



Testimony

Before the Subcommittee on Environment and Hazardous Materials, Committee on Energy and Commerce, House of Representatives

For Release on Delivery
Expected on Thursday,
April 11, 2002, at 9:30 a.m.

DRINKING WATER INFRASTRUCTURE

Information on Estimated Needs and Financial Assistance

Statement of David G. Wood,
Director, Natural Resources and Environment



Mr. Chairman and Members of the Subcommittee:

I am pleased to be testifying before you today as you consider the infrastructure needs facing the nation's drinking water systems. As you know, the U.S. Environmental Protection Agency (EPA) is required to conduct an infrastructure needs assessment every 4 years to estimate the future capital investment needs of local drinking water systems. In its most recent national survey, EPA estimated that nearly \$151 billion will be needed over the next 20 years to repair, replace, and upgrade the nation's 55,000 community water systems. The needs assessment survey, which EPA uses to estimate infrastructure needs for each state, serves as the basis for EPA's grants to the states under the Drinking Water State Revolving Fund (DWSRF) program. This program helps communities finance the infrastructure projects needed to comply with federal drinking water regulations and protect public health. EPA requests annual appropriations to capitalize the states' revolving loan funds and then makes specific allotments to each state. The states, which are required to match a portion of the grants, use the funds to make low-interest loans to their local water systems; as the loans are repaid, the states' funds are replenished, enabling them to make loans to other eligible drinking water projects. For projects located in communities that qualify as "disadvantaged," the states may extend loan repayment periods or use a portion of their grants to provide additional subsidies.

In addition to EPA, a number of federal agencies provide financial assistance for drinking water facilities through a variety of grant and loan programs, some of which also may be used for wastewater facilities. Further, some states sponsor their own financial assistance programs for local drinking water and wastewater facilities.

My testimony today discusses several issues critical to assessing the nation's drinking water infrastructure needs: (1) the precision of EPA's most recent estimate of drinking water infrastructure needs, (2) states' use of EPA's drinking water state revolving funds to aid disadvantaged communities, and (3) the amounts and types of drinking water infrastructure funding EPA, other federal agencies, and the states have made available.

The information provided in this testimony is based on two recently-issued reports: our January report for this subcommittee and committee¹ and our November 2001 report on federal and state financial assistance for water infrastructure.² We focused on certain aspects of EPA's methodology in reviewing the agency's needs assessment, specifically the impact of sampling on the estimate's precision. In addition, we surveyed all 50 states to determine how they use their drinking water state revolving loan funds to assist disadvantaged communities. Finally, we obtained information on federal and state drinking water and wastewater infrastructure funding over a 10-year period (fiscal years 1991 through 2000) by collecting data from the nine federal agencies responsible for the majority of the federal assistance and, using a detailed questionnaire, surveying the states to collect information on state-sponsored programs. Forty-six states responded to our funding survey. We converted the annual amounts reported by the federal agencies and the states to constant year 2000 dollars.

In summary, our work has shown the following:

- EPA took a number of steps to help ensure that it collected valid data to estimate drinking water infrastructure needs, such as conducting site visits to selected systems and asking states to review supporting documentation. However, EPA and other users of the needs assessment cannot tell how closely the estimates reflect actual state-by-state needs because EPA did not calculate the precision of the estimates. EPA set a target level of precision—generally, the agency wanted to be 95 percent certain that its estimates were within 10 percent of the “true” needs. We found indications that the level of uncertainty was higher than EPA's target level of precision, possibly by a considerable amount, for reasons associated with some of EPA's sampling methods. Because the results of the survey are used to estimate both national and state-level needs, they can influence the level of congressional appropriations for the drinking water state revolving fund program, and they form the basis for EPA's allotment of these funds to the

¹U.S. General Accounting Office, *Drinking Water: Key Aspects of EPA's Revolving Fund Program Need to Be Strengthened* GAO-02-135 (Washington, D.C.: Jan. 24, 2002)

states. Accordingly, we recommended that EPA calculate and report the level of precision actually achieved in its recent needs assessment, and determine what implications, if any, its findings have on the methodology to be used to conduct future needs assessment surveys. EPA concurred that such a calculation would confirm whether the survey met its precision targets and stated that it would revisit the issue in the design of the 2003 survey.

- Thirty-one states have established programs under their revolving loan funds to assist disadvantaged communities, according to the results of our 50-state survey. Of the states with programs, 21 provided about \$94 million in special subsidies—mainly loan principal forgiveness—and 23 offered extended loan terms. While criteria for defining disadvantaged communities vary, states typically use some measure of household water rates relative to a community’s median household income. In addition, states reported that other factors, such as concerns about depleting the fund and the availability of assistance from other federal and state sources, influenced their decisions to offer assistance to disadvantaged communities under the revolving fund program. Because providing additional loan subsidies can affect the extent to which states’ revolving loan funds are replenished—and therefore potentially the extent to which future federal funds will be requested—we attempted to estimate of the number of systems potentially eligible for such assistance. On the basis of limited information provided by the states, we estimate that about 28 percent of the nation’s smallest water systems could qualify for additional subsidies.
- In fiscal years 1991 through 2000, nine federal agencies made available about \$44.0 billion in grants, loans, and loan guarantees for drinking water and wastewater capital improvements. Of this amount, EPA provided about \$3.7 billion in drinking water state revolving loan fund grants and about \$16.6 billion under a similar program for wastewater facilities. EPA’s assistance, combined with that of three other agencies—the Departments of Agriculture, Housing and

²U.S. General Accounting Office, *Water Infrastructure: Information on Federal and State Financial Assistance* GAO-02-134 (Washington, D.C.: Nov. 30, 2001)

Urban Development, and Commerce—accounted for about 98 percent of the total federal assistance. About 11 percent of the federal aid was specifically for drinking water facilities and another 40 percent was for either drinking water or wastewater facilities. Also, according to responses to our survey, state governments made a total of about \$25 billion in state funds available for water infrastructure programs over the 10-year period, including over \$10 billion to match EPA’s capitalization grants. State-sponsored grant and loan programs accounted for about \$9.1 billion of the states’ contributions, including \$800 million specifically designated for drinking water facilities and \$6.3 billion that could be used for either drinking water or wastewater facilities (and in some cases for other types of infrastructure projects). In addition, states reported that they made another \$4.4 billion available for loans by selling general obligation and revenue bonds, and contributed about \$1.4 billion from other state sources for purposes such as matching non-EPA federal funds and financing state-designated specific drinking water or wastewater projects.

Background

Under the 1996 amendments to the Safe Drinking Water Act, EPA is required to conduct an infrastructure needs assessment every 4 years to estimate the future capital investment needs of water systems eligible for assistance through the DWSRF program.³ Of the estimated \$150.9 billion capital investment needed according to EPA’s most recent survey, 80 percent (\$119.7 billion) is linked to projects involving the installation, upgrade, and replacement of the basic infrastructure needed to deliver safe drinking water to the public. The remainder of the estimated needed investment—\$31.2 billion, or about 20 percent—will go to projects directly associated with existing, proposed, or recently issued regulations.

³Eligible systems include community water systems and not-for-profit noncommunity water systems. Community systems serve at least 25 people or 15 connections year-round. Noncommunity systems serve at least 25 people for more than 60 days but less than year-round.

Water systems vary in size, which is often measured by the number of customers they serve. In its most recent survey, EPA obtained information from 100 percent of the largest 1,111 community water systems (those serving more than 40,000 people) and samples of the remaining 7,534 medium systems (those serving from 3,301 to 40,000 people) and 44,373 small systems (those serving 3,300 or fewer people). Small water systems represent over 80 percent of all community water systems, but they only account for about 22 percent of the estimated infrastructure needs. In contrast, the largest water systems represent about 2 percent of the community systems and account for nearly 44 percent of the needs.⁴

Subsidized loan assistance is an integral part of the DWSRF program in that the interest rates that states offer to local water systems must be at or below the current market rate.⁵ In addition, the Congress has authorized states to use an amount equal to up to 30 percent of their DWSRF capitalization grants to provide additional subsidies to communities that qualify as “disadvantaged” under state-defined affordability criteria. States with disadvantaged community programs may opt to forgive a portion of the loan principal or issue a loan at a negative interest rate. States also have the option of extending the loan repayment period from the standard 20 years to up to 30 years, provided that the repayment period does not exceed the expected design life of the project.

U.S. drinking water and wastewater systems encompass thousands of treatment facilities, collection facilities, and related works and well over a million miles of pipes and conduits. While the investment, made over decades, in these facilities is enormous, even more funds will be needed in the future to support efforts to maintain clean and safe water. The Water Infrastructure Network—a consortium of industry, municipal, and nonprofit associations—recently estimated needs of up to \$1 trillion over the next 20 years for drinking water and wastewater systems combined, when both the capital investment needs and the cost of financing are considered. User rates serve as the major

⁴For both large and small systems, these percentages are calculated excluding the estimated \$9.3 billion in needs associated with proposed or recently promulgated regulations.

source of facilities' financing, but both federal and state government agencies offer financial support as well. In the 107th Congress, legislation has been introduced in both the House and the Senate that would increase the amount of federal assistance available through EPA's revolving loan fund programs.

EPA Took Steps to Validate Needs Data, But Did Not Calculate the Precision of Its Estimates

The 1996 amendments to the Safe Drinking Water Act require EPA to use the results of its most recent needs assessment survey to allocate the amount of each state's annual DWSRF allotment. EPA allocates the DWSRF funds on the basis of each state's share of the total estimated national need, except that each state receives a minimum share of 1 percent. According to EPA, its periodic surveys are therefore intended to provide "statistically precise" estimates of the needed capital investments, not just in total for the nation, but within each state.

EPA took a number of steps to ensure that it collected valid information about infrastructure needs at local water systems, and the cost of addressing those needs. For example, EPA took the following measures:

- For large and medium-sized systems, EPA used a questionnaire to collect information on capital projects needed to protect the public health. According to EPA's report to the Congress,⁵ the agency asked the surveyed water systems to provide detailed information on each project including documentation explaining (1) why it is needed, (2) the basis for the project (e.g., whether it addressed a current or future need), and (3) the project's estimated cost (or enough information on the design capacities so that EPA could use a model to estimate the cost.)

⁵According to EPA, the weighted average interest rate of DWSRF loans in 2001 was 2.4 percent, or about 3 percent lower than the market rates reported by the states.

⁶U.S. Environmental Protection Agency, *Drinking Water Infrastructure Needs Survey Second Report to Congress* EPA 816-R-01-004 (Washington, D.C.: February 2001), p. 58.

- For the smallest water systems, EPA sent trained water system specialists on site visits to collect data after deciding that specialists would provide better information than a questionnaire because small systems generally have neither the data nor personnel to complete a questionnaire of this type.

In the case of the large and medium-sized systems, EPA obtained information from a sufficient number of systems to estimate infrastructure needs on a state-by-state basis. (EPA surveyed 100 percent of the largest water systems—those serving populations of more than 40,000—and a statistical sample of medium-sized systems, which amounted to about one-third of the systems serving populations from 3,301 to 40,000.) For these systems, which typically comprise the majority of a state’s needs, EPA set a precision target of plus or minus 10 percent, at the 95 percent confidence level. This means that EPA wanted a 95 percent likelihood that its estimate of the needed capital investment in a particular state would fall within 10 percent of the actual or “true” need for that state.

For the small systems, the agency’s precision target for the national-level estimate was similarly set at plus or minus 10 percent at the 95 percent confidence level. EPA officials explained that the agency did not have the resources to send specialists to enough small systems to get an accurate picture of small-system needs on a state-level basis. (Specifically, EPA estimated that it would have to conduct site visits at approximately 22,000 small water systems to collect enough data to estimate needs on a state-by-state basis.) Instead, EPA selected a sample of about 600 small water systems for these site visits. EPA used the results of these visits to calculate a national-level estimate of small system infrastructure investment needs. EPA then apportioned this estimated total among the states on the basis of the number of each state’s small systems, categorized by population served and type of water source.

In an effort to assess the precision of EPA’s needs estimates, we performed a limited review of EPA’s methodology, focusing on the impact of sampling on the estimate’s precision. We concluded that EPA probably did not achieve its intended level of precision. More specifically, we found indications that the level of uncertainty, or

sampling error,⁷ was higher than EPA's target level of precision, possibly by a considerable amount. For example, we found that:

- The agency's approach did not account for the fact that it extensively used average costs estimated from models when calculating its sample size.⁸ Thus, EPA's sample sizes were probably too small, and it is likely that EPA did not collect data from enough systems to achieve its precision target.
- Even though EPA's technical experts believed that a simple random sample⁹ would be required to achieve the target level of precision for small-system needs, EPA deviated from this sampling methodology in two important ways. First, to avoid the travel costs associated with visiting about 600 randomly selected systems located throughout the country, EPA used statistical sampling to select 100 geographical areas and then chose six systems within each area. Although an acceptable approach, such a statistical sampling technique can require a considerably larger sample size than when simple random sampling is used to achieve the desired level of precision. EPA did not increase its sample size to account for the change in technique. Second, based on recommendations from an advisory workgroup,¹⁰ EPA intentionally selected at least one area in each of the 50 states, Puerto Rico, and the U.S. Virgin Islands. Such geographical constraints had the potential of increasing the sampling error, thereby reducing the level of precision of EPA's estimate.

Although EPA has calculated and reported the actual precision levels for other surveys, EPA officials told us that doing so for the most recent drinking water needs assessment would not be worthwhile, because it would not affect the allocation of DWSRF funds to the states. In addition, according to an EPA official responsible for managing the

⁷Sampling error is a measure of the amount of uncertainty that exists about the true cost when costs are estimated from a sample of systems rather than from data collected from all systems.

⁸For example, in its current needs assessment, EPA had to rely on modeling—and substituted the average costs generated by the models—for 67 percent of the capital projects identified in its needs survey, including over 80 percent of the projects associated with small water systems. Modeling was necessary because project-specific documentation was not available in many instances.

⁹In a simple random sample, each system has an equal chance of being included in the sample.

periodic needs surveys, EPA has already invested approximately 4 years and \$3.6 million to implement its most recent assessment and summarize the results. The official said that calculating the actual precision of the cost estimates would cost at least an additional \$30,000 to \$40,000. Moreover, actually achieving the precision target could cause the agency to incur further costs, depending on how many additional site visits were needed.

On the other hand, there are arguments in favor of calculating the precision of EPA's estimates. A number of leading survey research associations advocate for the calculation and reporting of the precision level to fully inform users of a sample's limitations.¹¹ More importantly, determining the precision level of its estimates could help EPA identify any needed changes in its survey methodology—for example, larger or differently selected samples designed to minimize sampling error—to improve the future surveys required by the Safe Drinking Water Act. In commenting on a draft of our January report, EPA agreed that the calculation of confidence limits would confirm whether the survey met its precision targets. EPA also stated that it would fully consider our recommendation and that it would revisit the issue in the design of the 2003 survey.

States Have Made Limited Use of the Optional DWSRF Provision to Assist Disadvantaged Communities

Under the 1996 amendments to the Safe Drinking Water Act, the Congress authorized states to use an amount equal to up to 30 percent of their DWSRF capitalization grants to provide additional subsidies to communities that qualify as “disadvantaged.” The subsidies may take the form of forgiving a portion of the loan principal or issuing a loan

¹⁰The workgroup consisted of state, American Indian, Alaskan Native Village, Indian Health Service, and EPA representatives.

¹¹The American Association for Public Opinion Research, “in the spirit of upgrading current survey practice,” has promulgated a list of best practices that includes reporting a measure of each estimate's precision along with the estimate, rather than reporting only the statistic itself. In addition, the Council of American Survey Research Organizations' code of standards and ethics requires that estimates of sampling error be calculated and “available.”

at a negative interest rate.¹² States have the flexibility to develop their own criteria to define a disadvantaged community. States with disadvantaged community programs typically use some measure of household water rates relative to the community's median household income, allowing the states to assess the impact of capital project debt on the community's water rates and measure the project's affordability.

According to our state survey:

- Thirty-one states have adopted a disadvantaged community program and offer assistance in the form of loan subsidies or extended loan terms. Three more states reported plans to offer such assistance as part of their DWSRF programs within the next 3 years. As of December 31, 2000, 25 of the 31 states had provided assistance to qualified communities.
- Of the 31 states with a disadvantaged community program, 27 have adopted criteria that consider local water rates, often in conjunction with a community's median household income. In total, 21 states use median household income as a criterion in determining whether communities qualify as disadvantaged.¹³
- Most states that have a disadvantaged community program offer principal forgiveness or extended loan terms for capital improvement projects. States rarely offer negative interest rate loans to disadvantaged communities. (According to state DWSRF officials, they find this option difficult to explain to local communities and difficult to administer.)

¹²States may also extend the loan repayment period from the standard 20 years to up to 30 years, provided that the repayment period does not exceed the expected design life of the project. While an extended loan term makes financing a project more affordable to a community by reducing the amount of monthly payments, it is not considered a loan subsidy.

¹³The state of Utah also reported an income-based criterion, but the state uses the median adjusted gross income rather than household income.

- Of the 14 states that had provided loan subsidies,¹⁴ only Maine, which had used 23 percent of its grants for assistance to disadvantaged communities, came close to reaching the 30 percent cap.

In our survey, we asked the states that had not adopted a DWSRF program for disadvantaged communities to report the reasons why. Of the 19 states without disadvantaged community programs,

- 16 states cited concerns about maintaining the body of the fund or the long-term viability of the fund as a major (12) or moderate (4) reason for not establishing a disadvantaged community program;
- 14 states cited the fact that their DWSRF program already offers loans at below-market interest rates as a major (9 states) or moderate (5 states) reason for not offering additional assistance to disadvantaged communities; and
- 12 states cited the availability of other federal or state programs to address the needs of disadvantaged communities as a major (5 states) or moderate (9 states) reason for not providing assistance through the DWSRF.¹⁵

Non-DWSRF financing from other federal and state sources is available to help disadvantaged communities, and many states coordinate with these sources to help disadvantaged communities secure the funding they need. According to the state drinking water officials we interviewed, disadvantaged communities often receive a combination of DWSRF and non-DWSRF funding to finance their drinking water projects. A significant amount of funding is available for local drinking water projects from other federal agencies and through state-sponsored grant and loan programs. In our survey on assistance to disadvantaged communities, more than half the states indicated that they provided some type of financial assistance for drinking water projects. Six of the 19 states without DWSRF-related disadvantaged community

¹⁴Although 21 states offer subsidy assistance in their disadvantaged community programs, only 14 states have actually forgiven a portion of the loan principal or reduced the loan interest rate below zero percent.

¹⁵Our responses do not add to 12 because some states cited the availability of both federal and state funding as reasons for not using their DWSRF to assist disadvantaged communities.

programs had state grant or loan programs intended specifically to help economically distressed communities to finance drinking water improvement projects.

Because providing additional loan subsidies to disadvantaged communities can affect the rate at which states' revolving funds are replenished—and therefore potentially the extent to which future federal funds will be requested—we attempted to determine the proportion of the nation's community water systems that might qualify as “disadvantaged” and thus be eligible to receive special assistance. According to EPA officials, the vast majority of systems serving disadvantaged communities are likely to be small systems.¹⁶ Therefore, we used the same statistical sample of small water systems that EPA had selected for its infrastructure needs assessment. (A statistical sample allows generalizing the results to the universe of small systems, thereby obtaining a national estimate.)

We identified the specific systems included in EPA's sample—from 5 to 34 systems in each state—and as part of our survey asked the states to determine which of those systems they would consider to be disadvantaged. We asked states that were able to apply their own criteria to determine whether each system initially qualified as disadvantaged or qualified as a result of the additional costs needed to improve it. Other states were asked to use GAO surrogate criteria (i.e., to qualify as “disadvantaged,” a community's water rates would have to exceed 1.4 percent of its median household income).

Our effort met with limited success for several reasons. The primary reasons were that some states did not have the information necessary to readily make a determination about a system's disadvantaged status or they lacked the time and resources to collect the information for us.¹⁷ In total, we obtained information on a portion of EPA's sample representing 24,334 systems, or nearly 55 percent of the 44,373 small community water systems in the United States. On the basis of EPA's sample and the states'

¹⁶Among other problems, small water systems often lack the economies of scale that make infrastructure projects more affordable at larger systems.

¹⁷Determining which systems might fall into the disadvantaged category because of the high cost of a project, for example, would require a case-by-case analysis.

determinations, we estimated that 6,925 systems, or about 28 percent of the 24,334 small systems reflected in the results of our survey, qualified as “disadvantaged.”¹⁸ However, the high non-response rate associated with this analysis left us without information on the systems representing the remaining 45 percent of the universe. As a result, we could not determine whether our findings matched the actual percentage of systems that would qualify as disadvantaged. Specifically, we had no way of determining whether the systems for which we had information were systematically different from those systems for which we lacked information in a way that would make the estimated percentage of disadvantaged communities higher or lower.

Federal Agencies Made About \$44 Billion Available for Drinking Water and Wastewater Infrastructure, While States Provided About \$25 Billion

From fiscal years 1991 through 2000, nine federal agencies made about \$44 billion in financial assistance available for drinking water and wastewater infrastructure projects. Of this amount, EPA provided about \$3.7 billion in drinking water state revolving loan fund grants and about \$16.6 billion under a similar program for wastewater facilities. EPA’s assistance, combined with that of three other agencies—the Departments of Agriculture, Housing and Urban Development, and Commerce—accounted for about 98 percent of the total federal assistance. About 11 percent of the federal aid was specifically for drinking water facilities and another 40 percent was for either drinking water or wastewater facilities. Over 82 percent of the total assistance was provided in the form of grants; the remainder consisted of loans and loan guarantees. Although the programs differed in terms of eligibility criteria, allowable uses, and funding priorities, for the most part, the financial assistance was available to a broad range of entities.

We use the term “made available” to encompass several forms of federal funding. Because of differences in the programs and in the ways that federal agencies account for their financial assistance, the information that best reflected the amounts made available

¹⁸Another way of looking at this is to compare the number of systems estimated to be disadvantaged (6,925) with the total number of small systems (44,373). Using this approach, we could conclude that “disadvantaged” systems comprised a minimum of about 16 percent of small systems.

for drinking water and wastewater facilities came from data on appropriations, obligations, or expenditures, depending on the agency and the specific program in question. For example, EPA's data include appropriated amounts for the revolving loan fund capitalization grants to the states for each year; the states may not have loaned the funds (i.e., actually made them available) to local water systems until after the end of the fiscal year in which they were appropriated. In contrast, the data for HUD and Commerce consist of obligated amounts—that is, the amounts of funds allocated by the agencies to drinking water and wastewater infrastructure projects during the fiscal year. For the loan programs of the Small Business Administration and USDA's Rural Utilities Service, the amounts represent the face value of the loans or loan guarantees that were available to be made for the fiscal year; however, because most of these loans are repaid, the ultimate cost to the federal government is significantly less than the face value.

More specifically:

- EPA's financial assistance came primarily in the form of grants to the states to capitalize the Drinking Water and Clean Water State Revolving Funds. In addition, EPA provided \$4.5 billion in grants for drinking water and wastewater projects specifically designated in the appropriations process.
- USDA provided local communities \$4.5 billion in grants, \$7.1 billion in loans, and \$550 million in loan guarantees. USDA also provided \$376 million in grants for water and wastewater projects specifically designated in the appropriations process.
- HUD provided \$4.4 billion in block grants—some directly to large communities and others to states for distribution to smaller communities—to be used for water and wastewater projects. HUD provided another \$39.9 million for specific projects designated in the appropriations process.

- Commerce’s Economic Development Administration provided \$1.1 billion in grants to local communities for water and wastewater infrastructure.

The remaining federal assistance, which totaled about \$1.1 billion over the 10 years, was provided by the Appalachian Regional Commission, the Federal Emergency Management Agency, the Department of the Interior’s Bureau of Reclamation, the Small Business Administration, and the U.S. Army Corps of Engineers.

In addition to the assistance available to disadvantaged communities under EPA’s DWSRF program, other federal programs give priority to projects in economically distressed areas. For example, to be eligible for USDA assistance, facilities generally must serve rural areas with populations of 10,000 or less and must be unable to finance their needs from their own resources or obtain credit at reasonable rates and terms. Proposed projects must be located in economically distressed areas to obtain funding under Commerce’s program, and projects in severely distressed areas are eligible for higher funding levels.

According to our state funding survey responses, state governments made a total of about \$25 billion in state funds available for water infrastructure programs from fiscal years 1991 through 2000. Specifically, the states reported that they collectively:

- Contributed about \$10.1 billion to match EPA’s capitalization grants for the drinking water and wastewater state revolving funds. This amount consisted of about \$3.3 billion from state appropriations or other state sources, and about \$6.8 billion that the states leveraged—that is, raised through the sale of state-issued bonds backed by the funds.
- Made about \$9.1 billion in grants and loan commitments under state-sponsored programs, including \$3.4 billion through a variety of grant programs and \$5.7 billion in loans.¹⁹ The states reported having a total of 56 state-sponsored grant programs, 29 state-sponsored loan programs, and 35 state-sponsored

programs that include grants and/or loans. Of this funding, \$800 million was specifically designated for drinking water facilities while \$6.3 billion could be used for either drinking water or wastewater facilities or for other types of infrastructure projects.

- Made another \$4.4 billion available for loans by selling general obligation and revenue bonds (15 states).

In addition, the states reported that they contributed about \$1.4 billion from state appropriations, interest earnings, and other state sources for purposes, such as matching non-EPA federal funds and financing state-designated specific drinking water or wastewater projects.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or other Members of the Subcommittee may have at this time.

- - -

Contact and Acknowledgments

For further information, please contact David G. Wood at (202) 512-3841. Individuals making key contributions to this testimony included Ellen Crocker, Karen Bracey, Les Mahagan, and Jonathan McMurray.

(360197)

¹⁹ Approximately \$1.8 billion of the state-sponsored loan programs were available for other local projects, such as solid waste disposal facilities, in addition to drinking water and wastewater infrastructure.