

108TH CONGRESS
2D SESSION

S. 2550

To amend the Federal Water Pollution Control Act and the Safe Drinking Water Act to improve water and wastewater infrastructure in the United States.

IN THE SENATE OF THE UNITED STATES

JUNE 21, 2004

Mr. CRAPO (for himself, Mr. INHOFE, and Ms. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

A BILL

To amend the Federal Water Pollution Control Act and the Safe Drinking Water Act to improve water and wastewater infrastructure in the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Water Infrastructure Financing Act”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—WATER POLLUTION INFRASTRUCTURE

- Sec. 101. Technical assistance for rural and small treatment works.
- Sec. 102. Projects eligible for assistance.
- Sec. 103. Affordability.
- Sec. 104. Water pollution control revolving loan funds.
- Sec. 105. Transferability of funds.
- Sec. 106. Grants program.
- Sec. 107. Costs of administering water pollution control revolving loan funds.
- Sec. 108. Allocation formula.
- Sec. 109. Authorization of appropriations.
- Sec. 110. Reports.

TITLE II—SAFE DRINKING WATER INFRASTRUCTURE

- Sec. 201. Technical assistance for small centers.
- Sec. 202. Preconstruction work.
- Sec. 203. Affordability.
- Sec. 204. Safe drinking water revolving loan funds.
- Sec. 205. Grants program.
- Sec. 206. Other authorized activities.
- Sec. 207. Small system revolving loan fund.
- Sec. 208. Authorization of appropriations.

TITLE III—MISCELLANEOUS

- Sec. 301. Definition of Administrator.
- Sec. 302. Demonstration grant program for water quality enhancement and management.
- Sec. 303. Cost of service study.
- Sec. 304. State revolving fund review process.

1 **TITLE I—WATER POLLUTION**
 2 **INFRASTRUCTURE**
 3 **SEC. 101. TECHNICAL ASSISTANCE FOR RURAL AND SMALL**
 4 **TREATMENT WORKS.**

5 Title II of the Federal Water Pollution Control Act is
 6 amended by adding after section 221 (33 U.S.C. 1301)
 7 the following:

8 **“SEC. 222. TECHNICAL ASSISTANCE FOR RURAL AND SMALL**
 9 **TREATMENT WORKS.**

10 “(a) **DEFINITION OF QUALIFIED NONPROFIT TECH-**
 11 **NICAL ASSISTANCE PROVIDER.**—In this section, the term
 12 ‘qualified nonprofit technical assistance provider’ means a

1 qualified nonprofit technical assistance provider of water
2 and wastewater services to small rural communities that
3 provide technical assistance to treatment works that—

4 “(1) serve not more than 10,000 users; and

5 “(2) are located in a rural area.

6 “(b) GRANT PROGRAM.—

7 “(1) IN GENERAL.—The Administrator may
8 make grants to qualified nonprofit technical assist-
9 ance providers—

10 “(A) to assist small treatment works in
11 planning, developing, and obtaining financing
12 for eligible projects described in section 603(e);

13 “(B) to capitalize revolving loan funds to
14 provide loans, in consultation with the State in
15 which the assistance is provided, to rural and
16 small municipalities for predevelopment costs
17 (including costs for planning, design, associated
18 preconstruction, and necessary activities for
19 siting the facility and related elements) associ-
20 ated with wastewater infrastructure projects or
21 short-term costs incurred for equipment re-
22 placement that is not part of regular operation
23 and maintenance activities for existing waste-
24 water systems, so long as—

1 “(i) any loan from the fund is made
2 at or below market interest rate, for a
3 term not to exceed 10 years;

4 “(ii) the amount of a single loan does
5 not exceed \$100,000;

6 “(iii) all loan repayments are credited
7 to the fund;

8 “(C) to provide technical assistance and
9 training for rural and small publicly owned
10 treatment works and decentralized wastewater
11 treatment systems to enable those treatment
12 works and systems to protect water quality and
13 achieve and maintain compliance with this Act;
14 and

15 “(D) to disseminate information to rural
16 and small municipalities with respect to plan-
17 ning, design, construction, and operation of
18 publicly owned treatment works and decentral-
19 ized wastewater treatment systems.

20 “(2) DISTRIBUTION OF GRANT.—In carrying
21 out this subsection, the Administrator shall ensure,
22 to the maximum extent practicable, that technical
23 assistance provided using funds from a grant under
24 paragraph (1) is made available in each State.

1 “(3) CONSULTATION.—As a condition of receiv-
2 ing a grant under this subsection, a qualified non-
3 profit technical assistance provider shall consult with
4 each State in which grant funds are to be expended
5 or otherwise made available before the grant funds
6 are expended or made available in the State.

7 “(4) ANNUAL REPORT.—For each fiscal year, a
8 qualified nonprofit technical assistance provider that
9 receives a grant under this paragraph shall submit
10 to the Administrator a report that—

11 “(A) describes the activities of the quali-
12 fied nonprofit technical assistance provider
13 using grant funds received under this section
14 for the fiscal year; and

15 “(B) specifies the number of communities
16 served, the size of those communities, and the
17 type of financing provided.

18 “(c) AUTHORIZATION OF APPROPRIATIONS.—There
19 is authorized to be appropriated to carry out this sub-
20 section \$25,000,000 for each of fiscal years 2005 through
21 2009.”.

22 **SEC. 102. PROJECTS ELIGIBLE FOR ASSISTANCE.**

23 Section 603 of the Federal Water Pollution Control
24 Act (33 U.S.C. 1383) is amended by striking subsection
25 (c) and inserting the following:

1 “(c) PROJECTS ELIGIBLE FOR ASSISTANCE.—Funds
2 in each State water pollution control revolving fund shall
3 be used only for—

4 “(1) providing financial assistance to a municipi-
5 pality, intermunicipal, interstate, or State agency, or
6 private utility that principally treats municipal
7 wastewater or domestic sewage, for construction (in-
8 cluding costs for planning, design, associated
9 preconstruction, and necessary activities for siting
10 the facility and related elements) of treatment works
11 (as defined in section 212);

12 “(2) implementation of a management program
13 established under section 319;

14 “(3) development and implementation of a con-
15 servation and management plan under section 320;

16 “(4) water conservation projects or activities
17 the primary purpose of which is the protection, pres-
18 ervation, or enhancement of water quality, including
19 through—

20 “(A) piping or lining of an irrigation canal;

21 “(B) recovery or recycling of wastewater or
22 runoff from irrigation;

23 “(C) irrigation scheduling;

24 “(D) measurement or metering of water
25 use; or

1 “(E) improvement of on-field irrigation ef-
2 ficiency;

3 “(5) reuse, reclamation, or recycling projects
4 the primary purpose of which is the protection, pres-
5 ervation, or enhancement of water quality;

6 “(6) projects to increase the security of waste-
7 water treatment works (excluding any expenditure
8 for operations or maintenance); or

9 “(7) measures to control municipal stormwater,
10 the primary purpose of which is the preservation,
11 protection, or enhancement of water quality.”.

12 **SEC. 103. AFFORDABILITY.**

13 Section 603 of the Federal Water Pollution Control
14 Act (33 U.S.C. 1383) is amended—

15 (1) by redesignating subsections (e) through (h)
16 as subsections (f) through (i); and

17 (2) by inserting after subsection (d) the fol-
18 lowing:

19 “(e) TYPES OF ASSISTANCE FOR DISADVANTAGED
20 COMMUNITIES.—

21 “(1) DEFINITION OF DISADVANTAGED COMMU-
22 NITY.—In this subsection, the term ‘disadvantaged
23 community’ means the service area, or portion of a
24 service area, of a treatment works that meets afford-
25 ability criteria established after public review and

1 comment by the State in which the treatment works
2 is located.

3 “(2) LOAN SUBSIDY.—Notwithstanding any
4 other provision of this section, in a case in which the
5 State makes a loan from the water pollution control
6 revolving loan fund in accordance with subsection (c)
7 to a disadvantaged community or a community that
8 the State expects to become a disadvantaged com-
9 munity as the result of a proposed project, the State
10 may provide additional subsidization, including the
11 forgiveness of the principal of the loan.

12 “(3) TOTAL AMOUNT OF SUBSIDIES.—For each
13 fiscal year, the total amount of loan subsidies made
14 by the State pursuant to this subsection may not ex-
15 ceed 30 percent of the amount of the capitalization
16 grant received by the State for the fiscal year.

17 “(4) EXTENDED TERM.—A State may provide
18 an extended term for a loan if the extended term—

19 “(A) terminates not later than the date
20 that is 30 years after the date of completion of
21 the project; and

22 “(B) does not exceed the expected design
23 life of the project.

1 “(5) INFORMATION.—The Administrator may
2 publish information to assist States in establishing
3 affordability criteria described in paragraph (1).”.

4 **SEC. 104. WATER POLLUTION CONTROL REVOLVING LOAN**
5 **FUNDS.**

6 Section 603 of the Federal Water Pollution Control
7 Act (33 U.S.C. 1383) is amended by striking subsection
8 (h) (as redesignated by section 103) and inserting the fol-
9 lowing:

10 “(h) PRIORITY SYSTEM REQUIREMENT.—

11 “(1) DEFINITIONS.—In this subsection:

12 “(A) RESTRUCTURING.—The term ‘re-
13 structuring’ means—

14 “(i) the consolidation of management
15 functions or ownership with another facil-
16 ity; or

17 “(ii) the formation of cooperative
18 partnerships.

19 “(B) TRADITIONAL WASTEWATER AP-
20 PROACH.—The term ‘traditional wastewater ap-
21 proach’ means a managed system used to col-
22 lect and treat wastewater from an entire service
23 area consisting of—

24 “(i) collection sewers;

1 “(ii) a centralized treatment plant
2 using biological or physical/chemical treat-
3 ment processes; and

4 “(iii) a direct point source discharge
5 to surface water.

6 “(2) PRIORITY SYSTEM.—A State shall provide
7 financial assistance from the water pollution control
8 revolving fund of the State only for projects de-
9 scribed in subsection (c) by amending the priority
10 system established by the State under subsection (g)
11 under which the State—

12 “(A) gives more weight to an application
13 for assistance by a treatment works if the appli-
14 cation includes—

15 “(i) an inventory of assets, including
16 a description of the condition of those as-
17 sets;

18 “(ii) a schedule for replacement of as-
19 sets;

20 “(iii) a financing plan indicating
21 sources of revenue from rate payers,
22 grants, bonds, other loans, and other
23 sources;

24 “(iv) a review of options for restruc-
25 turing the treatment works;

1 “(v) a review of options for ap-
2 proaches other than a traditional waste-
3 water approach that may include actions
4 or projects that treat or minimize sewage
5 or urban stormwater discharges using—

6 “(I) decentralized or distributed
7 stormwater controls;

8 “(II) decentralized wastewater
9 treatment;

10 “(III) low impact development
11 technologies;

12 “(IV) stream buffers;

13 “(V) wetland restoration; or

14 “(VI) actions to minimize the
15 amount of and direct connections to
16 impervious surfaces; or

17 “(vi) such other information as the
18 State determines to be appropriate;

19 “(B) takes into consideration appropriate
20 chemical, physical, and biological data that the
21 State considers reasonably available and of suf-
22 ficient quality;

23 “(C) provides for public notice and oppor-
24 tunity to comment on establishment of the sys-
25 tem and the summary under subparagraph (D);

1 “(D) publishes not less than biennially in
2 summary form a description of projects in the
3 State that are eligible for assistance under this
4 title that indicates—

5 “(i) the priority assigned to each
6 project under the priority system of the
7 State; and

8 “(ii) the funding schedule for each
9 project, to the extent that such information
10 is available; and

11 “(E) ensures that projects undertaken with
12 assistance under this title are designed to
13 achieve, in the estimation of the State, the opti-
14 mum water quality management, consistent
15 with the public health and water quality goals
16 and requirements of this title.”.

17 **SEC. 105. TRANSFERABILITY OF FUNDS.**

18 Section 603 of the Federal Water Pollution Control
19 Act (33 U.S.C. 1383) (as amended by section 103) is
20 amended by adding at the end the following:

21 “(j) TRANSFER OF FUNDS.—

22 “(1) IN GENERAL.—The Governor of a State
23 may—

1 “(A)(i) reserve not more than 33 percent
2 of a capitalization grant made under this title;
3 and

4 “(ii) add the funds reserved to any funds
5 provided to the State under section 1452 of the
6 Safe Drinking Water Act (42 U.S.C. 300j-12);
7 and

8 “(B)(i) reserve in any year an amount that
9 does not exceed the amount that may be re-
10 served under subparagraph (A) for that year
11 from capitalization grants made under section
12 1452 of that Act (42 U.S.C. 300j-12); and

13 “(ii) add the reserved funds to any funds
14 provided to the State under this title.

15 “(2) STATE MATCH.—Funds reserved under
16 this subsection shall not be considered to be a State
17 contribution for a capitalization grant required
18 under this title or section 1452(b) of the Safe
19 Drinking Water Act (42 U.S.C. 300j-12(b)).”.

20 **SEC. 106. GRANTS PROGRAM.**

21 Section 603 of the Federal Water Pollution Control
22 Act (33 U.S.C. 1383) (as amended by section 105) is
23 amended by adding at the end the following:

24 “(k) SETASIDE.—

1 “(1) \$3,000,000,000 OR LESS MADE AVAIL-
2 ABLE.—

3 “(A) IN GENERAL.—For a fiscal year in
4 which appropriations for State revolving loan
5 funds do not exceed \$3,000,000,000, a State
6 shall set aside 10 percent of its capitalization
7 grant under section 601(a) to provide grants to
8 eligible users described in subsection (c) in the
9 amount of not more than 55 percent of the
10 total cost of a project for which a grant is
11 made.

12 “(B) WAIVER.—A State may waive the re-
13 quirement of subparagraph (A) if the average
14 time for processing loan applications during the
15 preceding 12 months did not exceed 90 days.

16 “(2) MORE THAN \$3,000,000,000 MADE AVAIL-
17 ABLE.—For a fiscal year in which appropriations for
18 State revolving loan funds exceed \$3,000,000,000, a
19 State shall set aside not more than 10 nor less than
20 5 percent of its State revolving loan fund.”.

21 **SEC. 107. COSTS OF ADMINISTERING WATER POLLUTION**

22 **CONTROL REVOLVING LOAN FUNDS.**

23 Section 603(d)(7) of the Federal Water Pollution
24 Control Act (33 U.S.C. 1383(d)(7)) is amended by strik-
25 ing “4 percent” and inserting “6 percent”.

1 **SEC. 108. ALLOCATION FORMULA.**

2 Section 604 of the Federal Water Pollution Control
3 Act (33 U.S.C. 1384) is amended—

4 (1) by redesignating subsections (b) and (c) as
5 subsections (d) and (e), respectively; and

6 (2) by striking subsection (a) and inserting the
7 following:

8 “(a) DEFINITIONS.—In this subsection:

9 “(1) BASE FORMULA.—The term ‘base formula’
10 means a formula for the allotment of funds made
11 available to carry out this section for a fiscal year
12 to States in accordance with section 205(c)(3).

13 “(2) NEEDS SURVEY.—The term ‘needs survey’
14 means a needs survey conducted under section
15 516(2).

16 “(3) NEEDS SURVEY PERCENTAGE.— The term
17 ‘needs survey percentage’, with respect to a State,
18 means the percentage applicable to the State under
19 a formula for the allotment of funds made available
20 to carry out this section for a fiscal year to States
21 in amounts determined by the Administrator based
22 on the ratio that—

23 “(A) the needs of a State described in cat-
24 egories I through VII of the most recent needs
25 survey; bears to

1 “(B) the needs of all States described in
2 categories I through VII of the most recent
3 needs survey.

4 “(4) NEXT NEEDS SURVEY.—The term ‘next
5 needs survey’ means the first needs survey that is
6 completed after the 2000 needs survey.

7 “(5) STATE.—The term ‘State’ means a State,
8 the District of Columbia, and the Commonwealth of
9 Puerto Rico.

10 “(b) ALLOCATION OF FUNDS.—

11 “(1) IN GENERAL.—Funds made available to
12 carry out this section for a fiscal year shall be allo-
13 cated by the Administrator in accordance with this
14 subsection.

15 “(2) INDIAN TRIBES.—Of the total amount of
16 funds available, 1.5 percent shall be allocated to In-
17 dian tribes (within the meaning of section 518(c)).

18 “(3) CERTAIN TERRITORIES AND FREELY ASSO-
19 CIATED STATES.—Of the total amount of funds
20 made available, 0.25 percent shall be allocated to
21 Guam, the Virgin Islands, Samoa, the Common-
22 wealth of the Northern Mariana Islands, the Fed-
23 erated States of Micronesia, the Republic of the
24 Marshall Islands, and the Republic of Palau to be

1 allocated among those territories and freely associ-
2 ated states, as determined by the Administrator.

3 “(4) STATES.—

4 “(A) TARGET ALLOCATION.—Each State
5 shall have a target allocation, which—

6 “(i) in the case of a State for which
7 the needs survey percentage is less than
8 1.0 percent, shall be 1.0 percent; and

9 “(ii) in the case of any other State,
10 shall be the needs survey percentage.

11 “(B) LIMITATION ON GROWTH.—

12 “(i) APPLICABILITY.—This subpara-
13 graph applies with respect to any fiscal
14 year for which the amount of funds made
15 available to carry out this section is
16 \$3,150,000,000 or less.

17 “(ii) STATES FOR WHICH THE NEEDS
18 SURVEY PERCENTAGE IS LESS THAN 1.0
19 PERCENT.—In the case of a State for
20 which the needs survey percentage is 1.0
21 percent or less, the growth in allocation in
22 dollar terms relative to the base formula
23 shall be limited to—

24 “(I) 12 percent for fiscal year
25 2005;

1 “(II) 16 percent for fiscal year
2 2006;

3 “(III) 20 percent for fiscal year
4 2007;

5 “(IV) 24 percent for fiscal year
6 2008; and

7 “(V) 28 percent for fiscal year
8 2009 and each fiscal year thereafter.

9 “(iii) STATES FOR WHICH THE NEEDS
10 SURVEY PERCENTAGE IS 1.0 PERCENT OR
11 MORE.—In the case of a State for which
12 the needs survey percentage is greater
13 than 1.0 percent, the growth in allocation
14 in dollar terms relative to the base formula
15 shall be limited to 0.0 percent.

16 “(C) LIMITATION ON LOSS.—

17 “(i) GROWTH OF LESS THAN 1.0 PER-
18 CENT.—A dollar amount that is not less
19 than the dollar amount under the base for-
20 mula shall be allocated to States described
21 in subparagraph (A)(i) but not described
22 in subparagraph (D).

23 “(ii) GROWTH OF 1.0 PERCENT OR
24 MORE.—A dollar amount that is equal to
25 the dollar amount under the base formula

1 shall be allocated to States described in
2 subparagraph (A)(ii) but not described in
3 subparagraph (D) that—

4 “(I) in the most recent needs
5 survey, reported higher needs in both
6 categories V and VII than the State
7 reported in the previous needs survey;

8 “(II) grew in population by more
9 than 10 percent between the 1990
10 decennial census and the 2000
11 decennial census; or

12 “(III) has a population equal to
13 4 percent or more of the total popu-
14 lation of the United States, as re-
15 ported in the 2000 decennial census.

16 “(D) UNALLOCATED BALANCE.—The
17 unallocated balance of available funds shall be
18 allocated in equal parts to all States that, in
19 the most recent needs survey, report higher
20 total needs both in absolute dollar terms and as
21 a percentage of total United States needs.”.

22 **SEC. 109. AUTHORIZATION OF APPROPRIATIONS.**

23 The Federal Water Pollution Control Act is amended
24 by striking section 607 (33 U.S.C. 1387) and inserting
25 the following:

1 **“SEC. 607. AUTHORIZATION OF APPROPRIATIONS.**

2 “(a) IN GENERAL.—There are authorized to be ap-
3 propriated to carry out this title—

4 “(1) \$3,200,000,000 for each of fiscal years
5 2005 and 2006;

6 “(2) \$3,600,000,000 for fiscal year 2007;

7 “(3) \$4,000,000,000 for fiscal year 2008; and

8 “(4) \$6,000,000,000 for fiscal year 2009.

9 “(b) AVAILABILITY.—Amounts made available under
10 this section shall remain available until expended.

11 “(c) RESERVATION FOR NEEDS SURVEYS.—Of the
12 amount made available under subsection (a) to carry out
13 this title for a fiscal year, the Administrator may reserve
14 not more than \$1,000,000 per year to pay the costs of
15 conducting needs surveys under section 516(2).”.

16 **SEC. 110. REPORTS.**

17 Section 516 of the Federal Waste Pollution Control
18 Act (33 U.S.C. 1375) is amended in the second sentence
19 by striking “odd-numbered” and inserting “fourth”.

20 **TITLE II—SAFE DRINKING**
21 **WATER INFRASTRUCTURE**

22 **SEC. 201. TECHNICAL ASSISTANCE FOR SMALL CENTERS.**

23 Section 1420(g) of the Safe Drinking Water Act (42
24 U.S.C. 300g–9(g)) is amended by striking paragraph (4)
25 and inserting the following:

1 “(4) AUTHORIZATION OF APPROPRIATIONS.—
2 There is authorized to be appropriated to carry out
3 this subsection \$2,000,000 for each of fiscal years
4 2005 through 2009.”.

5 **SEC. 202. PRECONSTRUCTION WORK.**

6 Section 1452(a)(2) of the Safe Drinking Water Act
7 (42 U.S.C. 300j–12(a)(2)) is amended in the second sen-
8 tence—

9 (1) by striking “(not” and inserting “(including
10 expenditures for planning, design, and associated
11 preconstruction and for recovery for siting of the fa-
12 cility and related elements but not”;

13 (2) by inserting before the period at the end the
14 following: “or to replace or rehabilitate aging collec-
15 tion, treatment, storage (including reservoirs), and
16 distribution facilities of public water systems or pro-
17 vide for capital projects to upgrade the security of
18 public water systems”.

19 **SEC. 203. AFFORDABILITY.**

20 Section 1452(d)(3) of the Safe Drinking Water Act
21 (42 U.S.C. 300j–12(d)(3)) is amended in the first sen-
22 tence by inserting “, or portion of a service area,” after
23 “service area”.

1 **SEC. 204. SAFE DRINKING WATER REVOLVING LOAN**
2 **FUNDS.**

3 (a) IN GENERAL.—Section 1452(g) of the Safe
4 Drinking Water Act (42 U.S.C. 300j–12(g)) is amended—

5 (1) in paragraph (2)—

6 (A) in the first sentence, by striking “4”
7 and inserting “6”; and

8 (B) by striking “1419” and all that follows
9 and inserting “1419.”; and

10 (2) by adding at the end the following:

11 “(5) TRANSFER OF FUNDS.—

12 “(A) IN GENERAL.—The Governor of a
13 State may—

14 “(i)(I) reserve not more than 33 per-
15 cent of a capitalization grant made under
16 this section; and

17 “(II) add the funds reserved to any
18 funds provided to the State under section
19 601 of the Federal Water Pollution Con-
20 trol Act (33 U.S.C. 1381); and

21 “(ii)(I) reserve for any year an
22 amount that does not exceed the amount
23 that may be reserved under clause (i)(I)
24 for that year from capitalization grants
25 made under section 601 of that Act (33
26 U.S.C. 1381); and

1 “(II) add the reserved funds to any
2 funds provided to the State under this sec-
3 tion.

4 “(B) STATE MATCH.—Funds reserved
5 under this paragraph shall not be considered to
6 be a State match of a capitalization grant re-
7 quired under this section or section 602(b) of
8 the Federal Water Pollution Control Act (33
9 U.S.C. 1382(b)).”.

10 (b) PRIORITY SYSTEM REQUIREMENTS.—Section
11 1452(b)(3) of the Safe Drinking Water Act (42 U.S.C.
12 300j–12(3)) is amended—

13 (1) by redesignating subparagraph (B) as sub-
14 paragraph (C);

15 (2) by striking subparagraph (A) and inserting
16 the following:

17 “(A) DEFINITIONS.—In this paragraph:

18 “(i) RESTRUCTURING.—The term ‘re-
19 structuring’ means—

20 “(I) the consolidation of manage-
21 ment functions or ownership with an-
22 other facility; or

23 “(II) the formation of cooperative
24 partnerships.

1 “(ii) TRADITIONAL APPROACH.—The
2 term ‘traditional approach’ means a man-
3 aged system used to treat and distribute
4 drinking water to an entire service area
5 consisting of a centralized water system
6 using biological or physical/chemical treat-
7 ment processes.

8 “(B) PRIORITY SYSTEM.—An intended use
9 plan shall provide, to the maximum extent prac-
10 ticable, that the State shall give more weight to
11 an application for assistance by a community
12 water system if the application includes—

13 “(i) an inventory of assets, including
14 a description of the condition of those as-
15 sets;

16 “(ii) a schedule for replacement of as-
17 sets;

18 “(iii) a financing plan indicating
19 sources of revenue from rate payers,
20 grants, bonds, other loans, and other
21 sources;

22 “(iv) a review of options for restruc-
23 turing the public water system;

1 “(v) a review of options for ap-
2 proaches other than a traditional approach;

3 or

4 “(vi) such other information as the
5 State determines to be appropriate.”; and

6 (3) in subparagraph (C) (as redesignated by
7 paragraph (1)), by striking “periodically” and in-
8 serting “at least biennially”.

9 **SEC. 205. GRANTS PROGRAM.**

10 Section 1452 of the Safe Drinking Water Act (42
11 U.S.C. 300j–12) is amended by adding at the end the fol-
12 lowing:

13 “(s) SETASIDE.—

14 “(1) \$2,500,000,000 OR LESS MADE AVAIL-
15 ABLE.—

16 “(A) IN GENERAL.—For a fiscal year in
17 which appropriations for State revolving loan
18 funds do not exceed \$2,500,000,000, a State
19 shall set aside 10 percent of its capitalization
20 grant under subsection (a) to provide grants to
21 eligible users described in subsection (c) of not
22 more than 55 percent of the total cost of a
23 project for which a grant is made.

24 “(B) WAIVER.—A State may waive the re-
25 quirement of subparagraph (A) if the average

1 time for processing loan applications during the
2 preceding 12 months did not exceed 90 days.

3 “(2) MORE THAN \$2,500,000,000 MADE AVAIL-
4 ABLE.—For a fiscal year in which appropriations for
5 State revolving loan funds exceed \$2,500,000,000, a
6 State shall set aside not more than 5 nor less than
7 2.5 percent of its State revolving loan fund.”.

8 **SEC. 206. OTHER AUTHORIZED ACTIVITIES.**

9 Section 1452(k)(2)(D) of the Safe Drinking Water
10 Act (42 U.S.C. 300j–12(k)(2)(D)) is amended by inserting
11 before the period at the end the following: “(including im-
12 plementation of source water protection plans)”.

13 **SEC. 207. SMALL SYSTEM REVOLVING LOAN FUND.**

14 Section 1442(e) of the Safe Drinking Water Act (42
15 U.S.C. 300j–1(e)) is amended—

16 (1) by striking “The Administrator may pro-
17 vide” and inserting the following:

18 “(1) IN GENERAL.—The Administrator may
19 provide”; and

20 (2) by adding at the end the following:

21 “(2) SMALL SYSTEM REVOLVING LOAN FUND.—

22 “(A) IN GENERAL.—In addition to
23 amounts provided under this section, each State
24 may provide grants to qualified private, non-
25 profit entities to capitalize revolving funds to

1 provide financing to eligible entities described in
2 subparagraph (B) for—

3 “(i) predevelopment costs (including
4 costs for planning, design, associated
5 preconstruction, and necessary activities
6 for siting the facility and related elements)
7 associated with proposed water projects or
8 with existing water systems; and

9 “(ii) short-term costs incurred for re-
10 placement equipment, small-scale extension
11 services, or other small capital projects
12 that are not part of the regular operations
13 and maintenance activities of existing
14 water systems.

15 “(B) ELIGIBLE ENTITIES.—Only small
16 water systems (as described in section
17 1412(b)(4)(E)(ii)) shall be eligible for assist-
18 ance under this paragraph.

19 “(C) MAXIMUM AMOUNT OF LOANS.—The
20 amount of financing made to an eligible entity
21 under this paragraph shall not exceed—

22 “(i) \$100,000 for costs described in
23 subparagraph (A)(i); and

24 “(ii) \$100,000 for costs described in
25 subparagraph (A)(ii).

1 “(D) TERM.—The term of a loan made to
2 an eligible entity under this paragraph shall not
3 exceed 10 years.

4 “(E) ANNUAL REPORT.—For each fiscal
5 year, a nonprofit entity that receives a grant
6 under this paragraph shall submit to the Ad-
7 ministrator a report that—

8 “(i) describes the activities of non-
9 profit entities receiving grants reauthorized
10 under this paragraph for the fiscal year;
11 and

12 “(ii) specifies the number of commu-
13 nities served, the size of those commu-
14 nities, and the type of financing provided.

15 “(F) AUTHORIZATION OF APPROPRIA-
16 TIONS.—There is authorized to be appropriated
17 to carry out this subsection \$25,000,000 for
18 each of fiscal years 2005 through 2009.”.

19 **SEC. 208. AUTHORIZATION OF APPROPRIATIONS.**

20 Section 1452 of the Safe Drinking Water Act (42
21 U.S.C. 300j–12) is amended by striking subsection (m)
22 and inserting the following:

23 “(m) AUTHORIZATION OF APPROPRIATIONS.—

24 “(1) IN GENERAL.—There are authorized to be
25 appropriated to carry out this section—

1 shall establish a nationwide demonstration grant
2 program to—

3 (A) promote innovations in technology and
4 alternative approaches to water quality manage-
5 ment or water supply; and

6 (B) reduce costs to municipalities incurred
7 in complying with—

8 (i) the Federal Water Pollution Con-
9 trol Act (33 U.S.C. 1251 et seq.); and

10 (ii) the Safe Drinking Water Act (42
11 U.S.C. 300f et seq.).

12 (2) SCOPE.—The demonstration grant program
13 shall consist of 10 projects each year, to be carried
14 out in municipalities selected by the Administrator
15 under subsection (b).

16 (b) SELECTION OF MUNICIPALITIES.—

17 (1) APPLICATION.—A municipality that seeks
18 to be selected to participate in the demonstration
19 grant program shall submit to the Administrator a
20 plan that—

21 (A) is developed in coordination with—

22 (i) the agency of the State having ju-
23 risdiction over water quality or water sup-
24 ply matters; and

25 (ii) interested stakeholders;

1 (B) describes water impacts specific to
2 urban or rural areas;

3 (C) includes a strategy under which the
4 municipality, through participation in the dem-
5 onstration grant program, could effectively—

6 (i) address those problems; and

7 (ii) achieve the same water quality
8 goals as those goals that—

9 (I) could be achieved using more
10 traditional methods; or

11 (II) are mandated under—

12 (aa) the Federal Water Pol-
13 lution Control Act (33 U.S.C.
14 1251 et seq.); and

15 (bb) the Safe Drinking
16 Water Act (42 U.S.C. 300f et
17 seq.); and

18 (D) includes a schedule for achieving the
19 goals of the municipality.

20 (2) TYPES OF PROJECTS.—In carrying out the
21 demonstration grant program, the Administrator
22 shall provide grants for projects relating to water
23 supply or water quality matters such as—

24 (A) excessive nutrient growth;

25 (B) urban or rural population pressure;

1 (C) lack of an alternative water supply;

2 (D) difficulties in water conservation and
3 efficiency;

4 (E) lack of support tools and technologies
5 to rehabilitate and replace water supplies;

6 (F) lack of monitoring and data analysis
7 for water distribution systems;

8 (G) nonpoint source water pollution (in-
9 cluding stormwater);

10 (H) sanitary overflows;

11 (I) combined sewer overflows;

12 (J) problems with naturally occurring con-
13 stituents of concern; and

14 (K) problems with erosion and excess sedi-
15 ment.

16 (3) RESPONSIBILITIES OF ADMINISTRATOR.—In
17 providing grants for projects under this subsection,
18 the Administrator shall—

19 (A) ensure, to the maximum extent prac-
20 ticable, that—

21 (i) the demonstration program in-
22 cludes a variety of projects with respect
23 to—

24 (I) geographic distribution;

1 (II) innovative technologies used
2 for the projects; and

3 (III) nontraditional approaches
4 (including low-impact development
5 technologies) used for the projects;
6 and

7 (ii) each category of project described
8 in paragraph (2) is adequately represented;

9 (B) give higher priority to projects that—

10 (i) address multiple problems; and

11 (ii) are regionally applicable;

12 (C) ensure, to the maximum extent prac-
13 ticable, that at least 1 community having a pop-
14 ulation of 10,000 or fewer individuals receives
15 a grant each fiscal year; and

16 (D) ensure that, for each fiscal year, no
17 municipality receives more than 25 percent of
18 the total amount of funds made available for
19 the fiscal year to provide grants under this sec-
20 tion.

21 (4) COST SHARING.—

22 (A) IN GENERAL.—Except as provided in
23 subparagraph (B), the non-Federal share of the
24 total cost of a project funded by a grant under
25 this section shall be not less than 20 percent.

1 (B) WAIVER.—The Administrator may re-
2 duce or eliminate the non-Federal share of the
3 cost of a project for reasons of affordability.

4 (c) REPORTS.—

5 (1) REPORTS FROM GRANT RECIPIENTS.—A re-
6 cipient of a grant under this section shall submit to
7 the Administrator, on the date of completion of a
8 project of the recipient and on each of the dates that
9 is 1, 2, and 3 years after that date, a report that
10 describes the effectiveness of the project.

11 (2) REPORTS TO CONGRESS.—Not later than 2
12 years after the date of enactment of this Act, and
13 every 2 years thereafter, the Administrator shall
14 submit to the Committee on Environment and Pub-
15 lic Works of the Senate and the Committee on
16 Transportation and Infrastructure and the Com-
17 mittee on Energy and Commerce of the House of
18 Representatives a report that describes the status
19 and results of the demonstration program.

20 (d) INCORPORATION OF RESULTS AND INFORMA-
21 TION.—To the maximum extent practicable, the Adminis-
22 trator shall incorporate the results of, and information ob-
23 tained from, successful projects under this section into
24 programs administered by the Administrator.

25 (e) RESEARCH AND DEVELOPMENT.—

1 (1) IN GENERAL.—As soon as practicable after
2 the date of enactment of this Act, the Administrator
3 shall, through a competitive process, award grants
4 and enter into contracts and cooperative agreements
5 for research and development on the use of innova-
6 tive and alternative technologies to improve water
7 quality or drinking water supply.

8 (2) TYPES OF PROJECTS.—In carrying out this
9 subsection, the Administrator may select projects re-
10 lating to such matters as innovative or alternative
11 technologies, approaches, practices, or methods—

12 (A) to increase the effectiveness and effi-
13 ciency of public water supply systems, includ-
14 ing—

15 (i) source water protection;

16 (ii) water use reduction;

17 (iii) water reuse;

18 (iv) water treatment;

19 (v) water distribution and collection
20 systems; and

21 (vi) water security;

22 (B) to encourage the use of innovative or
23 alternative technologies or approaches relating
24 to water supply or availability; or

1 (C) to increase the effectiveness and effi-
2 ciency of treatment works, including—

3 (i) methods of collecting, treating, dis-
4 persing, reusing, reclaiming, and recycling
5 wastewater;

6 (ii) system design;

7 (iii) nonstructural alternatives;

8 (iv) decentralized approaches;

9 (v) assessment;

10 (vi) water efficiency; and

11 (vii) wastewater security.

12 (3) RECIPIENTS.—Grant recipients and parties
13 to contracts or cooperative agreements under this
14 subsection may be research institutions or consortia
15 or educational institutions or consortia.

16 (4) AUTHORIZATION OF APPROPRIATIONS.—
17 There is authorized to be appropriated to carry out
18 this subsection \$20,000,000 for each of fiscal years
19 2005 through 2009.

20 (f) AUTHORIZATION OF APPROPRIATIONS.—There is
21 authorized to be appropriated to carry out this section
22 (other than subsection (e)) \$20,000,000 for each of fiscal
23 years 2005 through 2009.

1 **SEC. 303. COST OF SERVICE STUDY.**

2 (a) IN GENERAL.—Not later than 2 years after the
3 date of enactment of this Act, the Administrator shall
4 enter into a contract with the National Academy of
5 Sciences for, and the National Academy of Sciences shall
6 complete and provide to the Administrator the results of,
7 a study of the means by which public water systems and
8 treatment works selected by the Academy in accordance
9 with subsection (c) meet the costs associated with oper-
10 ations, maintenance, capital replacement, and regulatory
11 requirements.

12 (b) REQUIRED ELEMENTS.—

13 (1) AFFORDABILITY.—The study shall, at a
14 minimum—

15 (A) identify existing standards for afford-
16 ability;

17 (B) determine the manner in which those
18 standards are determined and defined;

19 (C) determine the manner in which afford-
20 ability varies with respect to communities of
21 different sizes and in different regions; and

22 (D) determine the extent to which afford-
23 ability affects the decision of a community to
24 increase public water system and treatment
25 works rates (including the decision relating to

1 the percentage by which those rates should be
2 increased).

3 (2) DISADVANTAGED COMMUNITIES.—The
4 study shall, at a minimum—

5 (A) survey a cross-section of States rep-
6 resenting different sizes, demographics, and
7 geographical regions;

8 (B) describe, for each State described in
9 subparagraph (A), the definition of “disadvan-
10 taged community” used in the State in carrying
11 out projects and activities under the Safe
12 Drinking Water Act (42 U.S.C. 300f et seq.);

13 (C) review other means of identifying the
14 meaning of the term “disadvantaged”, as that
15 term applies to communities;

16 (D) determine which factors and character-
17 istics are required for a community to be con-
18 sidered “disadvantaged”; and

19 (E) evaluate the degree to which factors
20 such as a reduction in the tax base over a pe-
21 riod of time, a reduction in population, the loss
22 of an industrial base, and the existence of areas
23 of concentrated poverty are taken into account
24 in determining whether a community is a dis-
25 advantaged community.

1 (c) SELECTION OF COMMUNITIES.—The National
2 Academy of Sciences shall select communities, the public
3 water system and treatment works rate structures of
4 which are to be studied under this section, that include
5 a cross section of communities representing various popu-
6 lations, income levels, demographics, and geographical re-
7 gions.

8 (d) USE OF RESULTS OF STUDY.—On receipt of the
9 results of the study, the Administrator shall—

10 (1) submit to Congress a report that describes
11 the results of the study; and

12 (2) make the results available to treatment
13 works and public water systems for use by the pub-
14 licly owned treatment works and public water sys-
15 tems, on a voluntary basis, in determining whether
16 1 or more new approaches may be implemented at
17 facilities of the publicly owned treatment works and
18 public water systems.

19 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
20 authorized to be appropriated to carry out this section
21 \$1,000,000 for each of fiscal years 2005 and 2006.

22 **SEC. 304. STATE REVOLVING FUND REVIEW PROCESS.**

23 As soon as practicable after the date of enactment
24 of this Act, the Administrator shall—

1 (1) consult with States, utilities, and other Fed-
2 eral agencies providing financial assistance to iden-
3 tify ways to expedite and improve the application
4 and review process for the provision of assistance
5 from—

6 (A) the State water pollution control re-
7 volving funds established under title VI of the
8 Federal Water Pollution Control Act (33 U.S.C.
9 1381 et seq.); and

10 (B) the State drinking water treatment re-
11 volving loan funds established under section
12 1452 of the Safe Drinking Water Act (42
13 U.S.C. 300j-12); and

14 (2) take such administrative action as is nec-
15 essary to expedite and improve the process as the
16 Administrator has authority to take under existing
17 law; and

18 (3) submit to Congress a report that, based on
19 the information identified under paragraph (1), con-
20 tains recommendations for legislation to facilitate
21 further streamlining and improvement of the proc-
22 ess.

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