increased user fees that ratepayers felt would have been unduly burdensome.

In the early years of this congressional practice, special purpose grant funding originated in the House version of the EPA appropriations bill, while the Senate, for the most part, resisted earmarking by rejecting or reducing amounts and projects included in House-passed legislation. Therefore, special purpose grant funding on several occasions was an issue during the House-Senate conference on the appropriations bill. Beginning in FY1999, however, both the House and Senate proposed earmarked projects in their respective versions of the EPA appropriations bill, with the final total number of projects and dollar amounts determined by conferees.

The Clean Water Act Title II grants program effectively ended when authorizations for it expired after FY1990. One result of earmarking special purpose grants in appropriations bills was to continue grants as a method of funding wastewater treatment construction long after FY1990. This practice led Congress to provide EPA grants for drinking water system projects, which had not previously been available. However, as discussed in the next section, general opposition to congressional earmarking stopped the practice after FY2011.

Local Cost Share on Special Purpose Grants

The federal percentage share and local match required on special purpose grants varied depending on the project and the year of funding. For example, in the early projects (FY1989), the 1987 CWA amendments specified the federal cost shares, which ranged from 75% to 85%. In FY1992 and FY1993, the appropriations acts specified that funds were provided "as grants under title II," resulting in a requirement for local communities to provide a 45% share of project costs. After FY1993, the appropriations acts themselves were the authority for the special purpose projects grants. In the FY1995 appropriation bill, which also directed allocation of funds appropriated in FY1994 to several needy cities, Congress addressed the issue of federal and local cost shares in report language accompanying the bill, but not in the appropriation act itself.[9]

[9] H.Rept. 103-715, accompanying H.R. 4624, 103rd Cong., 2nd sess., p. 42.

> The conferees are in agreement that the agency should work with the grant recipients on appropriate cost-share arrangements. It is the conferees' expectation that the agency will apply the 45% local cost share requirement under Title II of the Clean Water Act in most cases.

In the FY1996 appropriations, both the act and accompanying reports were silent on federal/local cost share and applicability of Title II requirements. Because of that, EPA officials planned to require only a 5% local match for most of the special purpose grants in that bill, which is the standard matching requirement for other EPA noninfrastructure grants. Under the agency's rules, the local match could include in-kind services, as well as funding toward the project.

In the FY1997 appropriations, Congress included report language as it had in FY1995 concerning federal and local cost share requirements.[10]

> The conferees are in agreement that the Agency should work with the grant recipients on appropriate cost-share agreements and to that end the conferees direct the Agency to develop a standard cost-share consistent with fiscal year 1995.

The FY1998 and FY1999 appropriations included neither bill nor report language on this point. However, language in the House and Senate Appropriations Committees' reports on the FY1998 and FY1999 bills directed EPA to work with grant recipients on appropriate cost-share arrangements.[11]

For FY2000, Congress included explicit report language concerning the local match.[12]

> The conferees agree that the $331,650,000 provided to communities or other entities for construction of water and wastewater treatment facilities and for groundwater protection infrastructure shall be accompanied by a cost-share requirement whereby 45 percent of a project's cost is to be the responsibility of the community or entity consistent with long-standing guidelines for the Agency. These guidelines also offer flexibility in the application of the cost-share requirement for those few circumstances when meeting the 45 percent requirement is not possible.

Similar report language concerning local cost-share requirements accompanied the conference reports on the appropriations bills from FY2001 through FY2005. Beginning with FY2004, Congress specified in the appropriations legislation that the local share of project costs shall be not less than 45%. Similarly, beginning with the FY2003 appropriations legislation, Congress also specified that, except for those limited instances in which an applicant meets the criteria for a waiver of the cost-share requirement, the earmarked grant shall provide no more than 55% of an individual project's cost, regardless of the amount appropriated.

The practice of earmarking special project water infrastructure grants continued to change. First, in FY2007, Congress applied a one-year moratorium on earmarks in all appropriations bills. For the next three years, special project grants were allowed in appropriations bills—including EPA's—but again in FY2011, no special project funding was provided for congressional projects. Following the 2010 midterm election and during subsequent months while FY2011 appropriations were under consideration (discussed below), the general issue of congressional earmarks of specific projects had become highly controversial because of the overall growing number of them, concern over the influence of special interests on spending decisions, and lack of congressional oversight. In response, President Obama said he would veto any legislation

[10] H.Rept. 104-812, accompanying H.R. 3666, 104th Cong., 1st sess., p. 74.

[11] H.Rept. 105-175, accompanying H.R. 2158, 105th Cong., 1st sess., p. 69; S.Rept. 105-216, accompanying S. 2168, 105th Cong., 2nd sess., p. 82.

[12] H.Rept. 106-379, accompanying H.R. 2684, 106th Cong., 1st sess., p. 141.

containing earmarks, the House extended the ban on earmarks under the Republican Conferences rules, and the chairman of the Senate Appropriations Committee announced a moratorium on earmarks for FY2011 and FY2012. Thus, the FY2011 full-year appropriations measure contained no congressionally directed special project funds for water infrastructure projects in the EPA STAG account. However, it did include funds requested by the President: $10 million for Alaska Native Villages and $10 million for U.S.-Mexico border projects.[13]

The FY2012 full-year appropriations measure also contained no special project funding in the EPA STAG account. The FY2012 bill did include funds for Alaska Native and Rural Villages ($10 million) and for U.S.-Mexico border projects ($5 million).

The moratorium on congressional earmarks has continued. The FY2013 full-year appropriations measure (P.L. 113-6) contained no special project funding in the STAG account. As with other recent bills, however, it did include funds for Alaska Native and Rural Villages ($9.5 million) and for U.S.-Mexico border projects ($4.7 million). Similarly, the moratorium on earmarks continued in FY2014 and FY2015; P.L. 113-76 contained no special project funding in the STAG account for FY2014, but did include funds for Alaska Native and Rural Villages ($10 million) and for U.S.-Mexico border projects ($5 million). The FY2015 funding bill, P.L. 113-235, was the same as FY2014. The FY2016, FY2017, and FY2018 appropriations acts (P.L. 114-113, P.L. 115-31, and P.L. 115-141, respectively) included $20 million for Alaska Native and Rural Villages and $10 million for U.S.-Mexico border projects. The FY2019 appropriations act provided $25 million for Alaska Native and Rural Villages and $15 million for U.S.-Mexico border projects. President Trump's FY2020 budget request proposes to eliminate funding for the U.S.-Mexico border program and decrease funding for the Alaska Native and Rural Villages to $3 million.

Additional Subsidization

Although the CWSRF and DWSRF have largely functioned as loan programs, both allow the implementing state agency to provide "additional subsidization" under certain conditions. Since its amendments in 1996, the SDWA has authorized states to use up to 30% of their DWSRF capitalization grants to provide additional assistance, such as forgiveness of loan principal or negative interest rate loans, to help disadvantaged communities (as determined by the state).[14] In 2018, AWIA increased that percentage to 35% and conditionally required states to provide at least 6% of their annual grants as additional subsidization.

Congress amended the CWA in 2014, adding similar provisions to the CWSRF program.[15]

In addition, 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 to "provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans or grants or any combination of these." Subsequent appropriation acts have included similar conditions, with varying percentages of subsidization. The FY2016, FY2017, FY2018, and FY2019 appropriations acts included an identical condition, requiring 10% of the CWSRF grants and 20% of the DWSRF grants to be used "to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these)."

[13] These appropriations for these purposes had been authorized in P.L. 104-182, the Safe Drinking Water Act Amendments of 1996.

[14] 42 U.S.C. §300j-12(d).

[15] 33 U.S.C. §1383(i).

Noninfrastructure Grants

The 1987 CWA amendments authorized federal grants to assist states in implementing programs to manage water pollution from nonpoint sources such as farm and urban areas, construction, forestry, and mining sites. Because of competing demands for funding, it was difficult for Congress to fund this grant program and other water quality initiatives in the 1987 act. Appropriators did fund Section 319 grants in EPA's general program management account (abatement, control, and compliance) in FY1990, FY1991, and FY1992 but well below authorized levels. In the FY1993 act, appropriators moved funding into the SRF/construction grants account, thereby providing a degree of protection from competing priorities. In FY1996, Congress included all state grants for management of environmental programs in a single consolidated grants appropriation. In doing so, Congress endorsed a Clinton Administration proposal for a more flexible approach to state grants, a key element of EPA's efforts to improve the federal-state partnership in environmental programs. In more recent years, Congress has provided specific funding amounts for certain programs within the categorical grants appropriation.

Appropriations Chronology

This section summarizes, in chronological order, congressional activity to fund items in the STAG account since the 1987 CWA amendments.

FY1986, FY1987

The authorization period covered by P.L. 100-4 was FY1986-FY1994. By the time the amendments were enacted, FY1986 was over, as was a portion of FY1987. Thus, appropriations for those two years only indirectly reflected the policy and program changes for later years that were contained in P.L. 100-4. For FY1986, Congress appropriated a total of $1.8 billion, consisting of $600 million approved in December 1985 (while Congress was beginning to debate reauthorization legislation that eventually was enacted as P.L. 100-4 in January 1987) and $1.2 billion more in July 1986.

For FY1987, while debate on CWA reauthorization continued, President Reagan requested $2.0 billion, consistent with his legislative proposal to terminate the grants program by FY1990. In October 1986, Congress appropriated $2.4 billion (P.L. 99-500/P.L. 99-591). However, only $1.2 billion of that amount was released immediately, pending enactment of a reauthorization bill, which was then in conference. Following enactment of the Water Quality Act of 1987, remaining FY1987 funds were released as part of a supplemental appropriations bill (P.L. 100-71). Conferees on that measure agreed, however, to shift $39 million of the remaining unreleased grant funds to other priority water quality activities authorized in P.L. 100-4. The final total of construction grant monies was $2.361 billion.

FY1988

For FY1988 the President again requested $2.0 billion. In December 1987, Congress approved legislation providing FY1988 appropriations (P.L. 100-202, the omnibus continuing resolution to fund EPA and other federal agencies). In it, Congress appropriated $2.304 billion for construction grants. Final action on the EPA budget and other funding bills had been delayed by budget-cutting talks between Congress and the White House. Reduced construction grants funding was one of many spending cuts required to implement a congressional-White House "summit agreement" on

the budget. The final construction grants appropriation was less than funding levels that had been included in separate versions of a bill passed by the House and Senate before the budget summit, $2.4 billion.

FY1989

For FY1989, President Reagan requested $1.5 billion, or 35% below FY1988 appropriations and 37.5% less than the authorized level of $2.4 billion for FY1989. In separate versions of an EPA appropriations bill, the House and Senate voted to provide $1.95 billion and $2.1 billion respectively. The final figure, in P.L. 100-404, was $1.95 billion, which included $68 million for special projects in four states. Thus, the actual amount provided for grants was $1.882 billion. That total was divided equally between the previous Title II grants program and new Title VI SRF program, as provided in the authorizing language of P.L. 100-4.

The FY1989 legislation was the first to include earmarking of funds for specified projects or grants in EPA's construction grants account, an action that continued in subsequent years, as discussed above. All of the projects funded in the 1989 legislation were ones that had been authorized in provisions of the Water Quality Act of 1987 (WQA, P.L. 100-4). The designated projects were in Boston (authorized in Section 513 of the WQA, to fund the Boston Harbor wastewater treatment project), San Diego/Tijuana (Section 510, to fund an international sewage treatment project needed because of the flow of raw sewage from Tijuana, Mexico, across the border), Des Moines, IA (Section 515, for sewage treatment plant construction), and Oakwood Beach/Redhook, NY (Section 512 of the WQA, to relocate natural gas distribution facilities that were near wastewater treatment works in New York City).

FY1990

For FY1990, President Reagan's budget requested $1.2 billion in wastewater treatment assistance, or 50% less than the authorized level and 38.5% less than the FY1989 enacted amount of $1.95 billion. Further, the Reagan budget proposed that the $1.2 billion consist of $800 million in Title VI monies and $400 million in Title II grants, contrary to provisions of the CWA directing that appropriations be equally divided between the two grant programs, as in FY1989. President Bush's revised FY1990 budget, presented in March 1989, made no changes from the Reagan budget in this area.

In acting on this request, Congress agreed to provide $2.05 billion, including $46 million for three special projects (Boston, San Diego/Tijuana, and Des Moines), leaving a total of $1.002 billion each for Titles II and VI (P.L. 101-144). Title II funds were reduced by $6.8 million, however, due to funds earmarked for a specific project in South Carolina. Although these amounts were appropriated, all funds in the bill were reduced by 1.55% (or, a $31.8 million reduction from the construction grants account) to provide funds for the federal government's antidrug program.

Final FY1990 appropriations were altered again by passage of the FY1990 Budget Reconciliation measure and implementation of the Balanced Budget and Emergency Deficit Control Act (the Gramm-Rudman-Hollings Act), which established procedures to reduce budget deficits annually, resulting in a zero deficit by 1993. For each fiscal year that the deficit was estimated to exceed maximum targets established in law, an automatic spending reduction procedure was triggered to eliminate deficits in excess of the targets through "sequestration," or permanent cancellation of budgetary resources.

Thus, to meet budget reduction mandates and, in particular, deficit reduction targets under the Balanced Budget and Emergency Deficit Control Act (the Gramm-Rudman-Hollings Act),

additional funding cuts were included in P.L. 101-239, the Budget Reconciliation Act of 1989, affecting construction grants funding and all other accounts not exempted from Gramm-Rudman procedures. P.L. 101-239 provided that the "sequestration" procedures under the Gramm-Rudman-Hollings Act would be allowed to apply for a portion of FY1990 (for 130 days, or 35.6% of the year), providing an additional automatic spending reduction in EPA and other agencies' programs subject to the act.

As a result of these reductions, funding for wastewater treatment aid in FY1990 totaled $1.98 billion, or $30 million more than in FY1989. The total included $53 million for special projects in San Diego, Boston, Des Moines, and Honea Path/Ware Shoals, SC, $960 million for Title II grants, and $967 million for Title VI grants. The combined reductions amounted to 3.4% less than the amount agreed to by conferees on P.L. 101-144 (i.e., $2.05 billion), before subtracting funds for antidrug programs and accounting for effects of the Gramm-Rudman partial-year sequester.

FY1991

For FY1991, President Bush requested $1.6 billion in funding for wastewater treatment assistance. This total included $15.4 million for the San Diego project authorized in Section 510 of the Water Quality Act of 1987, to fund construction of an international sewage treatment project. The remainder, $1.584 billion, would be only for capitalization grants under Title VI of the act, as the 1987 legislation provides for no new Title II grants after FY1990.

In acting on EPA's appropriations for FY1991 (P.L. 101-507), Congress agreed to provide $2.1 billion in wastewater treatment assistance. Beginning in FY1991, all appropriated funds are utilized for capitalization grants under Title VI of the act (as provided in the Water Quality Act of 1987); funding for the traditional Title II grants program was no longer available.

The enacted level included several earmarkings: $15.7 million for San Diego (Section 510 of the WQA), $20 million for Boston Harbor (Section 513 of the WQA), and $16.5 million for a new Water Quality Cooperative Agreement Program under Section 104(b)(3) of the act.[16] The President's budget had requested $16.5 million to support state permitting, enforcement, and water quality management activities, especially to offset the reductions in aid to states due to elimination of state management setasides from the previous Title II construction grants program. Congress agreed to the level requested, but provided it as a portion of the wastewater treatment appropriation, rather than as part of EPA's general program management appropriation, as in the President's request. As a result of these earmarkings, $2.048 billion was provided for Title VI grants.

FY1992

For FY1992, President Bush requested $1.9 billion in wastewater treatment funds, or $100 million more than authorized under the Water Quality Act of 1987 for Title VI grants in FY1992. However, out of the $1.9 billion total, the President's request sought $1.5 billion for Title VI SRF grants and $400 million as grants under the expired Title II construction grants program for the following coastal cities: Boston, San Diego, New York, Los Angeles, and Seattle. Two of the five designated projects had been authorized in the 1987 CWA amendments; the other three did not have explicit statutory authorization. Also, $16.5 million was requested for Water Quality Cooperative Agreement grants to the states.

[16] Section 104(b)(3) grants have been used to support a variety of special studies and projects allowing states and localities to demonstrate innovative approaches to implementing the core water quality program.

In acting on the request in November 1991, Congress provided total wastewater funds of $2.4 billion (P.L. 102-139). The total was allocated as follows:

- $1,948.5 million for SRF capitalization grants,
- $16.5 million for Section 104(b)(3) grants,
- $49 million for the special project in San Diego-Tijuana (Section 510 of the Water Quality Act),
- $46 million to the Rouge River (MI) National Wet Weather Demonstration Project, and
- $340 million as construction grants under title II of the Clean Water Act for several other special projects—the Back River Wastewater Treatment Plant (Baltimore), Maryland, the Boston Harbor project, New York City, Los Angeles, San Diego (a wastewater reclamation project), and Seattle.

This appropriation bill was the first to include special purpose grant funding for several projects not specifically authorized in the Clean Water Act or amendments to that law.

FY1993

For FY1993, President Bush requested $2.484 billion for state revolving funds/construction grants (now called the water infrastructure account). The requested total included $340 million to be targeted for 55% construction grants to six communities: Boston, New York, Los Angeles, San Diego, Seattle, and Baltimore. In addition, the President requested that $130 million be directed toward a Mexican Border Initiative, consisting of $65 million for construction of the international treatment plant at San Diego (to address the Tijuana sewage problem), $15 million for projects at Nogales, AZ, and New River, CA, and $50 million as 50% grants for *colonias* in Texas.[17] The President also requested $16.5 million for Section 104(b)(3) grants. Along with these special project and grant amounts, the request sought $2.014 billion for SRF assistance.

Final action on FY1993 funding occurred on September 25, 1992 (P.L. 102-389). It provided an appropriation of $2.55 billion, but $622.5 million of this amount was reserved for special projects and other grants. The bill provided $50 million in CWA Section 319 grants and $16.5 million in Section 104(b)(3) grants out of the SRF amount. It included $556 million for the following special purpose grants: the international treatment plant at San Diego (Tijuana—Section 510 of the WQA, with bill language capping funding for that project at $239.4 million), plus projects in Boston; New York; Los Angeles; San Diego; Seattle; Rouge River, MI; Baltimore; Ocean County, NJ; Atlanta; and for *colonias* in Texas, Arizona, and New Mexico. The final SRF grant amount under the bill was $1.928 billion.

Early in 1993, President Clinton requested that Congress approve "economic stimulus and investment" spending, in the form of supplemental FY1993 appropriations. Both his original proposal and a subsequent modified proposal included additional SRF grant funds, but neither of the bills enacted by Congress in response to these requests (P.L. 103-24, P.L. 103-50) provided additional SRF funds.

[17] *Colonias* are unincorporated areas outside city boundaries along the U.S.-Mexico border. Most lack adequate public utilities, especially water and wastewater services.

FY1994

For FY1994, the Clinton Administration requested $2.047 billion for water infrastructure. The funds in this request were $1.198 billion to capitalize State Revolving Funds, $150 million for Mexican border project grants, and $100 million for a single hardship community (Boston). The request also included $599 million to capitalize new state drinking water revolving funds.

The final version of the FY1994 legislation (P.L. 103-124) provided $2.477 billion for water infrastructure/state revolving funds. Of this total amount, $599 million was to be reserved for drinking water SRFs, if authorization legislation were enacted; $80 million was for Section 319 grants; $22 million was for Section 104(b)(3) grants; and $58 million was for Tijuana/San Diego—Section 510 of the WQA. This resulted in an appropriation of $1.718 billion for clean water SRFs.

In addition, the final bill provided that $500 million be used to support water infrastructure financing in economically distressed/hardship communities. Under the bill, these funds were not available for spending until May 31, 1994, and were set aside until projects were authorized in the CWA for this purpose.

Thus, the bill as enacted provided $1.218 billion immediately for clean water SRFs, with the expectation that $500 million more would be available for financing hardship community projects after May 31, 1994.

FY1995

For FY1995, President Clinton requested $2.65 billion for water infrastructure consisting of $1.6 billion for CWA SRFs, $100 million for Section 319 nonpoint source management grants to states, $52.5 million for a grant to San Diego for a wastewater project pursuant to Section 510 of the WQA, $47.5 million for other Mexican border projects, $50 million to the state of Texas for *colonias* projects, and $100 million for grants under Title II for needy cities (intended for Boston). The request included $700 million for drinking water SRFs, pending enactment of authorizing legislation. The President's budget also requested $21.5 million for Section 104(b)(3) grants/cooperative agreements.

Final agreement on FY1995 funding was contained in P.L. 103-327, enacted in September 1994, which provided a total of $2.962 billion for water infrastructure financing. Of the total, $22.5 million was for grants under Section 104(b), $100 million for Section 319 grants, $70 million for Public Water System Supervision program grants (grants to states under the Safe Drinking Water Act to support state implementation of delegated drinking water programs), $52.5 million for the Section 510 project in San Diego, and $700 million for drinking water SRFs (contingent upon enactment of authorization legislation).

The remaining $2.017 billion was for CWA projects. Of this amount, $1.235 billion was for clean water SRF grants to states under Title VI of the CWA. The remaining $781.8 million (39% of this amount, 26% of the total appropriation) was designated for 45 specific, named projects in 22 states. The earmarked amounts ranged in size from $200,000 for Southern Fulton County, PA, to $100 million for the city of Boston.

Finally, the conferees included bill language concerning release of the $500 million in FY1994 needy cities money (because the authorizing committees of Congress had not acted on legislation to authorize specific projects, as had been intended in P.L. 103-124) as follows:

- $150 million to Boston, $50 million for *colonias* in Texas, $10 million for *colonias* in New Mexico, $70 million for a New York City wastewater

reclamation facility, $85 million for the Rouge River project, $50 million for the city of Los Angeles, $50 million for the county of Los Angeles, and $35 million for Seattle, WA.

FY1996

In February 1995, President Clinton submitted the Administration's budget request for FY1996. It requested $2.365 billion for water infrastructure funding consisting of $1.6 billion for clean water state revolving funds, $500 million for drinking water state revolving funds, $150 million to support Mexico border projects under the U.S.-Mexican Border Environmental Initiative and NAFTA, and $100 million for special need/economically distressed communities (not specified in the request, but presumed to be intended for Boston), plus $15 million for water infrastructure needs in Alaska Native Villages.

In February 1995, congressional appropriations committees began considering legislation to rescind previously appropriated FY1995 funds, as part of overall efforts by the 104th Congress to shape the budget and federal spending. These efforts resulted in passage in July 1995 of P.L. 104-19, which rescinded $16.5 billion in total funds from a number of departments, agencies, and programs. In the water infrastructure area, it rescinded $1,077,200,000 from prior year appropriations including the $3.2 million for a project in New Jersey (it had mistakenly been funded twice in P.L. 103-327) and $1,074,000,000 in other water infrastructure appropriations. Although not contained in bill language, it was understood that the larger rescinded amount consisted solely of drinking water SRF funds (leaving $1.235 billion for FY1995 clean water SRF funds, $778.6 million for earmarked wastewater projects—both amounts as originally appropriated—and $225 million in FY1994-FY1995 drinking water SRF funds that had not yet been authorized).

It took until April 1996 for Congress and the Administration to reach agreement on FY1996 appropriations for EPA as part of omnibus legislation (P.L. 104-134) that consolidated five appropriations bills not yet enacted due to disagreements over funding levels and policy. Agreement came as the fiscal year was more than one-half over.

Before that, however, congressional conferees reached agreement in November 1995 on FY1996 legislation for EPA (H.R. 2099, H.Rept. 104-353). Conferees agreed to provide $2.323 billion for a new account titled State and Tribal Assistance Grants (STAG), consisting of infrastructure assistance and state environmental management grants for 16 categorical programs that had previously been funded in a separate appropriations account. The total included $1.125 billion for clean water SRF grants, $275 million in new appropriations for drinking water SRF grants, and $265 million for special purpose project grants. Report language provided that the drinking water SRF money also included $225 million from FY1995 appropriations rescinded in P.L. 104-19. The drinking water SRF money would be available upon enactment of SDWA reauthorization legislation that would authorize a drinking water SRF program; otherwise, it would revert to clean water SRF grants if the SDWA were not reauthorized by June 30, 1996. This made the total potentially available for drinking water SRF grants $500 million.

The November 1995 agreement on H.R. 2099 included $658 million for consolidated state environmental grants. In doing so, Congress endorsed an Administration proposal for a more flexible approach to state grants, a key element of EPA's efforts to improve the federal-state partnership in environmental programs. In lieu of traditional grants provided separately to support state air, water, hazardous waste, and other programs, consolidated grants are intended to reduce administrative burdens and improve environmental performance by allowing states and tribes to

target funds to meet their specific needs and integrate their environmental programs, as appropriate. Congress's support was described in accompanying report language.[18]

> The conferees agree that Performance Partnership Grants are an important step to reducing the burden and increasing the flexibility that state and tribal governments need to manage and implement their environmental protection programs. This is an opportunity to use limited resources in the most effective manner, yet at the same time, produce the results-oriented environmental performance necessary to address the most pressing concerns while still achieving a clean environment.

Including state environmental grants in the same account with water infrastructure assistance reflected Congress's support for enhancing the ability of states and localities to implement environmental programs flexibly and support for EPA's ability to provide block grants to states and Indian tribes.

The H.R. 2099 conference agreement also included legislative riders intended to limit or prohibit EPA from spending money to implement several environmental programs. The Administration opposed the riders. The House and Senate approved this bill in December, but President Clinton vetoed it, because of objections to spending and policy aspects of the legislation.

With no full-year funding in place from October 1995 to April 1996, EPA and the programs it administers (along with agencies and departments covered by four other appropriations bills not yet enacted) were subject to a series of short-term continuing resolutions, some lasting only a day, some lasting several weeks. In March 1996, the House and Senate began consideration of an omnibus appropriations bill to fund EPA and other agencies for the remainder of FY1996, finally reaching agreement in April on a bill (H.R. 3019) enacted as P.L. 104-134.[19] Congress agreed to provide $2.813 billion for a new account titled STAG, consisting of state grants and infrastructure assistance, as in H.R. 2099, the vetoed measure. The total was divided as follows:

- $1.3485 billion for clean water SRF grants (including $50 million for impoverished communities),
- $500 million in new appropriations for drinking water SRF grants,
- $150 million for Mexico-border project grants and Texas *colonias*, as requested,
- $15 million for Alaska Native Villages, as requested,
- $141.5 million for 17 special purpose project grants, and
- $658 million for consolidated state environmental grants, which states could use to administer a range of delegated environmental programs.

Report language provided that the drinking water SRF money also included $225 million from FY1995 appropriations that remained available after the rescissions in P.L. 104-19, for a total of $725 million. The drinking water SRF money was contingent upon enactment of legislation authorizing an SRF program under the Safe Drinking Water Act by August 1, 1996; otherwise, it would revert to clean water SRF grants.

[18] H.Rept. 104-384, accompanying H.R. 2099, 104th Cong., 1st sess., in *Congressional Record*, daily edition, vol. 141 (December 6, 1995), p. H14132. This was the second conference report on this bill; a previous agreement, reflected in H.Rept. 104-353, was rejected by the House on November 29. However, amounts in the STAG account were the same in both versions.

[19] The conference report on H.R. 3019 (H.Rept. 104-537) references the conference report on the vetoed H.R. 2099, making the two reports together the full statement of the conference committee regarding EPA funding and the STAG account.

The final agreement (P.L. 104-134) included several of the legislative riders from previous versions of the legislation, including riders related to drinking water and clean air, but dropped others strongly opposed by the Administration.

Funds within the STAG account were redistributed after Congress passed Safe Drinking Water Act amendments in August 1996. Enactment of the amendments (P.L. 104-182) occurred on August 6—after the August 1 deadline in P.L. 104-134 that would have made $725 million available for drinking water SRF grants in FY1996. Thus, the previously appropriated $725 million reverted to clean water SRF grants, making the FY1996 total for those grants $2.0735 billion.

FY1997

While debate over the FY1996 appropriations was continuing, in March 1996, President Clinton submitted the details of a FY1997 budget. For water infrastructure and state and tribal assistance, the request totaled $2.852 billion consisting of

- $1.35 billion for clean water SRF grants (the request included language that would authorize states the discretion to use this SRF money either for clean water or drinking water projects),
- $165 million for U.S.-Mexico border projects, Texas *colonias*, and Alaska Native Village projects,
- $113 million for needy cities projects,
- $550 million for drinking water infrastructure SRF funding, contingent upon enactment of authorizing legislation, and
- $674 million for state performance partnership consolidated management grants, which could address a range of environmental programs.

In response to the Administration's request, in June 1996 the House approved legislation (H.R. 3666) providing FY1997 funding for EPA. In the STAG account, the House approved $2.768 billion, $84 million less than requested but on the whole endorsing the budget request. The total provided the following: $1.35 billion for clean water SRF grants, as requested; $165 million, as requested, for U.S.-Mexico Border projects, Texas *colonias*, and Alaska Native Village projects; $450 million for drinking water SRF funding, contingent upon authorization; $674 million for state performance partnership consolidated management grants; and $129 million for seven special purpose grants.

In July, the Senate Appropriations Committee reported its version of H.R. 3666. The committee approved $2.815 billion for this account, consisting of $1.426 billion for clean water SRF grants; $550 million for drinking water SRF grants, contingent upon authorization; $165 million, as requested, for U.S.-Mexico border projects, Texas *colonias*, and Alaska Native Village projects; and $674 million for consolidated state grants. The committee rejected the provision of the House-passed bill providing $129 million for special purpose grants, including funds for Boston and New Orleans requested by the Administration, saying in report language that earmarking is provided at the expense of state revolving funds and does not represent an equitable distribution of grant funds (S.Rept. 104-318).

During debate on H.R. 3666 in September, the Senate adopted an amendment to reduce the FY1997 appropriation for clean water SRF grants by $725 million in order to fund the new drinking water SRF program. This action was intended to restore funds to the drinking water program which had been lost when Safe Drinking Water Act amendments were not enacted by

August 1, 1996. Thus, the Senate-passed bill provided $701 million for clean water SRF grants and $1.275 billion for drinking water SRF grants for FY1997. Other amounts in the account were unchanged.

The conference report on H.R. 3666 (H.Rept. 104-812) was approved by the House and Senate on September 24, 1996. President Clinton signed the bill September 26 (P.L. 104-204). It reflected compromise of the House- and Senate-passed bills, providing the following amounts within the STAG account ($2.875 billion total):

- $625 million for clean water SRF grants,
- $1.275 billion for drinking water SRF grants,
- $165 million, as requested, for U.S.-Mexico border projects, Texas *colonias*, and Alaska Native Village projects,
- $136 million for 18 specific wastewater, water, and groundwater project grants (the 7 specified in House-passed H.R. 3666, plus 11 more; the bill provided funds for each of the needy cities projects requested by the Administration, but in lesser amounts), and
- $674 million for consolidated state grants, which could support implementation of a range of environmental programs.

The allocation of clean water and drinking water SRF grants was consistent with the Senate's action to restore funds to the drinking water program after enactment of the Safe Drinking Water Act amendments in early August.[20]

Subsequently, Congress passed a FY1997 Omnibus Consolidated Appropriations bill to cover agencies and departments for which full-year funding had not been enacted by October 1, 1996 (P.L. 104-208). It included additional funding for several EPA programs, as well as $35 million (on top of $40 million provided in P.L. 104-204) for the Boston Harbor cleanup project.

FY1998

President Clinton presented the Administration's budget request for FY1998 in February 1997. For water infrastructure and state and tribal assistance, the request totaled $2.793 billion, consisting of $1.075 billion for clean water SRF grants, $725 million for drinking water SRF grants, $715 million for consolidated state environmental grants, and $278 million for special project grants.

House and Senate committees began activities on FY1998 funding bills somewhat late in 1997, due to prolonged negotiations between Congress and the President over a five-year budget plan to achieve a balanced budget by 2002. After appropriators took up the FY1998 funding bills in June, the House passed EPA's appropriation in H.R. 2158 (H.Rept. 105-175) on July 15. In the STAG account, the House approved $3.019 billion, consisting of $1.25 billion for clean water SRF grants ($600 million more than FY1997 levels and $175 million more than requested by the President), $750 million for drinking water SRF grants ($425 million less than FY1997 levels, but $25 million more than the request), $750 million for state environmental assistance grants, and $269 million for special projects. The latter included funds for the special projects requested by the Administration but at reduced levels ($149 million total for these projects), plus $120 million in special project grants for 21 other communities.

[20] P.L. 104-182, the Safe Drinking Water Act Amendments of 1996, enacted August 6, 1996, authorized the creation of the DWSRF program.

The Senate passed a separate version of an FY1998 appropriations bill on July 22, 1997 (S. 1034, S.Rept. 105-53). It provided $3.047 billion for the STAG account, consisting of $1.35 billion for clean water SRF grants, $725 million for drinking water SRF grants, $725 million for state environmental assistance grants, and $247 million for special project grants. The Senate bill provided the amounts requested by the Administration for U.S.-Mexico border projects, Texas *colonias*, and Alaska Native Village projects (but no special funds for others requested by the President), plus $82 million for 18 special project grants for other communities identified in report language.

Conferees reached agreement on FY1998 funding in early October 1997 (H.R. 2158, H.Rept. 105-297). The final version passed the House on October 8 and passed the Senate on October 9. President Clinton signed the bill October 27 (P.L. 105-65). As enacted, it provided $3.213 billion for the STAG account, consisting of $1.35 billion for clean water SRF grants, $725 million for drinking water SRF grants, $745 million for consolidated state environmental assistance grants (which could address a range of environmental programs), and $393 million for 42 special purpose project and special community need grants for construction of wastewater, water treatment and drinking water facilities, and groundwater protection infrastructure. It included the following amounts for grants requested by the Administration:

- $75 million for U.S.-Mexico border projects,
- $50 million for Texas *colonias*,
- $50 million for Boston Harbor wastewater needs,
- $10 million for New Orleans,
- $3 million for Bristol County, MA, and
- $15 million for Alaska Native Village projects.

The final bill also provided funds for all of the special purpose projects included in the separate House and Senate versions of the legislation, plus three projects not included in either earlier version.

Bill language was included in P.L. 105-65 to allow states to cross-collateralize clean water and drinking water SRF funds, that is, to use the combined assets of amounts appropriated to State Revolving Funds as common security for both SRFs, which conferees said is intended to ensure maximum opportunity for states to leverage these funds. Senate committee report language also said that the conference report on the 1996 Safe Drinking Water Act Amendments had stated that bond pooling and similar arrangements were not precluded under that legislation. The appropriations bill language was intended to ensure that EPA does not take an unduly narrow interpretation of this point which would restrict the states' use of SRF funds.[21]

On November 1, 1997, President Clinton used his authority under the Line Item Veto Act (P.L. 104-130) to cancel six items of discretionary budget authority provided in P.L. 105-65. The President's authority under this act took effect in the 105th Congress; thus, this was the first EPA appropriations bill affected by it. The cancelled items included funding for one of the special purpose grants in the bill, $500,000 for new water and sewer lines in an industrial park in McConnellsburg, PA. Reasons for the cancellation, according to the President, were that the project had not been requested by the Administration; it would primarily benefit a private entity and is outside the scope of EPA's usual mission; it is a low priority use of environmental funds;

[21] S.Rept. 105-53, accompanying S. 1034, 105th Cong., 1st sess., p. 71.

and it would provide funding outside the normal process of allocating funds according to state environmental priorities.[22]

However, in June 1998, the Supreme Court struck down the Line Item Veto Act as unconstitutional, and in July the Office of Management and Budget announced that funding would be released for 40-plus cancellations made in 1997 under that act (including those cancelled in P.L. 105-65) that Congress had not previously overturned. (For additional information, see CRS Report RL33635, *Item Veto and Expanded Impoundment Proposals: History and Current Status*, by Virginia A. McMurtry.)

FY1999

President Clinton's budget request for FY1999, presented to Congress in February 1998, requested $2.9 billion for the STAG account, representing 37% of the $7.9 billion total requested for EPA programs. The total included $1.075 billion for clean water SRF grants, $775 million for drinking water SRF grants, $115 million for water infrastructure projects along the U.S.-Mexico border projects and in Alaska Native Villages, $78 million for needy cities projects, and $875 million for consolidated state environmental grants (which could address a range of environmental programs).

Legislative action on the budget request occurred in mid-1998. Both houses of Congress increased amounts for water infrastructure financing, finding the Administration's request for clean water and drinking water SRF grants, as well as special project funding, not adequate. First, the Senate Appropriations Committee reported its version of an EPA spending bill in June 1998 (S. 2168, S.Rept. 105-216). This bill, passed by the Senate July 17, provided $3.2 billion for the STAG account, consisting of $1.4 billion for clean water SRF grants, $800 million for drinking water SRF grants, $105 million for U.S.-Mexico and Alaska Native Village projects, $100 million for 39 other special needs infrastructure grants, and $850 million for state performance partnership/categorical grants. As in FY1998, the committee included bill language allowing states to cross-collateralize their clean water and drinking water state revolving funds, making the language explicit for FY1999 and thereafter.

Second, the House passed its version of EPA's funding bill (H.R. 4194, H.Rept. 105-610) on July 29. This bill provided $3.2 billion for the STAG account, consisting of $1.25 billion for clean water SRF grants, $775 million for drinking water SRF grants, $70 million for U.S.-Mexico and Alaska Native Village projects, $253.5 million for 49 other special needs infrastructure grants (including nine projects also funded in the Senate bill), and $885 million for state environmental management grants (a 20% increase above FY1998 amounts for these state grants).

Conferees resolved differences between the two versions in October 1998 (H.R. 4194, H.Rept. 105-769). The conference agreement provided $3.4 billion for the STAG account, consisting of $1.35 billion for clean water SRF grants, $775 million for drinking water SRF grants, $80 million for U.S.-Mexico and Alaska Native and Rural Village projects, $301.8 million for 80 other special needs project grants, and $880 million for state and tribal environmental program grants (which could address a range of environmental programs). The House and Senate approved the agreement on October 7 and 8, respectively, and President Clinton signed the bill into law on October 21 (P.L. 105-276).

[22] Office of Management and Budget, "Cancellation Pursuant to Line Item Veto Act," 62 *Federal Register* 59768, November 4, 1997. The President also cancelled funding for two other projects in the EPA portion of the bill, a water and wastewater training institute in Alabama and a solar aquatic wastewater treatment plant in Vermont. These projects were funded under a separate EPA account in the bill, the Environmental Programs and Management account.

Additional funding was provided in the Omnibus Consolidated and Supplemental Appropriations Act, FY1999 (P.L. 105-277). This bill, which provided full-year funding for agencies and departments covered by seven separate appropriations measures, directed $20 million more in special needs grants for the Boston Harbor wastewater infrastructure project, on top of $30 million that was included in P.L. 105-276.

FY2000

For FY2000, beginning on October 1, 1999, the Administration requested $2.638 billion for water infrastructure assistance and state environmental grants. The total, $370 million less than the FY1999 appropriation for this account, consisted of $800 million for clean water SRF grants, $825 million for drinking water SRF grants, $128 million for Mexican border and special project grants, and $885 million for consolidated state environmental grants (which could address a range of environmental programs).

The request included one SRF policy issue. The Administration asked the appropriators to grant states the permission to set aside up to 20% of FY2000 clean water SRF monies in the form of grants for local communities to implement nonpoint source pollution and estuary management projects. Under the Clean Water Act, SRFs may only be used to provide loans. Some have argued that some types of water pollution projects which are eligible for SRF funding may not be suitable for loans, as they may not generate revenues which can be used to repay the loan to a state. This new authority, the Administration said, would allow states greater flexibility to address nonpoint pollution problems. Critics of the proposal said that making grants from an SRF would reduce the long-term integrity of a state's fund, since grants would not be repaid.

Some Members of Congress and stakeholder groups were particularly critical of the budget request for clean water SRF grants, $550 million (40%) less than the FY1999 level. Critics said the request was insufficient to meet the needs of states and localities for clean water infrastructure. In response, EPA acknowledged that several years prior the Clinton Administration had made a commitment to states that the clean water SRF would revolve at $2 billion annually in the year 2005. Because of loan repayments and other factors, EPA said, the overall fund will be revolve at $2 billion per year in the year 2002, even with the 20% grant setaside included in the FY2000 request. According to EPA, the $550 million decrease from 1999 would have only a limited impact on SRFs and would still allow the agency to meet its long-term capitalization goal of providing an average amount of $2 billion in annual assistance.

The House and Senate passed their respective versions of an EPA appropriations bill (H.R. 2684) in September 1999. The conference committee report resolving differences between the two versions (H.Rept. 106-379) was passed by the House on October 14 and the Senate on October 15 and was signed by the President on October 20 (P.L. 106-74). The final bill provided $7.6 billion overall for EPA programs, including $3.47 billion for the STAG account. Within that account, the bill included $1.35 billion for clean water SRF grants, $820 million for drinking water SRF grants, $885 million for categorical state grants (which generally support state and tribal implementation and could address a range of environmental programs), $80 million for U.S.-Mexico border and Alaska Rural and Native Village projects, and $331.6 million for 141 other special needs water and wastewater grants specified in report language. The final bill did not approve the Administration's request to allow states to use up to 20% of clean water SRF monies as grants for nonpoint pollution and estuary management projects.

Subsequent to enactment of the EPA funding bill, Congress passed the Consolidated Appropriations Act for FY2000 with funding for five other agencies (P.L. 106-113), which included provisions requiring a government-wide cut of 0.38% in discretionary appropriations.

The bill gave the President some flexibility in applying this across-the-board reduction. Details of the reduction were announced at the time of the release of the FY2001 budget. EPA's distribution of the rescission resulted in a total reduction of $16.3 million for 139 of the special needs water and wastewater projects identified in P.L. 106-74. These projects were reduced 4.9% below enacted levels. The agency did not reduce funds for the two projects that had been included in the President's FY2000 budget request (Bristol County, MA, and New Orleans, LA) or for the United States-Mexico border and the Alaska Rural and Native Villages programs. EPA also reduced funds for the clean water SRF (enacted at $1.35 billion) by 0.3%, for a final funding level of $1.345 billion. The appropriation level was not reduced for the drinking water SRF or consolidated state grants.

FY2001

The President's budget for FY2001 requested a total of $2.9 billion for water infrastructure assistance and state environmental grants. For the second year in a row, President Clinton requested $800 million for the clean water SRF program, a $545 million reduction from the FY2000 level. The request included $825 million for the drinking water SRF program, $100 million for U.S.-Mexico border project grants, $15 million for Alaska Native Villages projects, two needy cities grants totaling $13 million (Bristol County, MA, and New Orleans, LA), plus $1.069 billion for consolidated state environmental grants (which could address a range of environmental programs).

The budget included a policy request similar to one in the FY2000 budget, which Congress rejected. The FY2001 budget sought flexibility for states to set aside up to 19% of clean water SRF monies in the form of grants for local communities to implement nonpoint source pollution and estuary management projects.

The House approved its version of EPA's funding bill (H.R. 4635, H.Rept. 106-674) on June 21, 2000. For the STAG account, H.R. 4635 provided $3.2 billion ($273 million more than requested, but $288 million below the FY2000 level). The total in the STAG account consisted of $1.2 billion for clean water SRF grants, $825 million for drinking water SRF grants, $1.068 billion (the budget request) for categorical state grants, and $85 million for U.S.-Mexico border and Alaska Rural and Native Villages projects. Beyond these, however, the House-passed bill included no funds for other special needs grants.

The Senate approved its version of the funding bill (S.Rept. 106-410) on October 12, 2000. For the STAG account, the Senate-passed bill provided $3.3 billion, consisting of $1.35 billion for clean water SRF grants, $820 million for drinking water SRF grants, $955 million for categorical state grants, $85 million for U.S.-Mexico border and Alaska Rural and Native Village projects, and $110 million for special needs water and wastewater grants.

In October, the House and Senate approved EPA's funding bill for FY2001 (H.Rept. 106-988), providing $1.35 billion for clean water SRF grants (the same level enacted for FY2000) and $825 million for drinking water SRF grants. The enacted bill included $110 million in grants for water infrastructure projects in Alaska Rural and Native Villages and U.S.-Mexico border projects and an additional $336 million for 237 other specified project grants throughout the country. The bill also provided $1,008 million for state categorical program grants ($60 million less in total than requested), which states could use to address a range of environmental programs. Total funding for the STAG account was $3.6 billion. Congress disapproved the Administration's policy request concerning use of clean water SRF monies for nonpoint source project grants. President Clinton signed the bill October 27, 2000 (P.L. 106-377).

Subsequently, in December, Congress provided $21 million more for five more special project water infrastructure grants (in addition to the $336 million in P.L. 106-377) as a provision of H.R. 4577, the FY2001 Consolidated Appropriations Act (P.L. 106-554). Also in that legislation, Congress enacted the Wet Weather Water Quality Act, authorizing a two-year, $1.5 billion grants program to reduce wet weather flows from municipal sewer systems. The provision was included in Section 112, Division B, of P.L. 106-554.

FY2002

In April 2001, the Bush Administration presented its budget request for FY2002. The Administration requested a total of $2.1 billion for clean water infrastructure funds, consisting of $823 million for drinking water SRF grants, $850 million for clean water SRF grants (compared with $1.35 billion appropriated for FY2001), and $450 million for the new program of municipal sewer overflow grants under legislation enacted in December, the Wet Weather Water Quality Act. However, that act provided that sewer overflow grants are only available in years when at least $1.35 billion in clean water SRF grants is appropriated. Subsequently, Administration officials said they would request that Congress modify the provision linking new grant funds to at least $1.35 billion in clean water SRF grants. The Bush budget requested no funds for special earmarked grants, except for $75 million to fund projects along the U.S.-Mexico border and $35 million for projects in Alaska Native Villages (both are the same amounts provided in FY2001). In response, some Members of Congress and outside groups criticized the budget request, saying that it did not provide enough support for water infrastructure programs. The President's budget also requested $1.06 billion for state categorical program grants, which generally support state and tribal administration of a range of environmental programs.

The House passed its version of FY2002 funding for EPA on July 30 (H.R. 2620, H.Rept. 107-159). The House-passed bill provided a total of $2.4 billion for water infrastructure funds, consisting of $1.2 billion for clean water SRF grants, $850 million for drinking water SRF grants, $200 million for special project grants (individual projects were unspecified in the report accompanying H.R. 2620), $75 million for U.S.-Mexico border projects, and $30 million for Alaska Rural and Native Villages. The House bill provided no separate funds for the new wet weather overflow grant program, which the Administration had requested. Including $1.08 billion for state categorical program grants, total STAG account funding in the bill was $3.44 billion, about $150 million higher than the President's request.

The Senate passed its version of this appropriations bill on August 2 (S. 1216, S.Rept. 107-43). Like the House, the Senate rejected separate funding for wet weather overflow grants, and the Senate increased clean water SRF grant funding to the FY2001 level. The Senate-passed total for the STAG account was $3.49 billion, including $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, $140 million for special needs infrastructure grants specified in accompanying report language, $75 million for U.S.-Mexico border projects, $30 million for Alaska Rural and Native Villages, and $1.03 billion for state categorical program grants.

Resolution of this and other appropriations bills in fall 2001 was complicated by congressional attention to general economic conditions and responses to the September 11 terrorist attacks on the World Trade Center and the Pentagon. Nevertheless, the House and Senate gave final approval to legislation providing EPA's FY2002 funding (H.R. 2620, H.Rept. 107-272) on November 8, and President Bush signed the bill on November 26 (P.L. 107-73). The final bill did not include separate funds for the new sewer overflow grant program requested by the Administration, which both the House and Senate had rejected, but it did include $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, $344 million for 337

earmarked water infrastructure project grants specified in report language, and the requested $75 million for U.S.-Mexico border projects and $30 million for Alaska Rural and Native Villages. The bill included total STAG funding of $3.7 billion.

FY2003

President Bush presented the Administration's FY2003 budget request in February 2002, asking Congress to appropriate $2.185 billion for EPA's water infrastructure programs (compared with $2.659 billion appropriated for FY2002). The FY2003 request sought $1.212 billion for clean water SRF grants, $850 million for drinking water SRF grants, and $123 million for a limited number of special projects (especially in Alaska Native Villages and in communities on the U.S.-Mexico border). The Administration proposed to eliminate funds for unrequested infrastructure project spending that Congress had earmarked in the FY2002 law, which totaled $344 million. Also, the Administration requested no funds for the municipal sewer overflow grants program enacted in 2000.

Some Members of Congress criticized the request level for clean water SRF capitalization grants, which was $138 million below the FY2002 enacted amount. In August 2002, the Senate Appropriations Committee approved an FY2003 funding bill for EPA that would provide $1.45 billion for clean water SRF grants, $100 million more than the FY2002 level (S. 2797, S.Rept. 107-222). In addition, the Senate committee bill included $875 million for drinking water SRF grants, $140 million for special needs infrastructure grants specified in report language, $45 million for Alaska Rural and Native Village project grants, $75 million for U.S.-Mexico border projects, and $1.134 billion for state categorical program grants, which could address a range of environmental programs.

The House Appropriations Committee approved its version of an FY2003 funding bill with $1.3 billion for the clean water SRF program (H.R. 5605, H.Rept. 107-740) in October. This bill also included $850 million for drinking water SRF grants, $227.6 million for special needs infrastructure grants enumerated in report language, $35 million for Alaska Rural and Native Village project grants, $75 million for U.S.-Mexico border projects, and $1.173 billion for state categorical program grants, which could address a range of environmental programs. Neither appropriations committee included funds for the sewer overflow grant program authorized in 2000 (the Administration did not request FY2003 funds for these grants).

Due to complex budgetary disputes during the year, final action did not occur before the 107th Congress adjourned in November 2002, and it extended into 2003, more than five months after the start of the fiscal year. Congress and the President reached agreement on funding levels for EPA and other nondefense agencies in an omnibus appropriations act (P.L. 108-7; H.J.Res. 2, H.Rept. 108-10), which the President signed on February 20. The EPA portion of the enacted bill included $1.34 billion for clean water SRF grants, $844 million for drinking water SRF grants, and $413 million more for 489 special water infrastructure project grants to individual cities specified in conference report language, plus projects in Alaska Native Villages and communities on the U.S.-Mexico border. It also provided a total of $1.14 billion for categorical state grants, which generally support states and tribal implementation of a range of environmental programs.[23]

[23] H.J.Res. 2 included an across-the-board 0.65% reduction to accounts funded by the legislation, and to each program, project, and activity within an account. This reduction is reflected in amounts described here.

FY2004

On February 3, 2003, before completion of the FY2003 appropriations, President Bush submitted his budget request for FY2004. It requested a total of $1.798 billion for water infrastructure funds, consisting of $850 million for clean water SRF grants, $850 million for drinking water SRF grants, and $98 million for priority projects (especially in Alaska Native Villages and in communities on the U.S.-Mexico border). As in previous years, the Administration requested no funds for congressionally earmarked project grants for individual communities. Some Members of Congress and interest groups criticized the request for clean water SRF grants ($490 million below the FY2003 enacted level), but Administration officials responded by saying that the request reflected a commitment to fund this program at the $850 million level through FY2011. Funding at that level and over that long-term period, plus repayments of previous SRF loans made by states, would be expected to increase the revolving levels of the overall program from $2.0 billion to $2.8 billion per year, the Administration said. The President's budget also requested $1.2 billion for categorical state grants, which could address a range of environmental programs.

On July 25, the House approved H.R. 2861 (H.Rept. 108-235), providing FY2004 appropriations for EPA. As passed, the bill included $1.2 billion for clean water SRF grants, $850 million for drinking water SRF grants, $203 million for earmarked water infrastructure project grants, and $75 million in grants for high-priority projects in Alaska Native Villages and along the U.S.-Mexico border. Senate action on its version of a funding bill for EPA (S.Rept. 108-143) occurred on November 18. The Senate-passed bill provided $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, $130 million for targeted infrastructure project grants, plus $95 million in grants for projects in Alaska Native Villages and along the U.S.-Mexico border.

As with the previous year's appropriations, Congress did not enact legislation providing FY2004 funds for EPA before the beginning of the new fiscal year; thus EPA programs were covered by a series of continuing resolutions (CRs). The last of these CRs (P.L. 108-135) extended FY2003 funding levels through January 31, 2004. On December 8, 2003, the House passed legislation providing full-year funding for EPA and other agencies that lacked enacted appropriations (H.R. 2673). The conference report on this bill (H.Rept. 108-401) provided $1.34 billion for clean water SRF grants, $845 million for drinking water SRF grants, and $425 million in grants for 520 earmarked grants in listed communities, Alaska Native Villages, and U.S.-Mexico border projects.[24] The Senate approved the conference report on January 22, 2004, and President Bush signed the legislation January 23 (P.L. 108-199).

FY2005

The FY2005 EPA appropriation for water infrastructure funds was the lowest total for these programs since FY1997 (the first year in which Congress provided both clean water and drinking water SRF capitalization grants, as well as earmarked project grants). The decline was due primarily to a reduction in funding for the clean water SRF program from an average of $1.35 billion since FY1998 to $1.09 billion.

President Bush's FY2005 budget, presented February 2, 2004, requested a total of $3.0 billion for water infrastructure assistance and state environmental program grants. It included $850 million for clean water SRF grants, $850 million for drinking water SRF grants, $94 million for priority projects (primarily in Alaska Native Villages and along the U.S.-Mexico border), and $1.25

[24] H.R. 2673 included an across-the-board 0.59% reduction to accounts funded by the legislation, and to each program, project, and activity within an account. This reduction is reflected in amounts described here.

billion for categorical grants, which could address a range of environmental programs. As in recent budgets, the Administration requested no funds for congressionally earmarked project grants. Anticipating that critics likely would focus on the clean water SRF request ($492 million below the FY2004 level), in its budget documents the Administration said that the request included funding for the clean water SRF at $850 million annually through 2011, which, together with loan repayments, state matches, and other funding sources, would result in a long-term average revolving level of $3.4 billion. Likewise, the budget anticipated funding the drinking water SRF program at the same $850 million annually through 2011, resulting in a long-term average revolving level of $1.2 billion.

House and Senate Appropriations committees began review of the EPA budget request in March. On September 9, 2004, the House Appropriations Committee reported FY2005 funding for EPA in a bill that included the Administration's requested level of $850 million for clean water SRF grants, $850 million for drinking water SRF grants, and earmarked grants for priority water infrastructure projects totaling $393.4 million (H.R. 5041, H.Rept. 108-674). On September 21, the Senate Appropriations Committee reported its version of this bill (S. 2825, S.Rept. 108-353), which included $1.35 billion for clean water SRF grants, $850 million for drinking water SRF grants, and $217 million for earmarked project grants.

Final action on the FY2005 appropriation did not occur before the start of the fiscal year. On November 20, the House and Senate passed H.R. 4818 (H.Rept. 108-792), the Consolidated Appropriations Act, 2005, an omnibus appropriations bill comprising nine appropriations measures, including funding for EPA. The bill provided total funding for EPA of $8.1 billion,[25] a decrease from the $8.4 billion approved in FY2004, but $340 million more than was requested by the President in February. One of the most controversial items in the final bill was a $251 million decrease for clean water SRF grants from the FY2004 level, although the $1.09 billion total was $241 million more than in the President's budget. The final measure also included $843 million for drinking water SRF capitalization grants; $401.7 million for 669 earmarked grants in listed communities, Alaska Native Villages, and U.S.-Mexico border projects; and $1.14 billion for categorical state grants, which generally support state and tribal administration of a range of environmental programs. The $2.34 billion total for water infrastructure programs and projects was $542 million more than was requested by the President, but $276 million less than Congress appropriated for FY2004. President Bush signed the legislation December 8, 2004 (P.L. 108-447).

FY2006

The FY2006 appropriation for water infrastructure funds marked the second consecutive year in which Congress appropriated less funding for these programs, providing lower levels both for clean water SRF capitalization grants and for earmarked project grants than in FY2005.

President Bush presented the FY2006 budget request in February 2005. Overall for EPA, it sought 5.6% less than Congress had appropriated for FY2005. The Administration's deepest cuts affecting EPA were proposed for the STAG account. The budget requested $730 million for clean water SRF grants (33% below FY2005 appropriated funding and 45.6% below the FY2004 level), $850 million for drinking water SRF grants (a slight increase from the FY2005 level), $69 million for priority projects (primarily in Alaska Native Villages and along the U.S.-Mexico border), and $1.2 billion for state categorical grants, which could address a range of environmental programs. As in previous years, the Administration requested no funds for congressionally earmarked water infrastructure projects. Advocates for the SRF programs (especially state and local government

[25] H.R. 4818 included an across-the-board 0.80% reduction to accounts funded by the legislation, and to each program, project, and activity within an account. This reduction is reflected in amounts described here.

officials) contended that cuts to the clean water program would impair their ability to carry out needed municipal wastewater treatment plant improvement projects. Administration officials responded that the proposed SRF reductions for FY2006 were because Congress had boosted funds above the FY2005 request level. These officials said that the Administration planned to invest $6.8 billion in the clean water SRF program between FY2004 and FY2011, after which federal funding was expected to end, and the state SRFs were expected to have an annual revolving level of $3.4 billion. If Congress appropriated more than requested in any given year (as occurred in FY2005), they said, that target would be met sooner, leading to reduced requests for the SRF in subsequent years until a planned phaseout in FY2011.

On May 19, 2005, the House passed H.R. 2361, providing FY2006 funding for EPA. As passed, it provided $850 million for clean water SRF grants ($120 million more than the President's request), $850 million for drinking water SRF grants, and $269 million for earmarked water infrastructure grants. During debate, the House rejected two amendments to increase clean water SRF funding. On June 29, the Senate passed its version of H.R. 2361, providing $1.1 billion for clean water SRF grants, $850 million for drinking water SRF grants, and $290 million for earmarked project grants. The House bill required that $100 million of the SRF funding come from balances from expired contracts, grants, and interagency agreements from various EPA appropriation accounts. The Senate bill, in contrast, called for a $58 million rescission of unobligated amounts associated with grants, contracts, and interagency agreements in various accounts, but did not specify that such monies go to SRF funding.

Conferees resolved differences between the bills (H.Rept. 109-188), and the House and Senate approved the measure in July; the President signed it into law on August 2 (P.L. 109-54). As enacted, the bill provided $900 million for clean water SRF grants; $850 million for drinking water SRF grants; $285 million for 259 earmarked grants in listed communities, Alaska Native Villages, and along the U.S.-Mexico border; and $1.13 billion for categorical state grants, which could address a range of environmental programs. The final bill required an $80 million rescission from expired grants, contracts, and interagency agreements in various EPA accounts (not just the STAG account) not obligated by September 1, 2006. It did not direct the rescinded funds to be applied to the clean water SRF, as proposed by the House. The $2.03 billion total in the bill for EPA water infrastructure programs and projects was $386 million more than was requested by the President, but $301 million less than Congress appropriated for FY2005.

Further, the funding amounts specified in P.L. 109-54 were reduced slightly. First, a provision of P.L. 109-54, Section 439, mandated an across-the-board rescission of 0.476% for any discretionary appropriation in that bill. Second, in December 2005 Congress enacted P.L. 109-148, the FY2006 Department of Defense Appropriations Act, and Section 3801 of that bill mandated a 1% across-the-board rescission for discretionary accounts in any FY2006 appropriation act (except for discretionary authority of the Department of Veterans Affairs). As a result of these two rescissions, the final levels for the STAG account were $887 million for clean water SRF grants; $838 million for drinking water SRF grants; $281 million for 259 earmarked grants in listed communities, Alaska Native Villages, and along the U.S.-Mexico border; and $1.11 billion for categorical state grants, which could address a range of environmental programs. FY2006 EPA water infrastructure programs and projects thus total $2.0 billion.

On October 28, President Bush requested that Congress rescind $2.3 billion from 55 "lower-priority federal programs and excess funds," including $166 million from clean water SRF monies. In the end, Congress did not endorse the specific request to reduce clean water SRF appropriations. The two rescissions resulting from P.L. 109-54 and P.L. 109-148 totaled a $13.2 million reduction from the $900 million specified in the EPA appropriations act.

FY2007

President Bush presented the Administration's FY2007 budget request in February 2006, asking Congress to appropriate $1.570 billion for EPA's water infrastructure programs. The FY2007 request sought $687.6 million for clean water SRF grants, $841.5 million for drinking water SRF grants, and $40.6 million for special projects in Alaska Native Villages, Puerto Rico, and along the U.S.-Mexico border. When the 109th Congress adjourned in December 2006, it had not completed action on appropriations legislation to fund EPA (or on nine other appropriations bills covering the majority of domestic discretionary agencies and departments) for the fiscal year that began October 1, 2006, thus carrying over this legislative activity into the 110th Congress. In December 2006, Congress enacted a continuing resolution, P.L. 109-383 (the third such continuing resolution since the start of the fiscal year on October 1), providing funds for EPA and the other affected agencies and departments until February 15, 2007.

The President's FY2007 budget request for clean water SRF capitalization grants was 22% less than the FY2006 appropriation for these grants and 37% below the FY2005 funding level. The request for drinking water SRF grants was essentially the same as in recent years ($4 million more than FY2006, $1.7 million less than FY2005). As in recent budgets, the Administration proposed no funding for congressionally designated water infrastructure grants, but, as noted above, it did seek a total of $40.6 million for Administration priority projects. Advocates of the clean water SRF program (especially state and local government officials) again contended, as they have for several recent years, that the cuts would impair their ability to carry out needed municipal wastewater treatment plant improvement projects. Administration officials responded that cuts for the clean water SRF in FY2007 were necessary because Congress boosted funds above the requested level in FY2005 and FY2006.

On May 18, 2006, the House passed H.R. 5386 (H.Rept. 109-465), providing the requested level of $687.6 million for clean water SRF grants and $841.5 million for drinking water SRF grants. The Senate Appropriations Committee approved the same funding levels for these grant programs when it reported H.R. 5386 on June 29 (S.Rept. 109-275), but the Senate did not act on this measure before the 109th Congress adjourned in December. Before adjournment, Congress enacted a continuing resolution (CR), P.L. 109-383 (the third such CR since the start of the fiscal year on October 1), providing funds for EPA and the other affected agencies and departments until February 15, 2007. Funding levels provided under this CR followed a "lowest level" concept for individual programs; that is, programs were funded at the lowest level under either House-passed FY2007 appropriations, Senate-passed appropriations, or the FY2006 funding. For clean water SRF grants, the resulting appropriation through mid-February was $687.6 million, as in House-passed H.R. 5386. For drinking water SRF grants, the appropriation level through mid-February was $837.5 million, the FY2006-enacted level. The CR included funds for congressionally earmarked water infrastructure project grants totaling $200 million, as in House-passed H.R. 5386.

Returning to these issues in 2007, in mid-February, Congress passed H.J.Res. 20, a continuing appropriations resolution that provides funding for EPA and the other affected agencies through the end of FY2007. As passed, this full-year resolution held most programs and activities at their FY2006 appropriated levels. However, clean water SRF capitalization grants were one of the few programs that received a funding increase under the resolution: these grants received $1.08 billion ($197 million more than in FY2006, and $396 million more than the President requested for FY2007). The resolution further prohibited project grants for congressional earmarks, but not for special project grants requested in the President's budget. The action to ban earmarks in FY2007 occurred when leaders in the 110th Congress sought to finish up appropriations actions that were unresolved at the end of the 109th Congress, and at the same time the newly elected Congress

moved to adopt rules and procedures to reform the congressional earmarking process for the future. (Water infrastructure project earmarks totaled $281 million in EPA's FY2006 appropriation.) President Bush signed H.J.Res. 20 on February 15, 2007 (P.L. 110-5).

The final FY2007 amounts provided in P.L. 110-5 were

- $1.084 billion for clean water SRF capitalization grants,
- $837.5 million for drinking water SRF capitalization grants,
- $83.75 million for Alaska Native Village and U.S.-Mexico border project grants requested by the Administration, and
- $1.11 billion for categorical state grants, which could be used to administer a range of environmental programs.

FY2008

President Obama presented his FY2008 budget request to Congress on February 5, 2007, before finalization of the FY2007 appropriations. The budget sought $687.6 million for clean water SRF grants, the same amount requested for FY2007; $842.2 million for drinking water SRF grants; $25.5 million for special project grants for Alaska Native Villages and the U.S.-Mexico border region; and $1.065 billion for categorical state grants, which could address a range of environmental programs.

In June 2007, the House passed H.R. 2643, providing FY2008 appropriations for EPA. This bill included $1.125 billion for clean water SRF grants, $842.2 million for drinking water SRF grants, plus $175.5 million for 143 congressionally designated water infrastructure project grants. The Senate Appropriations Committee approved companion legislation (S. 1696) that similarly included higher funding levels for several water quality programs. The Senate committee's bill provided less funding for clean water SRF grants than the House bill ($887 million), the same amount for drinking water SRF grants, and slightly more for congressionally designated water infrastructure project grants ($180 million). The Senate did not take up S. 1696.

By October 1, the start of FY2008, Congress had not enacted any appropriations bills for FY2008, and Congress enacted several short-term continuing appropriations resolutions to temporarily fund EPA and other government agencies until final agreement, which occurred in December 2007. Full-year funding for EPA's water infrastructure programs was included in the Consolidated Appropriations Act for FY2008 (Division F, Title II), signed by the President December 26, 2007 (P.L. 110-161).

The final FY2008 amounts[26] provided in this legislation were

- $689.1 million for clean water SRF capitalization grants ($1.5 million more than requested by the Administration),
- $829.0 million for drinking water SRF capitalization grants ($13.2 million less than requested),
- $177.2 million for 282 earmarked grants in listed communities, Alaska Native Villages, and U.S.-Mexico border projects ($151.7 million more than requested), and

[26] Finals amounts shown here reflect a 1.56% across-the-board reduction of appropriated amounts for accounts included in Division F of the legislation.

- $1.078 billion for categorical state grants ($13.3 million more than requested), which could address a range of environmental programs.

FY2009

President Obama presented his FY2009 budget request to Congress on February 6, 2008. The budget sought $555 million for clean water SRF grants, $134 million less than Congress appropriated for FY2008; $842.2 million for drinking water SRF grants, $13 million more than was appropriated for FY2008; $25.5 million for special project grants for Alaska Native Villages and the U.S.-Mexico border region, $18.8 million less than was appropriated for FY2008; and $1.057 billion for categorical state grants, which could address a range of environmental programs. As in past years, the budget requested no funds for other earmarked grants.

In June 2008, a House Appropriations subcommittee approved a bill with FY2009 funding for EPA, but no further action occurred before the start of the fiscal year. At the end of September 2008, Congress and the President agreed to legislation providing partial-year funding for EPA and most other agencies and departments. This bill, the Consolidated Security, Disaster Assistance, and Continuing Resolution Act, 2009 (P.L. 110-329), provided funding through March 6, 2009, at FY2008 funding levels. A second short-term continuing resolution was enacted on March 6 (P.L. 111-6), while Congress was finishing consideration of a full-year omnibus FY2009 appropriations bill that the President signed on March 11 (P.L. 111-8). The omnibus bill provided $689 million in regular appropriations for clean water SRF grants, $829 million for drinking water SRF grants—both at the same levels as were appropriated in FY2008—and $1.094 billion for categorical state grants, which support administration of a range of environmental programs. The omnibus appropriations act also includes $183.5 million for earmarked water infrastructure grants.

FY2009 Supplemental Appropriations, the American Recovery and Reinvestment Act

In February 2009, Congress responded to the nation's economic crisis by enacting the American Recovery and Reinvestment Act (ARRA, P.L. 111-5), legislation providing FY2009 supplemental appropriations to a number of government programs. Part of the philosophy underlying the legislation was the concept of using federal investments to make accelerated investments in the nation's public infrastructure in order to create jobs while also meeting infrastructure needs. To that end, the legislation included $4.0 billion for clean water SRF capitalization grants (for total FY2009 funds of $4.689 billion) and $2.0 billion for drinking water SRF capitalization grants (for total FY2009 funds of $2.829 billion). The supplemental SRF funds were available for obligation through FY2010, but under the legislation, states were to give preference when awarding funds to activities that can start and finish quickly, with a goal that at least 50% of the funds go to activities that can be initiated within 120 days of enactment. States were to give priority to wastewater projects that could proceed to construction within 12 months of enactment, and funds for projects that were not under contract or under construction by February 12, 2010, would be reallocated by EPA to other states. Further, the legislation required states to reserve at least 20% of the SRF capitalization grant funds for a Green Project Reserve, that is, projects intended to achieve improved energy or water efficiency. It also specified that all assistance agreements made in whole or in part with funds appropriated under the ARRA must comply with prevailing wage requirements of the Davis-Bacon Act.[27]

[27] For additional information, see CRS Report R40216, *Water Infrastructure Funding in the American Recovery and Reinvestment Act of 2009*, by Claudia Copeland, Megan Stubbs, and Charles V. Stern.

FY2010

President Obama presented his Administration's FY2010 budget request on May 7, 2009. For EPA as a whole, the budget sought $10.5 billion, a 38% increase above levels enacted in EPA's regular FY2009 appropriations (P.L. 111-8). The bulk of the increase in the President's budget was for water infrastructure assistance, which would receive 157% above FY2009 levels (excluding ARRA supplemental funds). The request included

- $2.4 billion for clean water SRF capitalization grants;
- $1.5 billion for drinking water SRF capitalization grants;
- $20 million for Alaska Native Village and U.S.-Mexico border projects; and
- $1.111 billion for state categorical grants (1.5% above FY2009 levels), which generally support state administration of environmental programs.

Congress provided FY2010 appropriations for EPA in P.L. 111-88, passed by the House and Senate in October 2009 and signed into law on October 30. In this measure, Congress provided the following:

- $2.1 billion for clean water SRF capitalization grants;
- $1.387 billion for drinking water SRF capitalization grants;
- $186.7 million for 319 congressionally earmarked special project grants, including assistance for Alaska Native Villages and U.S.-Mexico border projects; and
- $1.116 billion for state categorical environmental grants, which could address a range of environmental programs.

The FY2010 appropriations act included some restrictions that Congress also had specified in the American Recovery and Reinvestment Act, discussed above, namely a requirement that 20% of SRF capitalization grant assistance be used for "green" infrastructure and also that Davis-Bacon Act prevailing wage rules shall apply to construction of wastewater or drinking water projects carried out in whole or in part with assistance from the SRF.

FY2011

President Obama presented the FY2011 budget request in February 2010. For EPA as a whole, the budget sought $10.02 billion in discretionary budget authority, a 3% decrease from levels enacted for EPA in FY2010. The largest component of the reduced request, compared with FY2010, was $200 million less for grants to capitalize clean water and drinking water SRF programs. In explaining the request, EPA budget documents noted that even with a slight reduction, the budget "continues robust funding for the SRFs." As in past years, the President requested no funds for congressionally designated water infrastructure projects.[28] The request included

- $2.0 billion for clean water SRF capitalization grants;
- $1.287 billion for drinking water SRF capitalization grants;
- $20 million for Alaska Native Village and U.S.-Mexico border projects; and
- $1.277 billion for state categorical grant programs (14% higher than the FY2010 enacted amount), which could address a range of environmental programs.

[28] For additional information, see CRS Report R41149, *Environmental Protection Agency (EPA): Appropriations for FY2011*, by Robert Esworthy et al.

Congress took only limited action on FY2011 funding for EPA before the start of the new fiscal year on October 1, 2010: a House Appropriations subcommittee approved a bill in July, but no further action followed. At the end of September, the House and Senate passed a continuing resolution to extend FY2010 funding levels for EPA and other federal agencies and departments until December 3, 2010, because no FY2011 appropriations bills had been enacted by October 1. President Obama signed the continuing resolution (CR) on September 30 (P.L. 111-242). This bill was followed by six more short-term CRs before Congress came to final resolution of FY2011 spending on April 14, 2011, enacting a bill to provide funding for EPA and all other federal agencies and departments through September 30 (P.L. 112-10). The final bill reduced overall funding for EPA 15% below the FY2010 level.

The enacted bill included[29]

- $1.522 billion for clean water SRF capitalization grants;
- $963.1 million for drinking water SRF capitalization grants;
- $19.96 million for Alaska Native Village and U.S. Mexico-border projects; and
- $1.254 billion for state categorical grant programs, which generally support implementation of a range of environmental programs.

FY2012

Policymakers began to consider the budget for FY2012 before finalizing the funding levels for FY2011. The President submitted the Administration's FY2012 budget request on February 14, 2011. It sought $9 billion total for EPA, a decrease of $1.3 billion from the FY2010 enacted level, but 3% higher than the FY2011 enacted level. The President's request included $1.55 billion for clean water SRF capitalization grants, $990 million for drinking water SRF capitalization grants, $20 million for Alaska Native Village and U.S.-Mexico border assistance, and $1.2 billion for state categorical grants, which could address a range of environmental programs.

For several days in July 2011, the House debated H.R. 2584, providing FY2012 appropriations for EPA, but did not take final action on the bill before the August recess. As reported, the bill provided $7.3 billion for EPA, 17% less than FY2011 funds and 19% less than the President's FY2012 request. It reduced funds for the clean water SRF capitalization grants to $689 million and $829 million for drinking water SRF capitalization grants (the same levels provided in FY2008), while including no funds for congressionally designated special projects (i.e., earmarks). The reported bill also provided $1.002 billion for state categorical grants, which could address a range of environmental programs. There was no action on this bill in the Senate.

Final congressional action on FY2012 appropriations for EPA and most other federal agencies and departments did not occur until the end of December 2011, enacted in an omnibus appropriations act, P.L. 112-74. The enacted bill included[30]

- $1.466 billion for clean water SRF capitalization grants (3.7% below FY2011);
- $917.9 million for drinking water SRF capitalization grants (4.7% below FY2011);
- $14.976 million for Alaska Native Village and U.S.-Mexico border projects; and

[29] These amounts reflect a mandated 0.2% across-the-board rescission that was included in the final bill.

[30] These amounts reflect a mandated 0.16% across-the-board rescission for programs in EPA's portion of the legislation that was included in the final bill.

- $1.089 billion for state categorical grants, which could address a range of environmental programs.

FY2013

President Obama presented the Administration's FY2013 budget request in February 2012. It sought $8.34 billion overall for EPA, or 4.7% below the level enacted for FY2012. The request included $1.175 billion for clean water SRF capitalization grants, $850 million for drinking water SRF capitalization grants, $20 million for Alaska Native Village and U.S.-Mexico border assistance, and $1.2 billion for state categorical grants, which could address a range of environmental programs. The total amount requested for SRF capitalization grants is 15% below the FY2012 enacted level, reflecting a 20% reduction for the clean water program and a 7.4% reduction for the drinking water program.

The House Appropriations Committee approved legislation providing FY2013 funds for EPA in July 2012 (H.R. 6091). As reported, the bill provided $689 million for clean water SRF capitalization grants (the same level provided in FY2008), $829 million for drinking water SRF capitalization grants, $994 million for state categorical grants, and no funds for Alaska Native Village or U.S.-Mexico border projects.

The House did not take up H.R. 6091, nor did the Senate act on an EPA appropriations bill (although the Senate Appropriations Committee released a draft bill in September 2012).[31] Prior to the start of FY2013 on October 1, 2012, Congress passed and the President signed a continuing resolution bill providing funding for government agencies and departments through March 27, 2013 (P.L. 112-175). This measure funded the government generally at FY2012 levels plus a 0.6% increase.

Final action on FY2013 appropriations occurred in the Further Continuing Appropriations Act, 2013 (P.L. 113-6). Funding enacted in this bill included $1.452 billion for clean water SRF capitalization grants; $908.7 million for drinking water SRF capitalization grants; $15 million for Alaska Native Village and U.S.-Mexico border assistance; and $1.1 billion for state categorical grants, which generally support state and tribal implementation of a range of environmental programs. However, these amounts were reduced under the March 1, 2013, sequester order of the President, which reduced affected accounts by 5.0%, and by an across-the-board rescission of 0.2% necessary to avoid exceeding the FY2013 discretionary spending limits in law. After these reductions, available FY2013 funding was approximately $1.38 billion for the clean water SRF capitalization grants, $860 million for drinking water SRF capitalization grants, $14 million for Alaska Native Village and U.S.-Mexico border assistance, and $1.0 billion for state categorical grants.[32]

FY2014

President Obama presented the Administration's FY2014 budget in April 2013. It sought $8.15 billion overall for EPA, including $1.095 billion for clean water SRF capitalization grants, $817 million for drinking water SRF capitalization grants, $15 million for Alaska Native Village and U.S.-Mexico border projects, and $1.136 billion for state categorical grants. The total amount requested for SRF capitalization grants was 19% below the FY2013 enacted level.

[31] The text of this draft bill is no longer available on the committee's website.

[32] Personal communication, EPA.

In mid-2013, the House Appropriations Subcommittee on Interior, Environment, and Related Agencies drafted a bill (unnumbered) that would have reduced overall funding for EPA by 34% from the FY2013 enacted level, including an 83% reduction for clean water SRF capitalization grants (the bill would have provided $250 million) and a 65% reduction for drinking water SRF capitalization grants ($350 million was included in the bill). According to subcommittee documents, the reduction was appropriate because, despite recent federal support, little progress has been made to reduce the known water infrastructure gap.[33] The full committee did not complete markup of this bill.

The Senate Appropriations Subcommittee on Interior, Environment, and Related Agencies drafted an alternative bill that would have maintained funding for the clean water SRF program at $1.45 billion and funding for the drinking water SRF program at $907 million.[34] There was no further action on this bill.

Congress did not reach final agreement on FY2014 appropriations before the start of the fiscal year on October 1, but did agree to a short-term continuing appropriations measure (P.L. 113-46), which provided funding through January 15, 2014. Final action on appropriations for EPA and all other federal agencies and departments occurred as part of the Consolidated Appropriations Act, 2014 (H.R. 3547, P.L. 113-76), signed by the President on January 17, 2014. This bill provides $1.45 billion for clean water SRF capitalization grants (5% more than FY2013 funds and 32% higher than the President's FY2014 budget request) and $907 million for drinking water SRF capitalization grants (5% more than FY2013 funds and 11% higher than the President's FY2014 budget request). The bill also provides $15 million for Alaska Native Village and U.S.-Mexico border assistance, and $1.0 billion for state categorical grants, which generally support state and tribal implementation of a range of environmental programs.

FY2015

President Obama presented the Administration's FY2015 budget on March 4, 2014. It sought $7.89 billion overall for EPA, including $1.018 billion for clean water SRF capitalization grants, $757 million for drinking water SRF capitalization grants, $15 million for Alaska Native Village and U.S.-Mexico border projects, and $1.13 billion for state categorical grants. The total amount requested for SRF capitalization grants was 25% below the FY2014 enacted level.

Final full-year appropriations were enacted as part of the Consolidated and Further Continuing Appropriations Act, 2015, enacted in December 2014 (P.L. 113-235). The legislation provided the same water infrastructure funding levels as in FY2014: $1.45 billion for clean water SRF capitalization grants and $907 million for drinking water SRF capitalization grants. As with the FY2014 appropriations, the bill provided $15 million for Alaska Native Village and U.S.-Mexico border assistance and $1.0 billion for state categorical grants, which could address a range of environmental programs.

FY2016

The Administration's FY2016 budget requested $8.6 billion overall for EPA. The request included $1.116 billion for clean water SRF capitalization grants, $1.186 billion for drinking water SRF capitalization grants (31% higher than the FY2016 appropriation), $15 million for Alaska Native Village and U.S.-Mexico border projects, and $1.162 billion for state categorical

[33] The text of this draft bill is no longer available on the committee's website.

[34] The text of this draft bill is no longer available on the committee's website.

grants, which generally support state and tribal implementation of a range of environmental programs.

Although the House and Senate Appropriations Committees reported bills to provide FY2016 appropriations for EPA, final appropriations action for EPA and other agencies occurred as part of the Consolidated Appropriations Act, 2016, signed by the President December 18, 2015 (P.L. 114-113). The bill provided $1.394 billion for clean water SRF capitalization grants ($55 million less than FY2015, but $278 million above the President's request), $863 million for drinking water SRF capitalization grants ($44 million below the FY2015 level, and $323 million less than the President's request), and $30 million for Alaska Native Village and U.S.-Mexico border water infrastructure projects. It also provided $1.06 billion for state categorical grants.

FY2017

President Obama presented the Administration's FY2017 budget in February 2016, requesting $8.3 billion in total for EPA ($127 million above the FY2016 enacted budget). The request for EPA included $979.5 million for clean water SRF capitalization grants ($424 million less than the FY2016 enacted level), $1.02 billion for drinking water SRF capitalization grants ($157 million above the FY2016 amount), $22 million for Alaska Native Village and U.S.-Mexico border projects, and $1.158 billion for state categorical grants, which generally support state and tribal implementation of environmental programs.

During congressional hearings on the EPA request, many Members criticized the requested 30% decrease in funds for clean water SRF capitalization grants. This criticism was reflected to some degree in appropriations bills the Appropriations Committees subsequently approved that include EPA funding. In July 2016, the House passed H.R. 5538, FY2017 Interior and Environment Appropriations Act; it included $1.0 billion for clean water SRF grants, $1.07 billion for drinking water SRF grants, and $1.06 billion for state categorical grants. The Senate Appropriations Committee reported a companion bill, S. 3068, in June. It included $1.35 billion for clean water SRF grants, $1.02 billion for drinking water SRF grants, and $1.09 billion for state categorical grants. The Senate did not take up this bill.

Congress did not reach final agreement on an EPA funding bill before the start of FY2017. However, on September 28, the House and Senate passed a 10-week continuing resolution that extended FY2016 funding levels, minus a 0.496% across-the-board reduction, through December 9, 2016 (P.L. 114-223). A second continuing resolution, passed in December 2014, extended FY2016 funding levels, minus a 0.1901% across-the-board reduction, from December 10, 2016, through April 28, 2017 (P.L. 114-254).

The Obama Administration's FY2017 budget submission also included a $15 million request to allow EPA to begin making water infrastructure project loans under a program that Congress enacted in 2014, the Water Infrastructure Financing and Investment Act, or WIFIA.[35] P.L. 114-254 included the first appropriation, $20 million, for EPA to do so. The FY2017 final appropriations act (discussed below) provided an additional $8 million for EPA's WIFIA program (and $2 million for EPA to administer the program).

Final full-year appropriations were enacted as part of the Consolidated and Further Continuing Appropriations Act, 2017, signed by President Trump on May 5, 2017 (P.L. 115-31). The act provided the same level of funding for water infrastructure as FY2016: $1.394 billion for clean water SRF capitalization grants ($414 million above President Obama's request), $863 million

[35] For more information, see CRS Report R43315, *Water Infrastructure Financing: The Water Infrastructure Finance and Innovation Act (WIFIA) Program*, by Jonathan L. Ramseur and Mary Tiemann.

for drinking water SRF capitalization grants ($158 million less than President Obama's request), and $30 million for Alaska Native Village and U.S.-Mexico border water infrastructure projects. It also provided $1.07 billion for state categorical grants, which support a range of environmental programs.

The Continuing and Security Assistance Appropriations Act, 2017 (P.L. 114-254), included an additional $100 million in DWSRF funding to assist Flint, MI, as authorized in the Water Infrastructure Improvements for the Nation (WIIN) Act (P.L. 114-322).

FY2018

The Trump Administration's FY2018 budget request proposed $8.6 billion overall for EPA. The request included $1.394 billion for clean water SRF capitalization grants and $863 million for drinking water SRF capitalization grants (the same amounts as the FY2017 appropriation). The request proposed $597 million for state categorical grants, a 44% reduction compared to FY2017 levels. Much of this reduction came from the elimination of funding for nonpoint source grants (CWA Section 319)[36] and reduction of grant funding for water pollution control (CWA Section 106).[37] In addition, the President's budget request proposed to eliminate funding for Alaska Native Village and U.S.-Mexico border projects.

Similar to the previous fiscal year, Congress did not reach final agreement on an EPA funding bill before the start of FY2018. EPA and other federal departments and agencies operated under multiple continuing resolutions generally at FY2017 enacted levels (minus across-the-board rescissions). Final full-year appropriations were enacted as part of the Consolidated Appropriations Act, 2018, signed by President Trump on March 23, 2018 (P.L. 115-141). EPA's STAG account (Division G, Title II) included $1.394 billion for the clean water SRF and $863 million for the drinking water SRF program (the same amounts appropriated for FY2017, less $100 million for the DWSRF provided to assist Flint, MI). Division G, Title IV (General Provisions), Section 430, included an additional $600 million ($300.0 million each) within the STAG account for both SRF programs.

P.L. 115-141 also provided $63 million for the WIFIA program, more than doubling the FY2017 appropriation.[38] The act provided $20 million for Alaska Native Village projects and $10 million U.S.-Mexico border projects. It also provided $1.08 billion for state categorical grants, which support a range of environmental programs.

In addition, the act provided the first appropriations for three programs authorized in the WIIN Act (P.L. 114-322, Title II, the Water and Waste Act of 2016): $10 million to help public water systems serving small or disadvantaged communities meet SDWA requirements; $20 million to support lead reduction projects, including lead service line replacement; and $20 million to establish a voluntary program for testing for lead in drinking water at schools and child care programs.[39]

[36] 33 U.S.C. §1329.

[37] 33 U.S.C. §1256.

[38] Prior to the enactment of P.L. 115-141, the Continuing Appropriations Act, 2018, and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (P.L. 115-56, §133), provided to EPA for FY2018 administrative expenses to carry out the WIFIA program "at a rate for operations of $3 million."

[39] For more information, see CRS In Focus IF10883, *Overview of U.S. Environmental Protection Agency (EPA) Water Infrastructure Programs and FY2018 Appropriations*, by Mary Tiemann and Jonathan L. Ramseur.

FY2019

The Trump Administration's FY2019 budget request proposed $6.15 billion overall for EPA. The request included $1.394 billion for clean water SRF capitalization grants and $863 million for drinking water SRF capitalization grants (the same amounts *requested* in FY2018). The request included $20 million for the WIFIA program: $17 million to cover subsidy costs, which EPA estimated would allow the agency to lend approximately $2 billion (EPA Budget Justification), and $3 million for administrative costs. In addition, the request proposed $597 million for state categorical grants and $3 million for Alaska Native Village projects. The request proposed to eliminate funding for nonpoint source grants (CWA Section 319),[40] reduce grant funding for water pollution control (CWA Section 106),[41] and eliminate funding for U.S.-Mexico border water infrastructure projects.

At the beginning of FY2019, EPA operated under the terms and conditions of multiple continuing resolutions (Division C of P.L. 115-245; P.L. 115-298; and P.L. 116-5). A "partial government shutdown" began on December 22, 2018, during which EPA operated under its shutdown contingency plans. Final full-year appropriations were enacted as part of the Consolidated Appropriations Act, FY2019 (P.L. 116-6), signed by President Trump on February 15, 2019.

FY2019 appropriations were provided in two titles of P.L. 116-6. Title II included $1.394 billion for the CWSRF, $864.0 million for the DWSRF, and $10.0 million for WIFIA. Title IV included an additional $600.0 million ($300.0 million each) for both SRF programs and an additional $58.0 million for WIFIA.

Title IV of P.L. 116-6 included $65.0 million within the EPA STAG account for grants authorized in the WIIN Act (P.L. 114-322): $25 million to help public water systems serving small or disadvantaged communities meet SDWA requirements, $15 million to support lead reduction projects (including lead service line replacement), and $25 million to establish a voluntary program for testing for lead in drinking water at schools and child care programs.

In addition, the act provided $25 million for Alaska Native Village projects and $15 million U.S.-Mexico border projects. It also provided $1.08 billion for state categorical grants, which support a range of environmental programs.

FY2020

The Trump Administration's FY2020 budget request proposed $6.07 billion overall for EPA.[42] The request included

- $1.120 billion for CWSRF capitalization grants;
- $863 million for drinking water SRF capitalization grants;
- $25 million for the WIFIA program: $20 million to cover subsidy costs, which EPA estimated would allow the agency to lend over $2 billion (EPA Budget Justification), and $5 million for administrative costs;

[40] 33 U.S.C. §1329.

[41] 33 U.S.C. §1256.

[42] See CRS In Focus IF11153, *U.S. Environmental Protection Agency (EPA) Appropriations: FY2020 President's Budget Request*, by Robert Esworthy and David M. Bearden.

- $3 million for Alaska Native Village projects;[43]
- $10 million for testing for lead in drinking water at schools and child care programs;[44]
- $61 million for sewer overflow control grants;[45]
- $154 million for water pollution control grants (CWA Section 106);[46] and
- $580 million for state categorical grants, which support a range of environmental programs.

The Administration's request proposed to eliminate funding for the following:

- nonpoint source grants,[47]
- U.S.-Mexico border water infrastructure projects,[48]
- drinking water grants for small and disadvantage communities,[49] and
- lead reduction project grants.[50]

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Acknowledgments

This report was originally written by Claudia Copeland, who has retired from CRS.

[43] 33 U.S.C. §1263a.

[44] 42 U.S.C. §300j-24.

[45] 33 U.S.C. §1301

[46] 33 U.S.C. §1256.

[47] 33 U.S.C. §1329.

[48] In October 1993, the United States and Mexico adopted the Agreement between the Government of the United States of America and the Government of the United Mexican States Concerning the Establishment of a Border Environment Cooperation Commission (BECC) and a North American Development Bank (NADB) to assist border communities in financing environmental infrastructure projects. The agreement noted the need for environmental infrastructure, especially in the areas of water pollution, wastewater treatment, and municipal solid waste. The BECC is authorized to help border states and communities coordinate, design, and mobilize financing for environmental infrastructure projects and certify projects for financing. The NADB evaluates the financial feasibility of BECC-certified projects and provides financing as appropriate. Congress authorized U.S. participation in the BECC and NADB in legislation implementing the North America Free Trade Agreement (P.L. 103-182). The BECC and the NADB began operating in FY1995. Enacted on April 5, 2004, P.L. 108-215 authorized several operational reforms to the NADB. BECC and NADB have merged. In 1997, the NADB entered into an agreement with EPA, under which EPA contributes much of its annual border infrastructure appropriation to the Border Environment Infrastructure Fund.

[49] 42 U.S.C. §300j-19a.

[50] 42 U.S.C. §300j-19b.

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