

WATER SUPPLY INFRASTRUCTURE ASSISTANCE ACT OF
1996

MARCH 29, 1996.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. SHUSTER, from the Committee on Transportation and
Infrastructure, submitted the following

R E P O R T

[To accompany H.R. 2747]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 2747) to direct the Administrator of the Environmental Protection Agency to make grants to States for the purpose of financing the construction, rehabilitation, and improvement of water supply systems, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Water Supply Infrastructure Assistance Act of 1996".

SEC. 2. PURPOSES.

The purposes of this Act are as follows:

(1) To provide grants for establishment of State revolving funds for the purpose of providing financial and technical assistance for the construction, rehabilitation, and improvement of water supply systems, including treatment to remove pollutants from navigable waters for the purpose of making such waters usable by water supply systems and for source water quality protection programs.

(2) To provide for administrative efficiencies through implementation of this Act relying on existing mechanisms of State water pollution control revolving loan fund programs established pursuant to title VI of the Federal Water Pollution Control Act.

SEC. 3. LIMITATION ON STATUTORY CONSTRUCTION.

Nothing in this Act shall be construed as affecting the requirements of title XIV of the Public Health Service Act (42 U.S.C. 300f-300j-9), commonly referred to as the Safe Drinking Water Act.

SEC. 4. DEFINITIONS.

In this Act, the following definitions apply:

(1) **ADMINISTRATOR.**—The term “Administrator” means the Administrator of the Environmental Protection Agency.

(2) **DISADVANTAGED COMMUNITY.**—The term “disadvantaged community” means the service area of a water supply system with respect to which the average annual residential charges for a user of the water supply system meet affordability criteria established by the State in which the water supply system is located (after providing for public review and comment) in accordance with guidelines to be established by the Administrator, in cooperation with the States.

(3) **INDIAN TRIBE.**—The term “Indian tribe” has the meaning such term has under section 518 of the Federal Water Pollution Control Act and includes Alaska Native Villages and former Indian reservations in Oklahoma.

(4) **SMALL WATER SUPPLY SYSTEM.**—The term “small water supply system” means a water supply system that serves a population of 10,000 or fewer.

(5) **STATE.**—The term “State” means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

(6) **WATER SUPPLY SYSTEM.**—The term “water supply system” means a system for the provision to the public of piped water for human consumption if such system has at least 15 service connections or regularly serves at least 25 individuals and a draw and fill system for the provision to the public of water for human consumption. Such term does not include a for-profit system that has fewer than 15 service connections used by year-round residents of the area served by the system or a for-profit system that regularly serves fewer than 25 year-round residents and does not include a system owned by a Federal agency. Such term includes (A) any collection, treatment, storage, and distribution facilities under control of the operator of such system and used primarily in connection with such system, and (B) any collection or pretreatment facilities not under such control that are used primarily in connection with such system.

SEC. 5. GRANTS TO STATES.

Subject to the provisions of this Act, the Administrator shall make grants to each State for the purpose of establishing a water supply infrastructure account in the State water pollution control revolving loan fund programs established pursuant to title VI of the Federal Water Pollution Control Act, if any, to provide assistance (1) for the construction, rehabilitation, and improvement of water supply systems, and (2) consistent with nonpoint source management programs established under section 319 of the Federal Water Pollution Control Act, for source water quality protection programs to address pollutants in navigable waters for the purpose of making such waters usable by water supply systems.

SEC. 6. GRANT AGREEMENTS.

(a) **GENERAL RULE.**—To receive a grant with funds made available under section 13, a State shall enter into an agreement with the Administrator which shall include, but not be limited to, the specifications set forth in subsection (b) of this section.

(b) **SPECIFIC REQUIREMENTS.**—The Administrator shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administrator that—

(1) the State will accept grant payments with funds to be made available under this Act and will deposit all such payments in the water supply infrastructure account established by the State in accordance with this Act;

(2) if the State has a water pollution control revolving fund established in accordance with title VI of the Federal Water Pollution Control Act, the State will establish the water supply infrastructure account as a separate account in such fund;

(3) the State will deposit in the water supply infrastructure account from State moneys an amount equal to at least 20 percent of the total amount of all grants which will be made to the State with funds to be made available under section 13 on or before (A) the date on which each grant payment will be made to the State under this Act (other than sections 14 and 15), or (B) September 30, 1998, in the case of grant payments made from funds appropriated for fiscal years 1995, 1996, and 1997;

(4) the State will enter into binding commitments to provide assistance in accordance with this Act in an amount equal to 120 percent of the amount of each such grant payment within 1 year after the receipt of such grant payment;

(5) the State will not make available any assistance from the account unless the State has first determined that the applicant—

(A) has adopted or will adopt a system of charges, policies, and procedures to ensure that recipients of financial assistance from the account are reasonably likely to repay the assistance and will have adequate resources to pay the cost of operation and maintenance (including replacement) of the water supply system; and

(B) has or will have legal, institutional, technical, managerial, and financial capability to ensure adequate construction, operation, and maintenance of water supply systems throughout the applicant's jurisdiction;

(6) the State will take such action as may be necessary to ensure that construction, rehabilitation, and improvement of a water supply system undertaken with funds directly made available by grants under section 5 are carried out in the most cost-effective manner, as determined by the State;

(7) the State will take such action as may be necessary to ensure that, after construction, rehabilitation, and improvement of a water supply system undertaken with funds directly made available by grants under section 5, such system will provide water supply services at the most economical cost, including consideration of water conservation measures, as determined by the applicant; and

(8) the State will make annual reports to the Administrator on the actual use of funds in accordance with section 606(d) of the Federal Water Pollution Control Act.

SEC. 7. INCORPORATION OF FWPCA BY REFERENCE.

(a) **GENERAL RULE.**—The provisions of title VI of the Federal Water Pollution Control Act shall apply as provided in this Act to accounts established by States under this Act. For purposes of this Act, any reference to the Federal Water Pollution Control Act and to any section thereof shall be treated as a reference to such Act or section as in effect on the date of the enactment of this Act.

(b) **TYPES OF ASSISTANCE.**—

(1) **IN GENERAL.**—Section 603(d) of the Federal Water Pollution Control Act shall apply to accounts established by States under this Act to the same extent and in the same manner as such section applies to water pollution control revolving funds under such Act.

(2) **EXCEPTIONS FOR DISADVANTAGED COMMUNITIES.**—

(A) **TERM OF LOAN.**—Notwithstanding paragraph (1), the repayment period referred to in section 603(d)(1)(A) of the Federal Water Pollution Control Act for a loan made from a State water supply infrastructure account to a disadvantaged community shall be the lesser of 40 years or the expected life of the project to be financed with the proceeds of the loan and the date for full loan amortization referred to in section 603(d)(1)(B) of such Act shall be the date of the expiration of the term of the loan.

(B) **NEGATIVE INTEREST RATES.**—In any case in which the State is making a loan from its water supply infrastructure account to a disadvantaged community, the State may charge a negative annual interest rate of not to exceed 2 percent to reduce the unpaid principal of the loan. The aggregate amount of all such negative interest rate loans the State makes in a fiscal year shall not exceed 20 percent of the funds in the water supply infrastructure account of the State.

(3) **EXCEPTION FOR DISTRICT OF COLUMBIA AND TERRITORIES.**—In the case of a water supply infrastructure account established by the District of Columbia, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, the Pacific Trust Territories, or the Virgin Islands, the account may be used directly by the State for construction, rehabilitation, and improvement of a water supply system.

(c) **CORRECTIVE ACTION.**—Section 605 of the Federal Water Pollution Control Act shall apply to a State's agreement with the Administrator under this Act and to requirements of this Act to the same extent and in the same manner as such section applies to a State's agreement under section 602 of such Act and the requirements of title VI of such Act.

(d) **AUDITS, REPORTS, AND FISCAL CONTROLS.**—Subsections (a), (b), (d), and (e) of section 606 of the Federal Water Pollution Control Act shall apply to a State establishing an account under this Act and to such account to the same extent and in the same manner as such subsections apply to a State establishing a water pollution control revolving fund under title VI of such Act and to such fund.

SEC. 8. WATER SUPPLY INFRASTRUCTURE REVOLVING LOAN FUNDS.

(a) **REQUIREMENTS FOR OBLIGATION OF GRANT FUNDS.**—Before a State may receive a grant with funds made available under section 13, the State shall first establish a water supply infrastructure account which complies with the requirements of this Act.

(b) **ADMINISTRATOR.**—Each State water supply infrastructure account shall be administered by an instrumentality of the State with such powers and limitations as may be required to operate such account in accordance with the requirements and purposes of this Act.

(c) **PROJECTS ELIGIBLE FOR ASSISTANCE.**—The amounts of funds available to each State water supply infrastructure account shall be used only for providing financial assistance (1) for construction, rehabilitation, and improvement of water supply systems, and (2) consistent with nonpoint source management programs established under section 319 of the Federal Water Pollution Control Act and subject to subsection (d)(3), for source water quality protection programs to address pollutants in navigable waters for the purpose of making such waters usable by water supply systems. In addition, amounts in such account may be used to provide assistance to undertake feasible and appropriate changes in operations of the water supply system (including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures) if the State determines that such measures are necessary to ensure adequate construction, operation, and maintenance of the water supply system. The account shall be established, maintained, and credited with repayments, and the account balance shall be available in perpetuity for providing such assistance.

(d) **TYPES OF ASSISTANCE.**—In addition to the types of assistance which may be made available under section 603(d) of the Federal Water Pollution Control Act from a water supply infrastructure account of a State under this Act—

(1) up to 2 percent of the funds in such account may be used to provide technical assistance with respect to construction, rehabilitation, and improvement of water supply systems;

(2) up to 10 percent of the funds in such account may be used to provide technical and financial assistance described in subsection (c)(2);

(3) up to $\frac{1}{4}$ of the 10 percent set-aside under paragraph (2) may be used to make grants to pay 50 percent of the cost of the source water quality protection programs described in subsection (c)(2); and

(4) such account may be used to provide loan guarantees for developing and implementing innovative technologies.

(e) **ACQUISITION OF LANDS.**—Assistance provided with funds made available under section 13 may be used for the acquisition of lands and other interests in lands; however, nothing in this Act authorizes the acquisition of lands or other interests in lands from other than willing sellers.

SEC. 9. ALLOTMENT OF FUNDS.

(a) **FISCAL YEAR 1996.**—Sums authorized to be appropriated pursuant to section 13 for fiscal year 1996 shall be allotted for such year by the Administrator not later than the 10th day which begins after the date of the enactment of this Act. Sums authorized for such fiscal year shall be allotted in accordance with the following table:

States:	Percentages:
Alabama	0.98
Alaska	2.34
Arizona	1.36
Arkansas	0.98
California	6.27
Colorado	1.35
Connecticut	1.73
Delaware	0.63
District of Columbia	0.52
Florida	3.72
Georgia	2.10
Hawaii	0.60
Idaho	1.13
Illinois	3.16
Indiana	2.10
Iowa	1.36
Kansas	1.12
Kentucky	0.95
Louisiana	1.65
Maine	1.00
Maryland	1.42
Massachusetts	1.15
Michigan	4.93
Minnesota	3.47
Mississippi	1.32

Missouri	1.77
Montana	1.19
Nebraska	1.02
Nevada	0.85
New Hampshire	1.09
New Jersey	2.28
New Mexico	1.01
New York	4.90
North Carolina	3.80
North Dakota	0.76
Ohio	3.55
Oklahoma	1.41
Oregon	1.53
Pennsylvania	4.41
Rhode Island	0.61
South Carolina	1.18
South Dakota	0.82
Tennessee	1.01
Texas	5.81
Utah	0.87
Vermont	0.81
Virginia	2.41
Washington	2.55
West Virginia	0.98
Wisconsin	3.42
Wyoming	0.81
American Samoa	0.18
Guam	0.17
Northern Marianas	0.17
Puerto Rico	0.81
Pacific Trust Territories	0.17
Virgin Islands	0.31.

(b) FISCAL YEARS 1997 THROUGH 2000.—Sums authorized to be appropriated pursuant to section 13 for each of fiscal years 1997 through 2000 shall be allotted by the Administrator in accordance with the relative needs of the States for construction, rehabilitation, and improvement of water supply systems and for source water quality protection programs described in section 5, as determined by the Administrator, in consultation with the States.

(c) RESERVATION OF FUNDS FOR INDIAN TRIBES.—

(1) IN GENERAL.—Notwithstanding subsections (a) and (b), the Administrator shall reserve for each fiscal year not to exceed 1.5 percent of the amount made available to carry out section 13 for such fiscal year for the purpose of making grants to Indian tribes for construction, rehabilitation, and improvement of water supply systems.

(2) ALASKA NATIVE VILLAGES.—In the case of a grant under this subsection for a project in an Alaska Native village, the Administrator is also authorized to make grants to the State of Alaska for the benefit of Native villages. An amount not to exceed 4 percent of the grant amount may be used by the State of Alaska for project management.

(d) ALLOTMENT PERIOD.—

(1) PERIOD OF AVAILABILITY FOR GRANT AWARD.—Sums allotted to a State under this section for a fiscal year shall be available for obligation by the State during the fiscal year for which sums are authorized and during the following fiscal year; except that for sums allotted in fiscal year 1996, such period of availability shall be fiscal years 1996 through 1998.

(2) REALLOTMENT OF UNOBLIGATED FUNDS.—The amount of any allotment not obligated by the State by the last day of the period of availability established by paragraph (1) shall be immediately reallocated by the Administrator on the basis of the same ratio as is applicable to sums allotted under this section for the second fiscal year of such period. None of the funds reallocated by the Administrator shall be reallocated to any State which has not obligated all sums allotted to such State in the first fiscal year of such period.

SEC. 10. INTENDED USE PLANS.

(a) IN GENERAL.—After providing for public review and comment, each State establishing a water supply infrastructure account under this Act shall annually prepare a plan that identifies the intended uses of the amounts in the account.

(b) CONTENTS.—An intended use plan shall include—

(1) a list of the projects to be assisted in the first fiscal year that begins after the date of the plan, including a description of the project, the expected terms of financial assistance, and the size of the service area;

(2) a determination of the priority to be given to such projects, taking into account the relative financial and other needs for construction, rehabilitation, and improvement of water supply systems and for source water quality protection within the boundaries of the State;

(3) the criteria and methods established for the distribution of funds; and

(4) a description of the financial status of the water supply infrastructure account.

SEC. 11. NEEDS SURVEY.

(a) **IN GENERAL.**—The Administrator, in cooperation with the States and Indian tribes, shall make—

(1) a detailed estimate, biennially revised, of the cost of needed construction, rehabilitation, and improvement of water supply systems in the States and Indian tribes and of the cost of needed construction in each of the States and Indian tribes; and

(2) a comprehensive study of the economic impact on affected units of government of the costs of installation of water supply systems and parts thereof.

(b) **SUBMISSION TO CONGRESS.**—The Administrator shall submit the detailed estimate and the comprehensive study of costs under subsection (a) to Congress no later than January 1, 1998, and January 1 of each even-numbered year thereafter. The Administrator shall also submit recommendations for allotment of funds under section 9 to the States based on such estimates and on such additional factors as the Administrator deems appropriate, including financial need. Whenever the Administrator, pursuant to this section, requests and receives an estimate of costs from a State, the Administrator shall furnish copies of such estimate together with such detailed estimate to Congress.

SEC. 12. BUY AMERICAN.

(a) **SENSE OF CONGRESS.**—It is the sense of Congress that a recipient of assistance under this Act should purchase American-made equipment and products.

(b) **NOTICE.**—The Administrator shall provide to each recipient of assistance under this Act a notice describing the sense of Congress set forth in subsection (a).

SEC. 13. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out this Act (other than sections 14 and 15)—

- (1) \$500,000,000 for fiscal year 1996;
- (2) \$750,000,000 for fiscal year 1997;
- (3) \$1,000,000,000 for fiscal year 1998;
- (4) \$1,000,000,000 for fiscal year 1999; and
- (5) \$1,000,000,000 for fiscal year 2000.

Such sums shall remain available until expended.

SEC. 14. TECHNICAL AND ENVIRONMENTAL FINANCING ASSISTANCE.

(a) **TECHNICAL ASSISTANCE FOR SMALL WATER SUPPLY SYSTEMS.**—

(1) **GRANTS.**—The Administrator may make grants to States, local governments, and nonprofit organizations to provide technical assistance and training to owners and operators of small water supply systems (including systems that utilize an alternative treatment technology) to enable the systems to achieve the purposes of this Act.

(2) **DISSEMINATION OF INFORMATION.**—The Administrator may disseminate information to communities with respect to the planning, design, construction, and operation of water supply systems.

(3) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated to carry out this subsection \$13,000,000 for each of fiscal years 1996 through 2000. Such sums shall remain available until expended.

(b) **ENVIRONMENTAL FINANCE CENTERS.**—

(1) **IN GENERAL.**—The Administrator shall support the network of university-based Environmental Finance Centers in providing technical assistance to State and local officials to enable water supply systems to meet the purposes of this Act.

(2) **EMPHASIS.**—Assistance authorized under this subsection shall be used by Environmental Finance Centers to increase the capabilities of State and local officials to fund, operate, and maintain water supply systems and source water quality protection programs, as described in section 5 of this Act, with greater involvement of private sector and public, non-Federal sector participants.

(3) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated to carry out this subsection \$2,000,000 for each of fiscal years 1996 through 2000. Such funds shall remain available until expended.

SEC. 15. ADDITIONAL ASSISTANCE FOR WATER INFRASTRUCTURE AND WATERSHEDS.

(a) **GENERAL PROGRAM.**—

(1) **IN GENERAL.**—The Administrator may provide technical and financial assistance in the form of grants to States (A) for the construction, rehabilitation, and improvement of water supply systems, and (B) consistent with nonpoint

source management programs established under section 319 of the Federal Water Pollution Control Act, for source water quality protection programs to address pollutants in navigable waters for the purpose of making such waters usable by water supply systems.

(2) LIMITATION.—Not more than 30 percent of the amounts appropriated to carry out this subsection in a fiscal year may be used for source water quality protection programs described in paragraph (1)(B).

(3) CONDITION.—As a condition to receiving assistance under this subsection, a State shall ensure that such assistance is carried out in the most cost-effective manner, as determined by the State.

(4) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$50,000,000 for each of fiscal years 1996 through 2000. Such sums shall remain available until expended.

(b) NEW YORK CITY WATERSHED, NEW YORK.—

(1) IN GENERAL.—The Administrator may provide technical and financial assistance in the form of grants for a source water quality protection program described in subsection (a) for the New York City Watershed in the State of New York.

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$15,000,000 for each of fiscal years 1996 through 2000. Such sums shall remain available until expended.

(c) RURAL AND NATIVE VILLAGES, ALASKA.—

(1) IN GENERAL.—The Administrator may provide technical and financial assistance in the form of grants to the State of Alaska for the benefit of rural and Alaska Native villages for the development and construction of water systems to improve conditions in such villages and to provide technical assistance relating to construction and operation of such systems.

(2) CONSULTATION.—The Administrator shall consult the State of Alaska on methods of prioritizing the allocation of grants made to such State under this subsection.

(3) ADMINISTRATIVE EXPENSES.—The State of Alaska may use not to exceed 4 percent of the amount granted to such State under this section for administrative expenses necessary to carry out the activities for which the grant is made.

(4) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$25,000,000. Such sums shall remain available until expended.

(d) ACQUISITION OF LANDS.—Assistance provided with funds made available under this section may be used for the acquisition of lands and other interests in lands; however, nothing in this Act authorizes the acquisition of lands or other interests in lands from other than willing sellers.

(e) FEDERAL SHARE.—The Federal share of the cost of activities for which grants are made under this section shall be 50 percent.

(f) CONDITION ON AUTHORIZATIONS OF APPROPRIATIONS.—An authorization of appropriations under this section shall be in effect for a fiscal year only if at least 75 percent of the total amount of funds authorized to be appropriated for such fiscal year by section 13 are appropriated.

PURPOSE AND SUMMARY

The purpose of H.R. 2747, the “Water Supply Infrastructure Assistance Act of 1996,” is to provide financial and technical assistance to help meet the nation’s water infrastructure and source water quality protection needs. The bill authorizes the creation of water supply infrastructure accounts, within existing Clean Water Act (CWA) State Revolving Funds (SRFs), for the States’ use in making loans for constructing, rehabilitating, and improving water supply (drinking water) infrastructure. A portion of funds made available to the new accounts may be used for special assistance to disadvantaged communities and for source water quality protection programs, focusing on watershed protection, \$4.25 billion is authorized over five years. An additional \$350 million is authorized over five years for water infrastructure and watershed protection grants to State and local interests. The bill also authorizes \$75 mil-

lion over five years for technical and environmental assistance to small communities and other eligible recipients.

BACKGROUND AND NEED

Safe, clean drinking water supplies are invaluable, one simply cannot put a price on their importance to our nation's public health, environment, and economy. Unfortunately, one can put a price on providing, operating, and maintaining our nation's water infrastructure—and it is astonishingly high. Even conservative cost estimates of constructing, rehabilitating, and improving America's drinking water systems run into the tens of billions of dollars.

For example, EPA estimates over \$8.6 billion in capital needs to meet current Safe Drinking Water Act requirements. The Congressional Budget Office also estimates annual costs between \$1.4 billion and \$2.3 billion per year for compliance with current regulations. These costs, however, are dwarfed by the overall costs of meeting basic water supply infrastructure needs. The Associated General Contractors of America reports that current major capital needs for the nation's drinking water systems are more than \$150 billion. These needs include the replacement and expansion of distribution systems and the replacement and expansion of treatment facilities, primarily in small systems. Aged, clogged pipes often need in-place cleaning and lining. Older facilities have deteriorating distribution systems. Some still have wooden pipes dating back to the 1800's.

H.R. 2747 is intended to respond to these overwhelming needs. While the bill will help to fund the requirements under the Safe Drinking Water Act, its greater contribution is to help fund measures for adequate water collection, storage, treatment, and distribution facilities and voluntary, nonregulatory measures to protect source water quality.

DISCUSSION OF COMMITTEE BILL AND SECTION-BY-SECTION ANALYSIS

Section 1—Short title

“Water Supply Infrastructure Assistance Act of 1996”.

Section 2—Purposes

The purposes of the Act are: (1) to provide grants to States for financial and technical assistance for construction, rehabilitation and improvements of water supply systems, including source water quality protection programs; and (2) to achieve administrative efficiencies by relying on existing SRF mechanisms established under the CWA.

While the bill makes specific reference only to navigable waters, the Committee is fully aware of the importance of nonnavigable waters and ground water, particularly in relation to source water quality protection. In fact, the Committee intends for ground water protection activities to be eligible for source water quality protection assistance to the extent such assistance is consistent with section 319 of the CWA. Section 319(i), in particular, authorizes financial and technical assistance for ground water protection against nonpoint source pollution. Activities that would be eligible for fi-

nancial and technical assistance under 319(i) are eligible for assistance under H.R. 2747.

Section 3—Limitation on statutory construction

Nothing in this Act affects the requirements of the Safe Drinking Water Act.

Section 4—Definitions

The bill defines “Administrator,” “disadvantaged community,” “Indian tribe,” “small water supply system,” “State,” and “water supply system.” The term “disadvantaged community” means a service area with respect to which the average annual service charges for users meet affordability criteria established by the State. The term “water supply system” means a system for the provision to the public of piped water for human consumption if such a system has at least 15 service connections or regularly serves at least 25 individuals and a draw and fill system for the provision to the public for human consumption. The term, however, does not include a for-profit system that has fewer than 15 service connections used by year-round residents of the area served by the system or regularly serves fewer than 25 year-round residents and does not include a system owned by a Federal agency. The term includes collection, treatment, storage, and distribution facilities and certain pretreatment facilities.

The Committee has included, as part of the definition of water supply system, “draw and fill system.” This is a reference to the systems commonly used throughout rural Alaska, where piped systems are not feasible due to the frequent freezing of the ground. Under such circumstances, residents often draw water from central locations, transport it to their homes, and then fill their closed systems with it.

Section 5—Grants to States

The Administrator of the Environmental Protection Agency (EPA) is to make grants to States for establishing a water supply infrastructure account in existing CWA SRFs. Such grants are to be used to provide technical and financial assistance for constructing, rehabilitating, and improving water supply systems and for source water quality programs. Eligible projects and types of assistance are further described in other sections of the Act.

Section 6—Grant agreements

To receive a grant under this Act, a State must enter into an agreement with EPA to, among other things, add to the account an amount equal to 20% of the EPA grant on or before the date of such grant (or by the end of FY 98 for grants from funds appropriated for FY 95, 96, and 97); agree to provide (in the form of assistance to applicants) an amount equal to 120% of each grant (i.e., the EPA grant amount plus the 20% State match) within one year of receipt; require that applicants impose charges sufficient to cover the cost of system operation, maintenance and replacement and has or will have legal, institutional, technical managerial, and financial capability to ensure adequate construction, operation, and maintenance of systems throughout the applicant’s jurisdiction;

take such action as necessary to ensure that construction, rehabilitation, and improvement of systems undertaken with funds directly made available by grants under this Act are carried out in the most cost-effective manner, as determined by the State; require that such systems provide services at the most economical cost, including consideration of water conservation, as determined by the applicant; and provide annual reports to EPA on the use of funds.

The reference to cost effectiveness has significance with regard to the issue of contracting out work to the private sector. By including the phrase “cost effective,” the Committee expects that most, if not all, recipients will contract out with the private sector for construction, rehabilitation and improvement of public water supply systems. The Committee believes that like existing wastewater construction programs, the greatest possible use should be made of cost effective private engineering and construction capabilities. This creates the dual benefit of infrastructure improvement and job creation.

Determinations of “cost-effective” and “most economical cost” are to be made for individual systems and not on a system-wide basis. Nothing in this legislation is intended to create or encourage a bias in favor of large or regional systems.

One of the specific conditions that a state must satisfy under Section 6, in order to be eligible for a grant under section 5, is to take such action as may be necessary to ensure that the construction, rehabilitation or improvement of a water supply system undertaken with funds from the grant will provide water supply services at the most economical cost, including consideration of water conservation measures, as determined by the applicant.

The purpose of this condition is to conserve available funding by encouraging states to determine whether an application to fund expansion of a water supply system is necessary to assure the safety of the existing system, rather than simply to accommodate future growth, and whether the water system has made a serious effort to satisfy its needs through water conservation methods, such as leak detection, and efforts to increase water use efficiency by its customers. An added benefit of drinking water conservation is to reduce “throughput” (or flow) to wastewater treatment plants which should also conserve SRF funding for construction and improvement of such facilities.

The Committee also notes that the applicant—usually the local government or water utility—is to determine the most economical cost, not the Federal Government. The intent of this is to avoid any unnecessary interference with historically State and local prerogatives.

In addition, the Committee encourages public water systems receiving loans under this Act to establish enterprise funds as dedicated sources of revenue for repayment of loans. Such enterprise funds are a proven method of ensuring repayment and system viability.

Section 7—Incorporation of CWA by reference

As a general rule, provisions of title VI of the CWA apply as provided herein to new accounts established in this Act. The types of assistance available under section 603(d) of the CWA shall also be

available under this Act (e.g., making loans, refinancing debt obligations, etc.) for water supply systems.

The Committee believes that, in limited circumstances, assistance under this Act could be used for refinancing in order to provide a measure of relief to rate payers facing exorbitant costs. This is based, in part, on the legislation's references to refinancing provisions in section 603(d) of the CWA, the focus on "most economical" rates, and the Committee's intent that the terms "construction, rehabilitation and improvement" be interpreted broadly.

As a general matter, communities should not be penalized for taking the initiative to finance the construction, rehabilitation, or improvement of water supply systems prior to enactment of this legislation. Therefore, communities such as Attleboro, Massachusetts, should be eligible for so-called "rate payer relief" under appropriate circumstances.

Special provisions and exceptions are included for disadvantaged communities: notwithstanding other provisions of the CWA, the term of a loan to such a community shall be extended to the lesser of 40 years or the expected life of the project to be financed with the proceeds of the loans and the date for full loan amortization referred to in the CWA shall be the date of the expiration of the term of the loan; such a community may also receive a negative interest rate of up to 2% per year to reduce the unpaid principal of the loan, except that a State may not use more than 20% of its water infrastructure account in a fiscal year for making such negative interest loans. The Committee notes that States with restrictions on negative interest of low interest loans may provide principal subsidies as an alternative form of assistance. An exception to the general requirement for financial assistance to be in the form of loans is included for the District of Columbia and the Territories, allowing the account to be used directly by the District of Columbia and Territories for construction, rehabilitation, and improvement of a water supply system. However, the requirement for a 20% "State" match will apply. EPA's authority under section 605 of the CWA to enforce agreements, including the withholding of payments, also applies, as do the audit, reporting, and fiscal controls of section 606 of the CWA.

The Committee recognizes that some small water supply systems, defined by this bill as systems serving populations of 10,000 or fewer, may fall outside the scope of disadvantaged community affordability criteria for assistance under the CWA and this bill, and remain unable to meet their obligation to maintain and ensure a safe and efficient drinking water supply for their customers. Cameron Parish, Louisiana, Water Works District #1, for instance, serving just 800 homes, has failed to meet affordability guidelines established by Louisiana but still needs approximately \$1.5 million in facility improvements to comply with requirements of the Safe Drinking Water Act. They have raised water rates over 100% in the last year in a failed attempt to comply. The Committee recommends that special consideration be given to small water systems including, but not limited to, Cameron Parish, Louisiana, for which unique circumstances qualify them for disadvantaged community status.

Section 8—Water supply infrastructure revolving loan funds

To receive funds under this Act, States must establish new water supply infrastructure accounts in accordance with the requirements of this Act. Each State account is to be administered by an instrumentality of the State with such powers and limitations as may be required to operate the account in accordance with the requirements and purposes of the Act. The Committee supports providing each State maximum flexibility in meeting the water infrastructure needs of its citizens. Accordingly, the bill minimizes the number and degree of Federal requirements and conditions associated with proposed water supply infrastructure accounts. On the issue of “fungibility”—that is, the ability to transfer and mix funds between the SRF established under title VI of the CWA and the water supply infrastructure subaccount established under H.R. 2747, the Committee has opted for an approach that protects the integrity of both the wastewater SRF and the water supply infrastructure account.

The Committee also notes that each State is to decide how best to administer its accounts. For example, in some States the administering agency may be the agency with primary responsibility over the Safe Drinking Water Act rather than the CWA.

The Committee has not included provisions that mandate priorities for the types of assistance under this bill. States should have maximum flexibility to determine and address the needs of their citizens and of public water supply systems within their jurisdiction. The Committee, however, does expect that each State will use its SRF to address priorities related to compliance with the Safe Drinking Water Act and to protect against threats to human health and the environment.

Projects eligible for financial and technical assistance include the construction, rehabilitation, and improvement of water supply systems and, consistent with section 319 of the CWA, projects that are part of source water quality protection programs to address pollutants in navigable waters that may contaminate drinking water supplies.

These funds may be used to provide technical and financial assistance to landowners to facilitate source water quality protection measures for nonpoint sources, consistent with such forms of assistance in nonpoint source management programs established under section 319 of the CWA. This enhanced flexibility allows individual local water supply systems, who (1) are ultimately responsible for providing drinking water that meets Safe Drinking Water Act standards; (2) are closest to the contaminant problems that may be at issue; and (3) are accountable for repaying loans, to lay a prominent role in determining the most effective investment of revolving loan funds on a site-specific basis. The Committee intends that States work with local government including providing funding through local governments in implementing source water quality protection programs.

Local source water quality protection programs funded under section 8 can help prevent pollution and reduce treatment costs downstream, but without the use of federal regulations. Under section 8, funds for source water quality protection are to be used only for voluntary, incentive-based mechanisms consistent with financial

and technical assistance provided under section 319 of the CWA. Examples of structures and practices that would be appropriate for technical and financial assistance include: buffer strips, soil testing and nutrient management plans, stream bank fencing, fencing for intensive rotational grazing, and improved manure storage and management facilities. Nothing in section 8 or the rest of this legislation creates or conveys any new regulatory authority over nonpoint source pollution to a State, political subdivision of a State, or a community water supply system.

Accounts described in section 8 may also be used to provide assistance to undertake feasible and appropriate changes in operations of water supply systems if the State determines such measures are necessary to ensure system viability.

Specifically, section 8(c) provides that amounts in water supply infrastructure revolving loan fund accounts may be used to provide assistance to undertake feasible and appropriate changes in operations of the water supply system (including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures) if the State determines that such measures are necessary to ensure adequate construction, operation and maintenance of the water supply system. This section would allow, among other things, the funding of water conservation measures that satisfy these criteria, as well as restructuring or arrangements for alternative water supplies in lieu of or in addition to construction or repair of systems.

Each account is to be established, maintained, and credited with repayments, and the account balance is to be available in perpetuity for providing such assistance.

In addition to the types of financial assistance available under section 603(d) of the CWA, the following uses are authorized: up to 2% of the funds may be used to provide technical assistance; up to 10% of the funds may be used to provide technical and financial assistance for source water quality programs to address pollutants in navigable waters that may contaminate drinking water supplies, with up to $\frac{1}{4}$ of that percentage available for grants with a 50/50 cost-share; and funds may be used to provide loan guarantees for developing and implementing innovative technologies.

The Committee has provided that one of the eligible purposes for which State revolving loan funds may be used includes loan guarantees for developing and implementing innovative technologies for purposes of meeting the goals and requirements of this Act. This will provide more flexibility to States in assisting private sector projects that may provide substantial water quality benefits.

The Committee is aware that there may be cases in which the recipient of a guarantee will be willing to pay the cost of the guarantee. This type of financing would protect the interests of the State revolving loan fund while enabling the recipient to obtain financing at a reasonable rate. The Committee encourages States to explore this type of financing to promote private sector solutions to water quality problems.

The Committee also encourages States to provide assistance for innovative technologies that will help provide emergency water supplies. For example, the Mission Basin project, if funded and im-

plemented, could help the city of Oceanside, California meet its needs for emergency water supplies.

The section also clarifies that assistance under this Act may be used for the acquisition of lands and other interests in land, but that nothing in this Act authorizes the acquisition of lands and other interests in land from other than willing sellers.

It is not the intention of the Committee that the funds made available for land acquisition under this section be used to acquire lands whose primary purpose would be for public park, forest reserve, or recreational use. However, this does not preclude lands acquired under this section for the primary purpose of source water quality protection from being designated as a public park, forest reserve, or recreation area.

Section 9—Allotment of funds

For appropriation available in FY96, funds are allotted to States in accordance with the existing EPA formula for public water system supervision grants. For each of FY97 through FY2000, the allotment formula is to be determined by the EPA, in consultation with the States, in accordance with the relative needs of the States. The Committee notes that the allotment formula is to be determined based on the Needs Survey referred to in section 11 and in close consultation with Congress in general and the Transportation and Infrastructure Committee in particular. In each of the five years, up to 1.5% of the total amount available is to be set aside for Indian tribes. For Alaska Native Villages, EPA is authorized to make grants to the State of Alaska for the benefit of Native Villages, with no more than 4% of the grant being used by the State for project management. Allotted funds are to be available for obligation for up to two years, except for funds allotted in FY96, which remain available through FY98. Funds not obligated within the required period revert back to EPA for reallocation under specified conditions.

Section 10—Intended use plans

After providing for public review and comment, each State receiving assistance under this Act is to prepare an annual plan that identifies intended uses of the infrastructure account. Each plan must include lists and descriptions of projects, funding priorities, criteria and methods established for the distribution of funds, and a description of the financial status of the account. In developing the intended use plan, States should work closely with local water systems.

Section 11—Needs survey

EPA, in cooperation with States and Indian tribes, is to make estimates every two years of water supply infrastructure needs and costs, and shall study the economic impact on units of government of the costs of installation of water supply systems. EPA must submit to Congress the estimates and study by January 1, 1998 and every two years thereafter. These reports are also to include recommendations regarding state allotment formulas. The Committee believes that a two-year cycle is appropriate for this new program.

Following the initial authorization period of this bill, it may be appropriate to extend the time period between reports.

Section 12—Buy American

It is the sense of Congress that recipients of assistance should purchase American-made equipment and products. EPA is to provide to each recipient of assistance under this Act a notice describing this intent of Congress.

Section 13—Authorization of appropriations

Funding levels for water supply infrastructure accounts are authorized at \$500 million for FY96; \$750 million for FY97; \$1 billion for FY98; \$1 billion for FY99; and \$1 billion for FY2000.

Section 14—Technical and environmental financing assistance

EPA may make grants to States, local governments, and non-profit organizations to provide technical assistance and training to small water systems (including those utilizing alternative treatment technologies) to enable the systems to achieve the purposes of this Act. As part of this effort, EPA is also authorized to disseminate information to communities with respect to planning, design, construction, and operation of water supply systems. \$13 million for each of FY96 through FY 2000 is authorized for such purposes. In addition, \$2 million for each of FY96 through FY 2000 is authorized for EPA to support the network of university-based Environmental Finance Centers in providing technical assistance to State and local officials to enable water supply systems to meet the purposes of this Act. With assistance authorized under this Act, the Centers are to emphasize alternative financing methods to help State and local officials meet water infrastructure and watershed protection needs with great involvement of the private and public, non-Federal sectors.

Section 15—Additional assistance for water infrastructure and watersheds

In addition to financial and technical assistance under the Act's water supply infrastructure account and technical and environmental financing provisions, EPA may provide technical and financial assistance, in the form of grants, for designated water supply systems and source water quality protection programs.

Subsection (a) establishes a general program for technical and financial assistance grants for water supply systems and source water quality protection programs (authorizing \$50 million annually for FY 1996–2000). Up to 30% of amounts appropriated for this general program may be used by the Administrator to provide technical and financial assistance in the form of grants to States, consistent with such forms of assistance provided for under section 319 of the CWA, for source water quality protection programs as described in this Act.

As part of the program established under section 15(a), the Administrator is directed to provide priority consideration to the following:

(1) Drinking water infrastructure projects for areas described in section 313 of the Water Resources Development Act of 1992 (P.L. 102-580).

(2) Construction of an alternative water supply system for the area referred to in section 219(c)(5) of the Water Resources Development Act of 1992 (P.L. 102-580).

(3) Attleboro, MA, and Worcester, MA, for ratepayer assistance relating to water infrastructure facilities, in addition to other assistance in the form of low interest loans and negative interest rates.

(4) Buffalo, NY, for construction, rehabilitation, and improvement of water treatment facilities.

(5) Bad Axe, MI, for connection of its drinking water system to the municipal system in Port Austin, MI.

(6) Georgetown, IL, for construction and related activities intended to increase the capacity of the City's water supply reservoir and enhance source water quality protection.

(7) Morgan County, TN, for water line extensions and related infrastructure assistance.

(8) Northwest IA, for water infrastructure facilities that are either part of or separate from the proposed Lewis and Clark Rural Water System.

(9) Olney, IL for construction of a new water tower and Millstone Water District, Harrisburg, IL, for completion of Phase I of a water line extension project.

(10) Philadelphia, PA, acting through the Fairmount Park Commission, for improvement and restoration of aquatic systems at Pennypack Park.

(11) San Bernardino County, CA, for water infrastructure assistance related to the Mojave River Pipeline.

(12) Springfield, IL, for financial and technical assistance to complete the planning, design, and construction of a water supply reservoir.

(13) Tenino, WA, for water supply infrastructure, including work related to wells, hydrants, and water lines.

Subsection (b) authorizes a program for source water quality protection in the New York City watershed (\$15 million annually for FY 1996-2000). The Committee notes that this program can set a model for the nation in holistic, watershed-based approaches to pollution prevention. If done right—with locally-driven, voluntary-based measures, such a program can prevent pollution and stem the need for costly downstream pollution cleanup or control. The New York City watershed program is just one example of an approach which could avoid the need for a multi-billion dollar water filtration plant by implementing agreed-upon measures upstream.

Subsection (c) authorizes \$25 million in assistance for the development and construction of water systems for the benefit of rural and Alaska Native Villages in Alaska. While relatively small in comparison to the documented needs, this funding is intended to help respond to the State's inadequate rural sanitation conditions. Recent studies, including the EPA's Federal Field Work Group Report to Congress on Alaska Rural Sanitation (August 1995), demonstrate a clear need for special assistance to finance and plan for adequate water and wastewater infrastructure in Alaska.

Subsection (d) provides that assistance under this section may be used for acquisition of lands and other interests in land, but nothing in the section authorizes such acquisition from other than willing sellers. It is not the intention of the Committee that funds made available for land acquisition under this section be used to acquire lands whose primary purpose would be for public park, forest reserve, or recreational use. However, this does not preclude lands acquired under this section for the primary purpose of source water protection from being designated as a public park, forest reserve, or recreational area. The Committee also notes that Sterling Forest is not within the NYC watershed for purposes of subsection (b).

Subsection (e) provides the Federal share of grants this section shall be for 50% of program costs.

Subsection (f) provides that funding authorized in this section is subject to a requirement that at least 75% of the amount authorized annually for the water supply infrastructure account is appropriated.

HEARINGS AND PREVIOUS LEGISLATIVE ACTIVITY

The Public Works and Transportation Committee—now the Transportation and Infrastructure Committee—has played a continuing role in assuring that the nation's water supply needs are met. Over one-fourth of the Corps of Engineers' 442 reservoirs provide water supply storage for local interests. Additionally, the Flood Control Act of 1941 authorizes the Corps to provide, in an emergency basis, clean water to localities with contaminated or potentially contaminated supplies, and, to drought-distressed areas, water supplies for human and livestock use.

Recent legislation of the Committee has also addressed water supply infrastructure assistance. For example, the Water Resources Development Act of 1992, Public Law 102-580, provides various environmental infrastructure program, technical assistance, and demonstration project authorities for the Corps, many of which focus on water reclamation, reuse, treatment, storage and supply. Title 8 of H.R. 6, the "Water Resources Conservation, Development, and Infrastructure Improvement and Rehabilitation Act of 1985," would have authorized the Corps to provide loans and design and construction assistance for repair, rehabilitation, expansion or improvement of water supply, treatment, and distribution systems.

In other programs under the Committee's jurisdiction, the Federal Emergency Management Agency is authorized under its Disaster Relief Programs to provide financial and technical assistance for emergency water supplies and the repair/reconstruction of public facilities (such as water supply, treatment, and distribution facilities). The Accelerated Local Public Works initiatives of 1976 and 1978 included water supply construction as one of the eligible activities. Under Economic Development Administration programs, eligible activities have included the installation of water lines to industrial areas and private residences.

Finally, the Committee through the CWA, has worked toward the continuing improvement of the nation's raw water supplies. The objective of the CWA is "to restore and maintain the chemical, physical, and biological integrity of the nation's waters." The mech-

anism to achieve this goal is compliance with water quality standards. These standards are established "taking into consideration their use and value for public water supplies * * *."

The Committee has authorized over \$60 billion in federal financial assistance to municipal wastewater treatment systems to improve water quality since 1972; water which is often used as a drinking water source. In addition, H.R. 961, the Clean Water Amendments of 1995, which passed the House on May 16, 1995, would authorize an additional \$11.5 billion over five years for such purposes. The financial and technical assistance which would be provided by enactment of H.R. 2747 is inextricably linked in concept and practice to the existing municipal wastewater treatment SRF. Many of the states finance both their drinking water and wastewater treatment programs through the same CWA revolving funds.

In the 103rd Congress, the Public Works & Transportation Committee reported H.R. 1865, the Water Supply Construction Assistance Act of 1993 (H. Report 103-115, May 27, 1993). This bipartisan legislation, which formed the starting point for H.R. 2747, established water supply accounts within existing CWA SRFs and authorized \$2,599,000,000 over three years.

In the 104th Congress, the bipartisan leadership of the Transportation and Infrastructure Committee introduced H.R. 2747, the Water Supply Infrastructure Assistance Act of 1995 on December 7, 1995. The Water Resources and Environment Subcommittee held a hearing on the bill on January 31, 1996. Witnesses included representatives of EPA, State and local government, water utilities, agricultural and environmental interests and the construction industry.

COMMITTEE CONSIDERATION

On March 6, 1996, the Subcommittee on Water Resources and Environment approved by voice vote, an amendment in the nature of a substitute, offered by Chairman Boehlert. The amendment made several significant changes, minor modifications, and clarifications to the introduced bill. On March 7, 1996, the Committee approved an amendment by Rep. Young by voice vote and ordered the bill reported by voice vote. The Committee, in compliance with rule XI, clause 2(l) of the Rules of the House of Representatives, reports favorably the bill, H.R. 2747, as amended.

COMMITTEE OVERSIGHT FINDINGS

Clause 2(l)(3)(A) of rule XI requires each committee report to contain oversight findings and recommendations required pursuant to clause 2(b)(1) of rule X. The Committee has no specific oversight findings.

OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Clause 2(l)(3)(D) of rule XI requires each committee report to contain a summary of the oversight findings and recommendations made by the Government reform and Oversight Committee pursuant to clause 4(c)(2) of rule X, whenever such findings have been

timely submitted. The Committee on Transportation and Infrastructure has received no findings and recommendations from the Committee on Government Reform and Oversight.

COMMITTEE COST ESTIMATE

Clause 2(l)(3)(B) of rule XI requires each committee report that accompanies a measure providing new budget authority, new spending authority, or new credit authority or changing revenues or tax expenditures to contain a cost estimate, as required by section 308(a)(1) of the Congressional Budget Act of 1974 and, when practicable with respect to estimates of new budget.

Clause 7(a) of rule XII requires committees to include their own cost estimates in certain committee reports, which include, where practicable, a comparison of the total estimated funding level for the relevant program (or programs) with the appropriate levels under current law.

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office, pursuant to section 403 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Clause 2(l)(3)(C) of rule XI requires each committee report to include a cost estimate prepared by the Director of Congressional Budget Office, pursuant to section 403 of the Congressional Budget Act of 1974, if the cost estimate is timely submitted. The following is the Congressional Budget Office cost estimate:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 14, 1996.

Hon. BUD SHUSTER,
*Chairman, Committee on Transportation and Infrastructure,
House of Representatives Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2747, the Water Supply Infrastructure Assistance Act of 1996.

Enactment of H.R. 2747 would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 2747.
2. Bill title: The Water Supply Infrastructure Assistance Act of 1996.
3. Bill Status: As ordered reported by the House Committee on Transportation and Infrastructure on March 7, 1996.
4. Bill purpose: The bill would authorize appropriations of \$4.4 billion for grants to states over five years to establish state revolving funds (SRFs) that would offer financial and technical assistance

for the construction, rehabilitation, and improvement of drinking water supply systems.

5. Estimated cost to the Federal Government: Assuming appropriations of the authorized amounts, enactment of H.R. 2747 would result in for new outlays for water supply infrastructure totaling \$2.1 billion over the 1996–2000 period. The budgetary affects of the bill are summarized in the following table.

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Spending under current law:					
Budget authority ¹	275				
Estimate outlays	0	12	72	96	58
Proposed changes:					
Authorization level	330	830	1,080	1,080	1,080
Estimated outlays	0	70	365	735	945
Spending under H.R. 2747:					
Authorization level	605	830	1,080	1,080	1,080
Estimated outlays	0	82	437	831	1,003

¹ Full-year appropriations for 1996 have not been enacted; the table shows the annualized level of appropriations through March 15, 1996.

The costs of this bill fall within budget function 300.

6. Basis of estimate: Section 13 of the bill would authorize appropriations of \$500 million for 1996, \$750 million for 1997, and \$1 billion annually over the 1998–2000 period to carry out the SRF grants program. Section 14 would authorize \$15 million annually over the 1996–2000 period for grants to organizations providing technical and financial assistance to small water supply systems. Section 15 would authorize appropriations of \$50 million annually over the 1996–2000 period for grants to States to conduct source water protection programs. An additional \$15 million annually over the five-year period would be authorized for grants to New York City's source water protection program. Finally, the bill would authorize \$25 million for grants for Alaska to improve water systems in rural and Native villages.

For purposes of this estimate, we assume that the bill will be enacted in the spring of 1996, that supplemental appropriations for 1996 will be provided during the summer at the authorized level, and that all amounts authorized for subsequent years will be appropriated by the beginning of each year. Estimated outlays are based on the historical spending pattern of the state revolving fund program established under title 6 of the Federal Water Pollution Control Act for waste water treatment. CBO estimates that 1996 outlays from any supplemental appropriations would be negligible because this new program is likely to require a startup period of several months.

7. Pay-as-you-go considerations: None.

8. Estimated impact on State, local, and tribal governments: H.R. 2747 contains no intergovernmental mandates as defined by Public Law 104–4 and would not result in direct costs to any state, local, or tribal government. The bill would instruct the EPA to make grants to States, tribes, and territories to establish SRFs. These SRFs would offer financing for water supply infrastructure improvement and would fund technical assistance and source water quality protection programs. Indian tribes, territories, and the District of Columbia would be allowed to spend the grant money di-

rectly on water supply activities rather than use it to make loans. The bill would require States, tribes, and territories to meet certain requirements in order to be eligible for the grants.

The bill would authorize appropriations of \$4.25 billion over fiscal years 1996 through 2000 for SRF grants. (Of that total, \$275 million is shown in the federal cost table as spending under current law, based on appropriations action to date.) Recipients would be required to deposit an amount equal to 20 percent of any federal grant money received into their SRFs. Assuming appropriations of the authorized amounts, and assuming that States, tribes, and territories would decide to pursue the maximum federal aid, grant recipients would contribute about \$850 million to their SRFs over the same time period.

As discussed above, the bill also would authorize appropriations of \$425 million for other grants to fund certain water supply infrastructure improvements, technical assistance, and source water quality protection programs.

9. Estimated impact on the private sector: The bill would impose no new private sector mandates as defined in Public Law 104-4.

10. Previous CBO estimate: None.

11. Estimate prepared by: Federal cost estimate: Kim Cawley; State and local government impact: Pepper Santalucia; private sector impact: Jean Wooster.

12. Estimate approved by: Robert A. Sunshine (for Paul N. Van de Water, Assistant Director for Budget Analysis).

INFLATIONARY IMPACT STATEMENT

Clause 2(1)(4) of rule XI requires each committee report on a bill or joint resolution of a public character to include an analytical statement describing what impact enactment of the measure would have on prices and costs in the operation of the national economy. The Committee has determined that H.R. 2747 has no inflationary impact on the national economy.

