



COUNCIL OF INFRASTRUCTURE FINANCING AUTHORITIES

## **Funding for the Clean Water and Drinking Water State Revolving Funds Fiscal Year 2023 • Federal Budget for Interior, Environment and Related Agencies**

### **Overview**

In 2022, Congress used the annual SRF capitalization grants to pay for earmarks which resulted in a 27% cut to each state Clean Water SRF and a 36% cut to each state Drinking Water SRF. While funding in the Infrastructure Investment and Jobs Act mitigates the immediate impact of these cuts, SRFs are concerned about the impact after those appropriations end in 2026.

In most states, earmarks don't offset funding cuts to the state SRFs. In 2022, 13 states didn't receive any earmarks for clean water projects and 11 states experienced a net loss in funding; 14 states didn't receive any earmarks for drinking water projects and another 14 experienced a net loss in funding.

### **2023 Budget**

For 2023, both chambers maintain the practice of using the SRF capitalization grant to pay for earmarks which will result in cuts from pre-earmark funding levels (2021). However, the U.S. Senate budget doesn't cut state funding as much as the U.S. House budget. Six states don't have any earmarks in either budget – Indiana, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

#### U.S. Senate

- For 2023, the Senate increases funding for each capitalization grant by \$50 million and reduces funding for earmarks.
- The Senate funds 319 earmarks for \$565,216,000, a decrease of 33% from 2022.
- The Senate provides \$30.7 million to EPA to administer earmarks, 5.4% of total funding or \$96,238 per project.
- Under the Senate bill, next year's funding is more than 2022 but still less than 2021:
  - 17% less for the Clean Water SRF compared to 2021
  - 16% less for the Drinking Water SRF compared to 2021

#### U.S. House

- The House increases funding for the capitalization grants but those increases primarily offset increases in funding for earmarks.
- The House funds 415 earmarks for \$932,664,763, an 11% increase from 2022.
- Under the House bill, next year's funding remains below 2021 funding:
  - 27% less for the Clean Water SRF compared to 2021
  - 34% less for the Drinking Water SRF compared to 2021

### Three-Year Comparison of SRF Capitalization Grants

Clean Water SRF	2021 Budget	2022 Budget	2023 House Budget	2023 Senate Budget
Capitalization Grant	\$1,638,826,000	\$1,638,826,000	\$1,751,646,000	\$1,688,847,000
Earmarks	\$0	\$443,639,051	\$553,401,264	\$335,606,000
Allotment for States	\$1,638,826,000	\$1,195,186,949	\$1,198,244,736	\$1,353,241,000
<b>Drinking Water SRF</b>				
Capitalization Grant	\$1,126,088,000	\$1,126,088,000	\$1,126,096,000	\$1,176,095,000
Earmarks	\$0	\$397,766,044	\$381,263,499	\$229,610,000
Allotment for States	\$1,126,088,000	\$728,321,956	\$744,832,501	\$946,485,000
<b>Totals</b>				
Capitalization Grants	\$2,764,914,000	\$2,764,914,000	\$2,877,742,000	\$2,864,942,000
Earmarks		\$841,405,095	\$934,664,763	\$565,216,000
Total State Allotment	\$2,764,914,000	\$1,923,508,905	\$1,943,077,237	\$2,299,726,000

### Funding Mandates

Both budgets contain the same policy and mandates as 2021 and 2022.

#### Clean Water SRF

- Mandates 10% of annual federal funding be used for green projects as long as there are eligible applications
- Mandates 10% of annual federal funding be used for additional subsidy (principal forgiveness or grants) for any eligible project
  - This mandate is in addition to the 10% mandate for additional subsidy in the Clean Water Act for communities that meet the state's affordability criteria as long as there are eligible applications.

#### Drinking Water SRF

- Mandates 14% of annual federal funding be used for additional subsidy (principal forgiveness or grants) for any eligible project
  - This mandate is in addition to the 12% mandate for additional subsidy in the Safe Drinking Water Act for communities that meet the state's definition of disadvantaged community as long as there are eligible applications.

### Status

The U.S. House of Representatives and U.S. Senate have introduced appropriations bills for the Interior, Environment and Related Agencies which fund the U.S. Environmental Protection Agency which include the Clean Water and Drinking Water State Revolving Funds (SRFs).

#### U.S. House

On Wednesday, July 6, 2022, the [2023 Appropriations Bill for the Interior, Environment, and Related Agencies \(H.R. 8262\)](#) and accompanying [Committee Report](#) was introduced in the U.S. House of Representatives. The bill was combined with other appropriations bills (Labor, Health

and Human Services, Education, Agriculture, Rural Development, Energy and Water Development, Financial Services and General Government, Military Construction, Veterans Affairs, Transportation, and Housing and Urban Development Appropriations Act) to form a [mini-omnibus](#).

#### U.S. Senate

On Thursday, July 28, 2022, the [2023 Appropriations Bill for the Interior, Environment, and Related Agencies \(S. 4686\)](#) and accompanying [Statement of Explanation](#) was introduced in the U.S. Senate.