

WATER AND WASTEWATER INFRASTRUCTURE

Internal deliberative pre-decisional - FOR USE BY 2024 PRESIDENT-ELECT TRANSITION TEAM MEMBERS ONLY

ISSUE SUMMARY:

Aging and deteriorating water infrastructure is a major problem in many communities, especially vulnerable, overburdened, rural, tribal, or economically stressed communities. The EPA provides billions of dollars every year in financing and grants to support infrastructure projects directly to/through states, Tribes, and territories. The EPA also provides managerial, technical, and planning tools to communities to address infrastructure challenges.

KEY POINTS:

Most of the nation's drinking water and wastewater infrastructure was built more than 50 years ago and is facing a growing list of challenges, such as: structural degradation and failure; stormwater and wet weather events; emerging contaminants (such as PFAS); lead service line replacements; financial constraints; and difficult and expensive infrastructure and engineering needs in providing advanced treatment for pollutants, such as nutrients. EPA estimates that over \$1.2 trillion is currently needed to maintain, upgrade, and replace our country's water infrastructure. EPA supports water infrastructure investments through the variety of programs listed below. The "Infrastructure Investment and Jobs Act of 2021" (IIJA), commonly referred to as the Bipartisan Infrastructure Law (BIL), provides \$50 billion in supplemental funding of annual infrastructure appropriations from 2022 to 2026 to support the nation's drinking water and wastewater systems.

In 2023, the [Clean Water State Revolving Fund](#) (CWSRF) program provided nearly \$9 billion to help communities nationwide improve wastewater infrastructure, address stormwater, promote energy and water efficiency, and mitigate nonpoint source pollution. Through June 30, 2023, approximately \$172 billion has been invested through 48,915 CWSRF loans by the state programs to fund critical wastewater infrastructure and other water quality needs. CWSRF loans can be issued for up to 30 years and can include interest rates as low as 0%, providing significant cost savings to a wide variety of borrowers. To further assist communities facing significant affordability challenges, over \$665 million in CWSRF funds was provided in 2023 in the form of grants and loan forgiveness. To encourage states to finance nonpoint source projects and other innovative practices, the EPA is developing several guides that will emphasize how CWSRF funds can be used to support nonpoint source solutions, decentralized wastewater treatment systems, and water reuse.

In 2023, the [Drinking Water State Revolving Fund](#) (DWSRF) program provided more than \$4.3 billion to return water systems to compliance and maintain systems with aging infrastructure, including focusing on small and disadvantaged water systems that are most at risk. Through June 30, 2023, more than \$57.3 billion has been invested through 19,636 DWSRF loans by the state programs to water systems to fund critical drinking water infrastructure needs. DWSRF loans can be issued for up to 30 years, and up to 40 years for disadvantaged communities - and can include interest rates as low as 0%, providing significant cost savings to a wide variety of borrowers. A portion of the DWSRF funds is used to provide loan forgiveness to disadvantaged communities or to help finance specific water systems meeting the criteria for state priority funding; in 2023, states provided about \$614.8 million in the form of loan forgiveness. States have the option to take a portion of their federal capitalization grant for "set-asides" used to administer state programs, provide technical assistance and training for water systems, and fund other activities that support achieving the public health protection objectives of the Safe Drinking Water Act (SDWA). Over \$4.7 billion has been provided to states and water systems to support the non-infrastructure set-asides. The EPA is updating the DWSRF Eligibility Handbook and other resources to provide more information on topics such as lead service line replacement, resiliency to natural disasters, cybersecurity threats, and emerging contaminants.

The [Water Infrastructure Finance and Innovation Act](#) (WIFIA) program provides supplemental, flexible, low-cost credit assistance to public and private borrowers for a wide variety of drinking water, wastewater, and stormwater projects. The WIFIA program offers long-term loans that can be combined with State Revolving Fund assistance, municipal bonds, and federal and state grants to help communities deliver critical water infrastructure projects for a lower cost with less impact on rate payers. WIFIA loans are unique because a small expenditure of federal appropriations provides the WIFIA program significant funding to lend. Using a risk-based approach, the WIFIA program leverages annual appropriations of approximately \$60 million to provide over \$6 billion in loans and support \$12 billion in water infrastructure investment. WIFIA loans are designed to provide supplemental financing for water infrastructure projects. By statute, the anticipated total eligible project costs must be at least \$20 million, or \$5 million for small communities (population of 25,000 or less). The WIFIA loan can finance up to 49 percent of these eligible project costs (or up to 80 percent for small communities). The WIFIA program offers credit assistance with terms of up to 35 years after completion of project construction. It also offers borrowers the advantage of developing customized loan terms, including sculpted repayment terms to match the specific needs of a project, payment deferment for up to 5 years after completion of project construction, and interest-only payment periods. Borrowers can also bundle several projects into a single loan. The WIFIA program issued its first loan in April 2018 and has since closed loans ranging from \$10 million to \$726 million. As of May 2024, the WIFIA program has closed 126 loans totaling over \$20 billion to support \$44 billion in water infrastructure investment, created more than 140,000 jobs, and saved borrowers approximately \$7 billion.

Amendments to SDWA authorized the following grant programs to support a range of issues including drinking water infrastructure, emerging contaminants, lead reduction, and increasing the resilience of public water systems against natural hazards and cybersecurity threats.

- The [Emerging Contaminants in Small or Disadvantaged Communities \(EC-SDC\)](#) grant program includes \$5 billion appropriated over five years by the Bipartisan Infrastructure Law in 2021 to public water systems in small or disadvantaged communities to address emerging contaminants, including PFAS. As of 2024, approximately \$3 billion have been allotted to states and territories to implement PFAS testing and treatment at public water systems and to help owners of private wells address PFAS contamination.
- The [Small, Underserved, and Disadvantaged Communities \(SUDC\)](#) grant program is designed to help public water systems in small, underserved, and disadvantaged communities comply with SDWA drinking water regulations by providing funding for drinking water projects and activities. It was created in 2016 through the Water Infrastructure Improvements for the Nation Act (WIIN) Act amendments to SDWA. In FY24, the agency allotted \$25M noncompetitively to states and territories.
- The [Reducing Lead in Drinking Water](#) grant program focuses on reducing lead in drinking water through drinking water infrastructure, treatment improvements, and facility remediation in schools and childcare facilities in states and tribal communities. It was created by the Water Infrastructure Improvements for the Nation Act (WIIN) Act amendments to SDWA and is administered as a national competitive grant program. To date, over \$90 million have been or are in process of being awarded to a range of projects to address lead. The EPA initiated another competition for \$35M in October 2024 and anticipates announcing awards in FY25. The EPA funds lead reduction projects at tribal drinking water systems under this grant program through interagency agreements with the Indian Health Service.
- The [Voluntary School and Child Care Lead Testing and Reduction](#) grant program assists local and tribal educational agencies in voluntary testing and remediation for lead contamination in drinking water at schools and childcare facilities using EPA's *3Ts for Reducing Lead in Drinking Water in Schools and Child Care Facilities guidance*. This program was created by the WIIN Act amendments to SDWA. Since 2020, over \$110 million has

been allocated to states and territories that have funded lead testing in more than 20,000 schools and childcare facilities and positively impacted more 4 million children across the nation.

- The [Drinking Water System Infrastructure Resilience and Sustainability](#) grant program supports underserved and small or disadvantaged public water systems' resilience to natural hazards. This new grant program was authorized by the America's Water Infrastructure Act amendments to SDWA, and the inaugural competitive process announced 16 awards in August 2024 for \$25.5 million.
- The [Midsize and Large Drinking Water System Infrastructure Resilience and Sustainability](#) program. Congress authorized this program, supporting midsize and large water systems with resilience to natural hazards, extreme weather events, and cybersecurity threats, through Bipartisan Infrastructure Law amendments to SDWA. EPA received the first appropriations for this grant in FY23 and FY24, with a total of \$7.5 million. The EPA is preparing all materials to initiate the competition for this grant program with an expected Notice of Funding Opportunity in FY25.

In addition to the CWSRF, DWSRF, WIFIA programs, and the SDWA authorized grant programs, the EPA's Office of Water manages several infrastructure programs that focus on Tribes, territories, small and disadvantaged communities.

- In 2024, EPA provided over [\\$225 million](#) in **tribal drinking water and wastewater infrastructure funding** per the Consolidated Appropriations Act, 2024 and the IIJA. The **Clean Water Indian Set Aside (CWISA)**, funded almost [\\$70 million](#) for improving wastewater infrastructure, including emerging contaminants. The **Drinking Water Infrastructure Grant – Tribal Set Aside (DWIG-TSA)**, and other tribal drinking water infrastructure programs, funded almost [\\$156 million](#) for improving the infrastructure of drinking water systems, including emerging contaminants and lead service lines. In addition, [Alaska Native Villages and Rural Communities \(ANV\) Program](#), funded [\\$39 million](#) for new or improved wastewater and drinking water systems.
- The [U.S. Mexico Border Water Infrastructure Program](#) (BWIP), was funded in FY 2024 at \$35 million, for drinking water and wastewater infrastructure projects 100 km north and south of the border. Section 821 of the **United States-Mexico-Canada Agreement (USMCA)** focuses on Tijuana River Valley (San Diego) infrastructure needs that address transboundary flow of pollutants. USMCA was appropriated \$300 million in funding for wastewater infrastructure along the U.S./Mexico border through BWIP. (See Transition Paper on USMCA)
- **Four U.S. Territories and District of Columbia (CWA Title II and SDWA)** were funded per the Consolidated Appropriations Act and BIL in FY 2024 at over \$227 million, for drinking water and wastewater infrastructure.
- The [Sewer Overflow and Stormwater Reuse Municipal Grants Program \(OSG\)](#) was authorized under America's Water Infrastructure Act (AWIA) of 2018. Since 2020, the program has received \$202 million in appropriations to fund overflow and stormwater infrastructure.
- The [Water Infrastructure and Resiliency Finance Center](#) provides easy and efficient access to information on funding available for water infrastructure projects. For example: the [Water Finance Clearinghouse](#) contains funding sources from EPA, other federal agencies, states, and foundations that can be used for water projects and other information such as [strategies to address affordability of water services](#) and [resources to access stormwater and nutrient reduction financing](#).
- The EPA's [Water Technical Assistance](#) (WaterTA) efforts include grant programs and other technical assistance initiatives that support communities to identify water challenges, develop plans, build capacity, and develop application materials to access water infrastructure funding. (See Water Technical Assistance Transition Paper.)

- The [Innovative Water Infrastructure Workforce Development Grant Program](#), was appropriated \$5.4 million in FY 2024. Eligible entities under this grant program receive funding to expand public awareness about water utilities and connect individuals to careers in the water utility sector.
- The [Stormwater Centers of Excellence Grant Program](#), was appropriated \$5 million (\$3 million in FY23 funding and \$2 million in FY24 funding). Eligible entities under this grant program receive funding to conduct research on new and emerging stormwater control infrastructure technologies and alternative funding approaches and provide technical assistance and training to state, local, and tribal governments on stormwater infrastructure improvements.
- By helping to reduce the demand for water, the [WaterSense Program](#) can help water and wastewater utilities avoid the need to make costly investments to increase infrastructure capacity and associated treatment. The program also helps communities challenged by water shortages due to drought and helps consumers lower water and energy bills by using more efficient products and practices. Through 2023, the program estimates that it has saved more than 8.7 trillion gallons of water and \$207 billion in consumer utility bills.

ONGOING/UPCOMING REVIEWS FOR FY2024:

- There are ongoing efforts for many of these water infrastructure activities.

KEY EXTERNAL STAKEHOLDERS:

<input checked="" type="checkbox"/> Congress	<input checked="" type="checkbox"/> Industry	<input checked="" type="checkbox"/> States	<input checked="" type="checkbox"/> Tribes	<input checked="" type="checkbox"/> Media	<input checked="" type="checkbox"/> Other Federal Agency
<input checked="" type="checkbox"/> NGO	<input checked="" type="checkbox"/> Local Governments	<input checked="" type="checkbox"/> Public			

MOVING FORWARD:

The EPA's Office of Water will continue to support water infrastructure investment to protect public health and the environment and build the economic health of the nation through its CWSRF, DWSRF, and WIFIA programs.

The EPA will continue providing technical and financial capacity development support to small and underserved communities, and will work with states to encourage best practices in the use of SRFs to leverage these resources, support [green infrastructure](#) to address stormwater pollution and [resilience projects](#), address the challenges of emerging contaminants, replace lead service lines, and provide support to communities most in need.

The EPA will conduct two needs assessment surveys, as required by SDWA. The results of the 7th [Drinking Water Infrastructure Needs Survey and Assessment \(DWINSA\)](#) assessing the nation's public water systems infrastructure needs were released in 2023 and are used to allocate DWSRF capitalization grants to states. Design and preparation for the 8th DWINSA is underway. The results of the 17th [Clean Watersheds Needs Survey \(CWNS\)](#) were recently released in May 2024 and assess the nation's clean water (wastewater, stormwater, decentralized and nonpoint source) infrastructures needs. The surveys are staggered to avoid excessive burden on state respondents facilitating data collection. The 18th CWNS will follow the 8th DWINSA.

LEAD OFFICE/REGION: OFFICE OF WATER

OTHER KEY OFFICES/REGIONS: