S. HRG. 106–618

WATER INFRASTRUCTURE

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

S. 968, A BILL TO AUTHORIZE THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY TO MAKE GRANTS TO STATE AGENCIES WITH RESPONSIBILITY FOR WATER RESOURCE DEVELOPMENT, FOR THE PURPOSES OF MAXIMIZING THE AVAILABLE WATER SUPPLY AND PROTECTING THE ENVIRONMENT THROUGH THE DEVELOPMENT OF ALTERNATIVE WATER SOURCES

S. 914, A BILL TO AMEND THE FEDERAL WATER POLLUTION CONTROL ACT TO REQUIRE THAT DISCHARGES FROM COMBINED STORM AND SANITARY SEWERS CONFORM TO THE COMBINED SEWER OVERFLOW CONTROL POLICY OF THE ENVIRONMENTAL PROTECTION AGENCY

S. 1699, A BILL TO AMEND THE FEDERAL WATER POLLUTION CONTROL ACT TO AUTHORIZE APPROPRIATIONS FOR STATE WATER POLLUTION CONTROL REVOLVING FUNDS

OCTOBER 7, 1999

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C O N T E N T S

WATER INFRASTRUCTURE

THURSDAY, OCTOBER 7, 1999

U.S. SENATE,
ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m. in room 406, Senate Dirksen Building, Hon John H. Chafee (chairman of the committee) presiding.

Present: Senators Chafee, Voinovich, Thomas, Lautenberg, Smith and Graham.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator CHAFEE. Good morning, everyone.

This is the hearing on water infrastructure by the Full Committee. I would like to welcome everyone to the committee and thank all the witnesses who are going to be testifying this morning.

The purpose of today's hearing is to learn more about three bills before the committee that deal with water infrastructure. I have received statements from Senator Snow of Maine and several elected officials in Maine in support of S. 914, and I am asking that these statements be placed in the record.

The primary funding mechanism for water infrastructure is the Clean Water State Revolving Loan Fund, otherwise known as the SRF. The Federal Government provides grants to States to capitalize their loan funds. The States use the money to make low interest loans to local governments for the construction of sewage treatment plants and other infrastructure projects.

As the loans are repaid, the principal and interest return to the fund, creating a perpetual funding source for projects. Since the creation of the program in 1987, the SRF has done an amazing job of funding waste water infrastructure projects. Every State and nation has established a revolving fund, and the SRF has provided more than $27 billion in loans to local governments.

While the SRFT program has been remarkably successful, the need for investment and infrastructure still remains very high. According to the latest Clean Water Need Survey, conducted by EPA, our nation faces $140 billion in waste water infrastructure needs over the next 20 years. The EPA is currently in the process of revising this estimate, and the revised number is expected to be roughly $200 billion. The EPA is in the process of conducting a gap analysis to determine the discrepancy between our annual needs for waste water infrastructure and our annual investment. Preliminary data indicates the gap between what we need and what we

invest is around $6 billion a year. This data indicates that our nation is facing a very large bill, and Congress needs to do some careful thinking about how we're going to meet this burden.

Now, the bills before us this morning seek to address this issue. Senator Smith has S. 914, which focuses on the problem of combined sewer overflows. During the wet season, hundreds of communities around our country, with combined sewer systems, are forced to discharge raw sewage into nearby water bodies.

While there are ways to stop this problem, many of the solutions entail significant investment, and involve expanding treatment works or constructing storage facilities. Senator Smith's bill would codify the existing combined sewer overflow policy and create a grants program to help CSO projects. Senator Voinovich has introduced a bill, which would reauthorize the Clean Water SRF. It increases funding levels to $3 billion a year for the next 4 years. The bill contains sections, which expand the eligibility of the SRF and provide additional assistance to small and disadvantaged communities. The bill contains language relating to the cap on administrative fees, the State match contribution and other Federal requirements.

Our third bill is S. 968, the Alternative Water Supply Act of 1999, introduced by Senator Graham of Florida. As our population grows and expands, increasing amounts of water are needed for urban development, agriculture, environmental needs. In many high-growth areas, traditional sources of water supply will no longer satisfy demand. The bill would create a competitive grants program within EPA for the purpose of helping States develop alternative water supply. Eligibility for the program would be limited to States that do not receive money from the Bureau of Reclamation for water supply projects.

Senator Voinovich, do you have a statement you would like to make?

Senator VOINOVICH. Yes, I do, Mr. Chairman.

Senator CHAFEE. All right, why don't you proceed?

OPENING STATEMENT OF HON. GEORGE V. VOINOVICH, U.S. SENATOR FROM THE STATE OF OHIO

Senator VOINOVICH. First of all, I'm pleased to be here today to discuss the water infrastructure needs across our nation.

As the chairman has pointed out, S. 1699, which was introduced yesterday, will reauthorize the highly successful Clean Water Revolving Loan Fund for 5 years at a total level of $15 billion.

As my colleagues know, the Clean Water State Revolving Loan Program is an effective and immensely popular source of funding for State and local governments to help finance waste water collection and treatment projects. Since the creation of the State Revolving Loan Fund in 1987, the total Federal capitalization grants have been nearly doubled by non-Federal funding sources—in other words, it's a good way to leverage additional money, including State contributions, levered bonds and principal and interest payments.

Communities of all sizes are participating in the program, and approximately 7,000 projects nationwide have been approved to date. In my State, our needs for public water system improvements

greatly exceed the current SRF appropriation levels. According to our latest State figures, more than $7 billion of improvements have been identified as necessary.

In recent years, Ohio cities and villages are spending more on maintaining and operating their systems, which is an indication that their systems are aging and will soon need to be replaced. For example, the City of Columbus recently requested SRF assistance amounting to $725 million over the next 5 years. Even though the SRF program has been a success, as the chairman has pointed out, the needs are terrific. Originally, the last estimate was $139 billion over 20 years; now, the revised figure is $200 billion, and independent analysis says that it may be more like $300 billion when you look at anticipated replacement costs that are needed.

Unfortunately, this Act lapsed each passing year without authorization. Congress, I think, sends an implicit message that waste water collection and treatment is not a national priority.

Now, I just want to point out, Mr. Chairman, that this whole program came about as a result of the Clean Water Act that I remember way back in the late 1960's, early 1970's. As a matter of fact, I'll never forget the first resolution that I introduced in 1966 or 1967 in the Ohio legislature was a $375 million bond issued for waste treatment facilities in the State of Ohio. It was about that time that Bill Ruckleshaus and company recommended the Federal Government get involved, and we went to the 75–25—75 percent Federal, 25 percent local—and that program worked for a long time, but it was very expensive. And then in 1987 it was decided that we ought to go to a revolving loan program, which most people felt was a more modest way of dealing with the problem, and also, as I mentioned earlier, leveraged local funding.

Currently, Mr. Chairman, I think on the present appropriations there's about $3.5 billion in the budget, and we're asking for $3 billion each year over 5 years. The point I'm making is that this is a mandate from the Federal Government, Mr. Chairman, and it's something that needs to be funded, and at this juncture, while we're debating the budget, one of my problems as a new member of this body is that there are so many areas where the Federal Government has mandated things to be done, but once we mandate them, we don't provide the resources to fund the mandate. We continue to get into more and more areas, and when we talk about this problem, we have education, we have all kinds of other things out there, and it seems to me that we're coming to a point, Mr. Chairman, where this U.S. Senate ought to look at our priorities in terms of what are our Federal responsibilities and what are our local responsibilities, and who has the responsibility to fulfill these things.

It seems to me that this is something that we should be in. It's fundamental, our communities are stepping to the plate, and you can argue about how much money and what the responsibility is, and, for the local government officials here, you want more money from the Federal Government for your help. If you don't get it, it means what? It means you have to raise taxes at the local level or raise your rates, and the issue is what's the balance?

When I was mayor, we increased water rates 300 percent during 10 years in order to replace our aging water supply system. So one

of the things that we need from those of you who represent local government and so on is to figure out how much each of us are responsible for understanding that we have a Federal Government that's bankrupt, that's $5.7 trillion in debt, and that we've been using Social Security, our pension funds, during the last number of years to pay for things that we weren't willing to pay for or do without. This is the time when we really need to sit together and decide how do we work this out, and the reason I'm bringing it up is that everybody wants everything, and there's a limit on it. I'm telling the Governors that they're in much better shape, frankly, right now to fund some of these things than we are in the Federal Government because they're sitting on large surpluses, they're reducing taxes, at a time when we're in trouble on the Federal level.

I don't know what the number is—$3 billion a year? Is it $1.5 billion? I know one thing, we have a responsibility in this area to help our State and local governments with the problem that they have, and I think this legislation is good because it's like the Safe Drinking Water Act while I was Governor of Ohio for the National Governors that provides a lot more help to local governments, small governments, that just don't have the capacity to get the job done.

The other bill, Mr. Chairman, and I'll mention it briefly, is Senator Smith's bill, and that's combined sewer and water overflow. It's another major problem, and, again, the local governments do not have the capacity to come up with the dollars that are necessary to get the job done, and, again, what's our responsibility? To help them get the job done so that they can take care of this fundamental problem that we have.

I can tell you this, Mr. Chairman—today, Lake Erie is a great fishery. When I came to the legislature in 1967 in Ohio, it was a dying lake. BBC was the river that burned, it was dying from eutrophication and so forth. Today, it's a great, great lake, and the reason is because of the money that we poured in over the years in cleaning up our waste treatment facility so we have tertiary treatment; it's the money that's been put in by our businesses to clean up the water that they're putting back in the lake; it's the effort that we made to separate sewer and water so that we don't take sewage when we have an overflow and dump it into the rivers and streams.

These are fundamental problems that need to be dealt with in our country, and I think it should be given a high priority, and I'm hopeful that this legislation will be looked upon favorably by Congress, and that we can get the authorization committees to come up with a sum of money that will help move us along in this area.

Thank you.

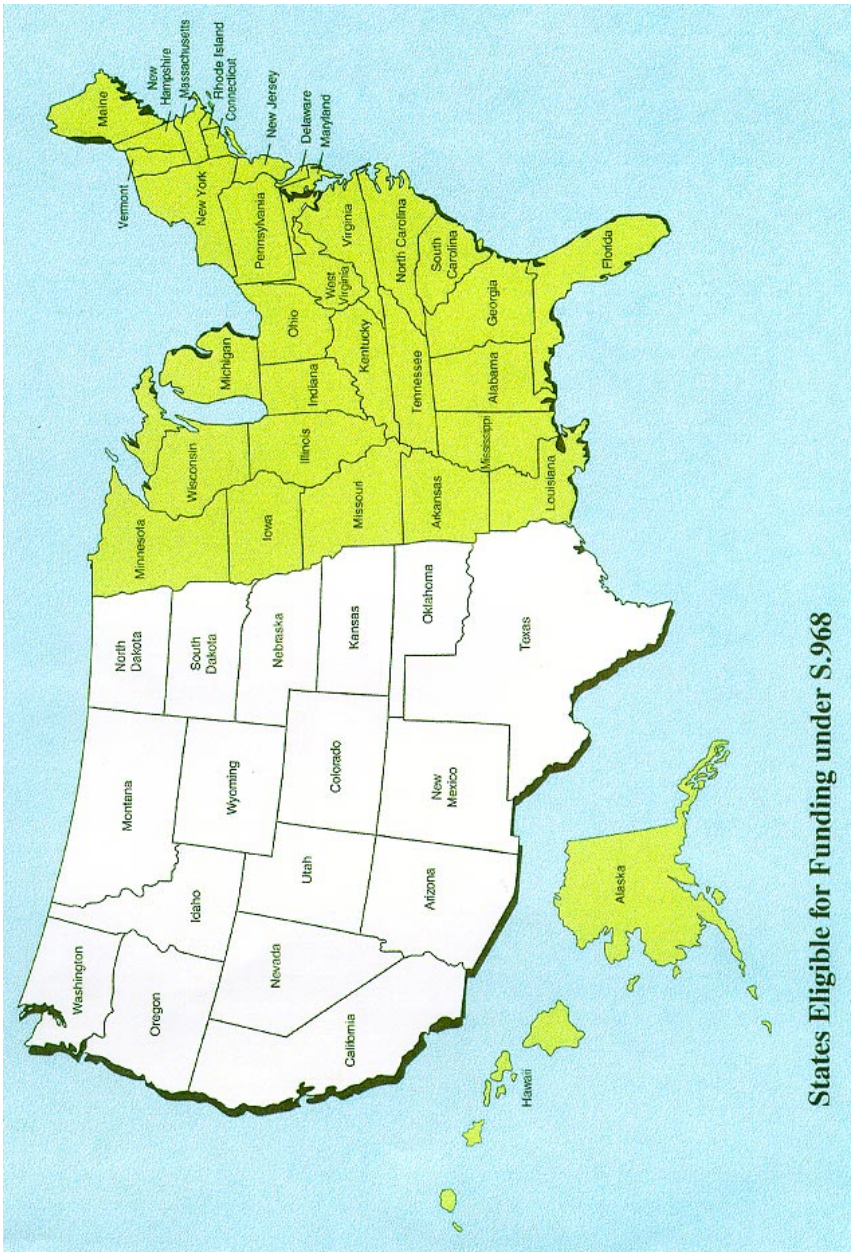
Senator CHAFEE. Thank you, Senator. It is encouraging what has taken place in Lake Erie, and so the results are coming through, as you pointed out.

Senator THOMAS. Thank you, Mr. Chairman. I have no statement. I saw this little map in which the green is all in the East, so I thought I better come and protect ourselves a little bit here. Of course, I am interested in water quality and interested in improving it, interested also in how it's paid for, and, as President

Nixon said when he was in China, "That's a great wall," and that is a great lake.

I'm anxious to hear the witnesses, thank you.

[A copy of the map follows:]



Senator CHAFEE. Thank you.

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator LAUTENBERG. Well, I too am interested in hearing the testimony, but I do want to take a minute. First of all, I want to say to Senator Voinovich that I enjoyed hearing his commentary this morning and in other cases as well because, having been a major and a Governor, you have to understand what the needs are from the Federal Government, and I think that's an important insight that we have. The tables sometimes turn on what's in the eyes of the beholder, and I see things that I consider essential in addition to the environmental things because my tiny little State, ninth largest in population in the country, most densely populated, has all kinds of opportunities and problems. Our opportunities come out of the vibrancy and talent of our citizens, and we have to make up for what we lack in natural resources by husbanding those resources pretty carefully and making sure we treat things properly.

So I commend the Senator from Ohio, and I want to say, Mr. Chairman, today, as the committee considers legislation aimed at growing problems for many of our older cities, the problem of water pollution caused by combined sewer overflows is really a very difficult problem. In my own State of New Jersey, CSOs are one of the most serious environmental threats to water quality.

My State has a large number of combined sewer systems, 25 in the New Jersey cities and combined, waste water, rain water, into our waterways at 281 discharge points, and my hometown, my birth place, Patterson, is one of the cities struggling to upgrade its sewage treatment system and prevent urban run-off into the Passaic River. It had a proud industrial past, and now we pay heavily for some of the designs and neglect that took place over the years. During heavy rain storms, sewage and rain water that cannot be handled by our Passaic Valley sewage plant, which is a combination of several communities, are diverted—the system of seven other cities along the Passaic River, including Patterson, Newark, Jersey City. And, as a result, much of this untreated waste is then discharged directly into the Passaic River.

Now, the EPA deserves credit for working closely with the States and the municipalities to implement the combined sewer overflow control policy. However, as was clearly said by Senator Voinovich, many of the cities need more help. Many of the strategies that they'll need to adopt—the so-called best management practices required by EPA—are going to cost more than our cities or our States alone can bear. The cost of these controls, in fact, are staggering. Patterson, Jersey City, Elizabeth—each estimate that their CSO control plans will cost over $20 million, and New Jersey's of share the Clean Water Act State Revolving Fund program is scarcely more than $50 million.

The cities applying for the funds for their CSO projects must compete with cities upgrading to accomplish secondary treatment costs, and, clearly, the Federal Government can and must do more.

Once again, I commend Senator Voinovich for addressing the problem that increased the funding level for the State Revolving Fund. That's an important first step in assisting municipalities

charged with one of the most critical environmental protection missions.

I agree with Senator Smith that we need to fund additional resources to address the serious problem of combined sewage overflows, and it's interesting to see the variety of composition of States at this table. Those that are less populated, those that are not known primarily as industrial States, are reaching out for a similar need to those that we find in our industrialized States.

So, Mr. Chairman, I thank you for holding this hearing, and look forward to the testimony from our witnesses.

Senator CHAFEE. All right, thank you.

Senator Smith?

OPENING STATEMENT OF HON. ROBERT SMITH, U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

Senator SMITH. Thank you very much, Mr. Chairman, and thank you for holding this hearing today on S. 914.

It's a bill that I'm pleased to say I authored, and we have 14 cosponsors, along with a great deal of help from Senator Snowe of our neighboring State of Maine. I'm especially pleased this morning that Mayor Ray Wieczorek of Manchester is here to share his views on the challenges facing Manchester, which I think is a good microcosm of problems that we're facing nationwide wherever there are CSO communities across the country.

I want to say, Mr. Chairman, that this bill has undergone significant revisions. We've worked on a bipartisan basis with many of my colleagues in an effort to come up with a substitute, which you have here this morning. We've also worked with the EPA extensively. I'm somewhat disappointed—very disappointed—that the EPA has not chosen to be more supportive. It's disappointing since we've spent a lot of time with them to try to work it out, but the issue of CSOs is not exactly the most glamorous subject that we talk about.

As a matter of fact, I just left a hearing on the Comprehensive Test Ban Treaty where our colleague Senator Warner is right now. It might be a little bit more glamorous—I don't know if it's any more or less important, however—but for small and medium-sized cities in this country correcting the CSO problem is a big issue that comes with a big price tag. I guess when I was elected to the Senate, I'm not sure I knew what a CSO was—Mayor Wieczorek probably did—but it is amazing the number of issues we become involved in. When my friend, the Mayor of Manchester, came to me several years ago with his concerns, we were really both talking about rate payers, those who pay the water bills, because those are the ones who are going to be influenced the most. The mayor will go into further detail about Manchester's situation, but, suffice it to say, the city was potentially looking at about a tenfold increase in its sewer rates to comply with the EPA's original mandate.

That simply was unacceptable, in my view, and I think in the mayor's. So after several years of negotiations with EPA they did agree to a phased-in approach so that the rate payers would not have to absorb this tremendous cost all at once, but it's still a significant burden on communities and the citizens of cities like Manchester.

Even the City of Nashua, to the South of Manchester, will face an 80 percent increase in their sewer rates, but it was Mayor Wieczorek and the representatives from numerous other CSO communities who convinced me that we had to change the law, that this legislation became necessary.

So this bill would authorize a critical funding partnership between our local State and Federal Governments to facilitate the implementation of CSO controls and clean up the environment, and we're talking about a $1.5 billion item over 4 years involving competitive bidding, I might add.

In addition to funding assistance, the bill would essentially codify EPA's 1994 CSO policy, a document that was formulated through a broad-based stakeholder process and gave communities the additional flexibility that they need to comply with CSO mandates.

Unfortunately, though, it's just a policy, so we need the law so that cities—many cites have been sued over CSO problems because it's policy rather than law. So many of these systems, I might say, Mr. Chairman, go back to the turn of the century when some of the sewerage pipes that were put in were state-of-the-art at the time, but if we look at them today, they're hardly state-of-the-art; in fact, some estimates run as high as $100 billion nationwide just to correct these problems. Unfortunately, these communities comprise much of America's declining urban core and often times areas least able to afford these enormous costs.

It is my belief that these communities have made a compelling case for financial assistance. It's not a matter of trying to avoid environmental responsibilities. I can remember when I first came to Congress 15 years ago in the City of Manchester raw sewage was pumped into the Merrimack River, and, largely due to the leadership of the current mayor and some of his predecessors, that has stopped and we have made tremendous progress. But when you look at the cost, a very small percentage of pollution from CSOs—and, as we like to say jokingly, only when it rains—when you take the ratio between the cost and the amount of pollution, we had to be reasonable. This had to be phased in, and so I'm pleased to be in a position here to try to help these communities, to help out local taxpayers, and this legislation will go a long way to helping out the environment as well.

So I think it's a win in every way, Mr. Chairman—it helps the environment, it's good law, it helps the rate payers, water payers, and it helps the communities. For these reasons, I'm proud to sponsor it, and I look forward to its passing this committee on a timely manner.

[The prepared statement of Senator Smith follows:]

STATEMENT OF HON. ROBERT SMITH, U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

Thank you, Mr. Chairman, for holding this hearing today on water infrastructure legislation, including S.914, the CSO Control and Partnership Act that I introduced with Senator Snowe and others earlier this spring. I'd like to report that the bill currently has 14 cosponsors. And, I am especially pleased that Mayor Ray Wieczorek of Manchester, New Hampshire, is here to share his views on the challenges facing Manchester and other CSO communities across the country.

Before I continue, I should note that the CSO bill has undergone significant revisions and that a complete substitute will be the subject of the testimony before the committee today. These revisions reflect my attempt at addressing some of the com-

ments and concerns that I received on the bill. It is my understanding that copies of this revised version have been circulated in advance so that our witnesses could review it.

The issue of Combined Sewer Overflows (or CSOs for short) is not exactly the most glamorous subject we discuss on Capitol Hill. Yet, for so many small and medium-size cities in this country, correcting their CSO problem is a big issue that comes with a big price tag! I became more aware of the CSO problem when my friend Mayor Wieczorek came to me several years ago with his concerns for Manchester's ratepayers. I'll let the mayor go into further detail about Manchester's situation, but suffice it to say, the City was potentially looking at a tenfold increase in its sewer rates to comply with EPA's original mandate. After several years of negotiations with EPA, they agreed to a phased-in approach, but it still remains a significant financial burden on the citizens of Manchester. Likewise, Nashua residents will face a more than 80 percent increase in their sewer rates.

It was Mayor Wieczorek and representatives from numerous other CSO communities who convinced me that this legislation is necessary. The bill would authorize a critical funding partnership between our local, state and Federal Governments to facilitate the implementation of CSO controls and clean up the environment.

In addition to funding assistance, the bill would essentially codify EPA's 1994 CSO policy—a document that was formulated through a broad-based stakeholder process and gave communities the additional flexibility they need to comply with CSO mandates. Unfortunately, this policy is just that a policy. It's not the law, and several cities have already been sued over their CSO problems.

Many CSO systems date back to the turn-of-the-century when they were "state-of-the-art" sewer technology. The cost to upgrade these systems is estimated to cost $50 to $100 billion nationwide. And, unfortunately, CSO communities comprise much of America's declining urban core, and often times, areas least able to afford the enormous costs. This bill will give CSO communities the tools and resources they need to develop affordable and cost-effective programs to finally address their CSO control obligations.

Most of my colleagues on the committee have CSO communities in their states and I am confident that they've heard from local officials on this issue. Even the states without CSOs should be interested in this bill since their states are likely downstream of communities with CSO discharges.

It is my belief that these communities have made a compelling case for regulatory and financial assistance. This is not a matter of trying to avoid their environmental responsibilities, but to the contrary, many of these communities have stepped up to the plate in implementing CSO controls. I need to look no further than my own state and the efforts of communities like Manchester and Nashua.

The CSO Partnership, a national organization that supports S.914, has been at the forefront of CSO control for a decade now. These communities are not here to avoid necessary and appropriate remedies. Many have doubled or tripled their water rates and borrowed to the limit of their ability to repay the loans. So, it is clear to me and I hope it will become clear to this committee that CSO controls dramatically exceed our communities' local resources to implement, even with the Clean Water SRF loan program.

In addition to helping out local ratepayers, the legislation would go a long way in helping out the environment. Not only would we see a substantial reduction in sewage discharges into our rivers and lakes, but there would also be less incentive for sprawl development outside of our urban areas.

For these reasons, I was pleased to sponsor the CSO Partnership's proposal, and I look forward to working with you, Mr. Chairman, and other members of the committee with the goal of getting this legislation on the committee's markup agenda in the near future. Thank you.

Senator CHAFEE. Thank you, Senator.

Senator Graham?

OPENING STATEMENT OF HON. BOB GRAHAM, U.S. SENATOR FROM THE STATE OF FLORIDA

Senator GRAHAM. Thank you, Mr. Chairman.

Mr. Chairman, first, I'm very pleased that we are having this hearing today. One of the oldest areas of Federal concern for America's natural resources has been water. From the beginnings of this constitutional republic, the Federal Government has served as a

partner with State and local communities in the development, proper management and regulation of the use of water.

The range of bills that are before us today represent the diversity of that Federal interest. The legislation that I am sponsoring with a number of my colleagues today is within that historical tradition with the Federal Government in partnership with the States, in this case, in looking at alternative water supplies for areas where the traditional water supplies are coming under increasing pressure.

This legislation defines an alternative water source project as one which is an environmentally sustainable program of conserving, managing, treating, reclaiming or reusing water or waste water, as a means of assuring to the American people an adequate source of supply.

I believe this bill sets up a rational planning process and priorities process for the Federal engagement in this initiative, and I look forward to the testimony that we are going to receive from both persons in these affected States who will talk about their experiences and the State initiatives that are already underway, as well as those who will present the Administration's position on this issue.

I thank you, Mr. Chairman, for convening this hearing.

[The prepared statement of Senator Graham follows:]

STATEMENT OF HON. BOB GRAHAM, U.S. SENATOR FROM THE STATE OF FLORIDA

Thank you Mr. Chairman. I appreciate the committee holding a hearing on this important legislation. Earlier this year, I introduced S. 968 with Senators Mack, Cleland, Lincoln, and Robb. The Alternative Water Sources Act of 1999 seeks to establish a water resource development program for states not covered by the Reclamation Projects Authorization and Adjustment Act of 1992.

I ask unanimous consent that a statement by my colleague Senator Mack be inserted immediately following my statement.

Companion legislation to S. 968 was introduced on the House side by Congresswoman Karen Thurman of Florida. Twenty-five House members have joined her in co-sponsoring the bill, including most of the Florida delegation and members from Georgia, Arkansas, and New York.

This legislation is critical to the environmentally-friendly development of water resources in the eastern United States.

Our Water Supply Needs Are Great

Nationwide, an increasing amount of water is in demand to provide for increasing populations and environmental needs. Current water supplies are sufficient in some states, but in many high growth areas such as New York, Florida, Illinois and other states in the eastern half of our country, traditional sources are no longer adequate to meet demand. For example, Florida grew by 15 percent or almost 2 million people over the last 8 years. It is expected to grow by 6.7 million additional residents by 2025. Georgia is anticipated to grow by over 2.5 million people, and North Carolina by 2.1 million.

In these high growth states, public water supply use has doubled the rate of increase of the U.S. Average Use between 1980 and 1995.

- U.S. water supply use during that period increased by about 16 percent.
- In Florida, it increased by 43 percent.
- In Georgia, it increased by 37 percent.
- In New Hampshire, it increased by 32 percent.

This increase has resulted in severe water conditions.

- Georgia: Surface water and groundwater supplies are not readily available around many of the largest population centers. In coastal areas, industrial, agricultural, and municipal usage have caused large cones of depression, some of which are merging and resulting in significant saltwater intrusion.
- New York: According to the U.S. Geological Survey, water levels in aquifers on Long Island may decline by as much as 18 feet, and low flows in streams may

be decreased by 90 percent in parts of Long Island. Droughts occasionally cause inadequate water supply for New York City.

- New Jersey: According to U.S. Geological Survey, surface water supplies, which serve most of northern New Jersey, are only adequate when precipitation is greater than normal.

We all experienced the extreme drought in the Washington, DC region over the summer:

- By the beginning of August in Maryland, over 60 community water systems had instituted mandatory or voluntary water restrictions.
- On September 22, the Virginia Weekly Crop and Weather Report stated that the state's topsoil is 67 percent short of moisture and that 55 percent of the state's corn crop was considered poor or very poor.

These examples demonstrate the need for a water supply program in eastern states similar to the one that already exists in western states.

Last year, we directed funding toward improvements in our highway infrastructure. However, our water supply needs have not received adequate attention. Inadequate, poorly planned water supply infrastructure can negatively impact both human heath and the environment.

The Alternative Water Sources Act of 1999 Offers a Solution

My legislation is designed to provide states with the assistance they need to meet the needs of growing populations without harming the environment. It seeks to establish a grant program implemented by EPA that provides funds to development agencies in areas with critical water supply needs.

States will only be eligible if they have undertaken a planning effort to assess availability of water resources and produced a 20-year water resource management plan, demonstrated that existing sources are inadequate, and provide 50 percent of the funds.

The bill seeks to authorize $75 million per year for the first 5 years after enactment.

Only those states that do not already receive funds for water supply projects under the Bureau of Reclamation Projects Authorization and Adjustment Act of 1992 will be eligible for this program. The 1998 appropriation level for this program was $740 million.

Conclusion

S. 968, the Alternative Water Sources Act of 1999, seeks to improve the water supply situation in eastern states.

It provides funds on a cost-share basis to states for development of non-traditional water resources that will both provide much needed water and prevent environmental damages.

Thank you, Mr. Chairman.

Senator CHAFEE. Thank you, Senator.

Now, Mr. Fox, Assistant Administrator for Water.

Mr. Fox, you have a rather lengthy statement here, and we're going to run the lights here, which will give you 5 minutes. If you go a little bit over, we'll probably tolerate that, but if you could keep that in mind, the 5-minute rule, that would be helpful.

Why don't you go to it?

STATEMENT OF HON. J. CHARLES FOX, ASSISTANT ADMINISTRATOR, U.S. ENVIRONMENTAL PROTECTION AGENCY

Mr. FOX. Thank you, Mr. Chairman. It is a pleasure to be here with you this morning.

Looking over the past quarter century, I think we can all be very proud of the stewardship of our Federal water infrastructure resources and the environmental benefits that have resulted for the American people. If you turn to Chart 1 in my attached testimony, you'll see that the number of people served by secondary or advanced waste water treatment has doubled between 1972 when the Clean Water Act was first authorized and 1996, rising from about 85 million to 173 million Americans.

Second, during that same time pollutant loads from municipal treatment facilities have fallen about 40 percent. This environmental improvement is significant, especially given the fact that we've had a 30 percent increase in population in this country, and some of the successes that Senator Voinovich mentioned are precisely the kind of benefits that we've seen around the country.

I think it truly is no exaggeration to say that this committee and you, Mr. Chairman, in particular have been instrumental in this success over the past few decades.

Over 10 years ago, Congress amended the Clean Water Act to create the Clean Water SRF Program to replace the pre-existing Waste Water Construction Grants Program. The SRF program was designed to provide Federal support for clean water infrastructure, to help implement the Clean Water Act that would be managed by the States and would provide funding in perpetuity, and these important goals have been met.

Today, I believe we need to carefully consider how to build the SRF program to best fit the water pollution needs of the country into the 21st century. To address that question, we need to build a common understanding of the need for sewage treatment and related pollution control projects in the future.

The EPA works with the States to develop a Need Survey to identify clean water infrastructure investments in each State. The 1996 survey estimated total needs of approximately $128 billion, most of which is for projects to be built over the next 10 years. It is important to note that this estimate does not include adequate estimates for the cost of addressing sanitary sewage overflows, control of non-point source pollution and related work—costs that will likely increase our needs estimate by tens of billions of dollars.

On the spending side of this equation, we estimate that around $11 billion is being invested annually in waste water capital infrastructure from all sources—Federal, State and local. There is some indication that the spending patterns for waste water have been, at best, flat and some information suggest that annual capital spending is in fact declining.

Mr. Chairman, you asked that I comment on proposed legislation, and I would like to do that at this time.

I am pleased to say that many of the provisions of the bill introduced by Senator Voinovich and its House companion are consistent with the recommendations that the Administration has made in the past, including President Clinton's 1994 Clean Water Initiative. EPA stands ready to provide technical assistance in addressing some minor issues in the drafting of the bill.

We would encourage the committee to consider several additions to the bill. First, in reauthorizing the Safe Drinking Water Act, this committee provided Governors with the discretion to use specified amounts of the SRF to support key Safe Drinking Water Act programs and projects.

Our experience with this provision of the Safe Drinking Water Act has been very positive, and a comparable provision should be considered for the Clean Water SRF Program. This would allow the States more flexibility to deal with some of their new challenges, such as the TMDL Program, increased monitoring costs and the like.

Second, I would call your attention to the President's fiscal year 2000 budget, which included a proposal that would allow the Governors the discretion to use up to 20 percent of the SRF funds for grants to communities to help with estuary projects, as well as some of the non-point source program.

Many States have identified top priority projects in both of these areas, and the ability to provide grants or principal forgiveness would be something that would really help move these projects along.

I note that the proposed authorization level for the SRF is $3 billion. Funding at this level clearly would make a large contribution to the significant needs for pollution control. At the same time, it is not clear how these funds will actually be appropriated in light of the deficit reduction agreement and the constraints faced by the Appropriations Committee. We would continue to encourage constructive dialog between Congress and the Administration on an appropriate long-term funding level for the program.

Turning briefly to the other proposed legislation, S. 968 would authorize the EPA to make grants for projects to develop new sources of water for municipal, industrial and agricultural uses. The 1996 amendments to the Safe Drinking Water Act—Congress and the President created the Drinking Water State Revolving Loan Fund to address a portion of this need.

As I indicate in more detail in my written testimony, the EPA's primary drinking water mission is to protect public health. We believe that limited Federal resources to address drinking water needs are best met by the existing drinking water SRF program, which is focused on public health protection.

Finally, in comments to the bill introduced by Senator Smith, the draft bill related to combined sewage overflows would amend the Clean Water Act to provide that the requirements of combined sewer overflows are consistent with the policy that we negotiated with a number of interest groups.

I think that the CSO policy is working. It is a very good road map to solve this problem that the Senator articulated very clearly. We are not opposed to Congress amending the Clean Water Act to endorse the CSO policies and its principles. However, we do have some concerns with the draft bill, and I can specifically illustrate these if you would like, Senator. They most focus on the grant authorization part of the bill and some remaining questions about how it would affect existing orders that have been negotiated, but I did want to say that we really appreciate your movement on this bill. It is much more consistent with our thinking today.

Thank you, Mr. Chairman, and I'll be available to answer any questions at this time.

Senator CHAFEE. Thank you, Mr. Administrator.

Why did the Administration select the $2 billion as a target revolving level? How did you come up with that?

Mr. FOX. It was an attempt to come up with a level that seemed to be an adequate balance of Federal, State and local interest. I will at the outset that there's nothing magic to it. Congress and the Administration could have a very appropriate debate about what should be the future level. This was something that we developed as part of the President's Clean Water Initiative in 1994, and it

gave us a target to shoot for in terms of how the long-term funds should be appropriated by Congress.

Senator CHAFEE. Now, I note that in Senator Voinovich's bill he increased the funding levels for the next 4 years, and he also expands the eligibility of the SRF.

What's the Administration's view on that?

Mr. FOX. In general, we believe that providing more flexibility through the SRF for the States to solve what they believe is their highest priority projects is most definitely the way to go. The variety of water pollution problems vary incredibly around the country. In some places wetland restoration is going to be a high priority, in other areas it will be conventional point source treatment plants and so the Administration would support maximum flexibility to the States as to how they want to use their SRFs.

Some of the bounds, though, that I would encourage the committee to consider would be focusing on water quality and environmental improvements as very important priorities.

Senator CHAFEE. Now, it's my understanding that the Administration has proposed to a further grants program that you want to rely upon this SRF. Am I correct in that?

Mr. FOX. That's correct.

Senator CHAFEE. When and if we reauthorize the SRF, what changes would you like to see us do? You go into that greater flexibility provision.

Mr. FOX. To give you more examples of this, I've spent a good deal of time most recently in the great State of Wyoming on Monday with State Commissioners, talking about some of their water pollution needs. Many of the Commissioners are very excited about the new TMDL program and the opportunity to really start tackling some of the non-point source pollution problems that this country is facing.

This is clearly going to require the States to invest more programmatic dollars in trying to assess what is the most cost-effective way of solving the water pollution problems of any one watershed. So, by adding flexibility in the SRF so that, if the States decide to do so, to take some money out of the SRF to do this kind of modeling work or monitoring work, I think would be very valuable to the States. That's an example of the kind of flexibility that we would like to see included in the SRF.

Similarly, I think additional flexibility for principal forgiveness in some cases would be very valuable. I've looked at preliminary date from the State of Ohio that does suggest that there are very significant community challenges in meeting the increasing rates, and it very well might be that there are a number of disadvantaged communities that really can't take advantage of the SRF program because the interest rates while below market are still too high for them, and providing more flexibility in the SRF for the SRF managers to give principal forgiveness in some cases would be probably a very valuable thing for some communities.

Senator CHAFEE. All right, now I'm going to ask each of the Senators what questions they would like to ask. I would hope that everybody make their questions brisk because we do have five other witnesses that we want to get to.

Senator VOINOVICH. I just would like you to comment about how important you think that technical assistance is.

Mr. FOX. In terms of managing our watersheds today, being able to do it as part of a solid game plan, is most important. When you do analysis, it often turns out that getting a pound of pollution reduction from non-point sources could be 10 times cheaper than getting it from point sources. If we can give the States that kind of support to do that kind of analysis and make these kinds of decisions, I think it will be a better use of our limited dollars in the long run.

So I think it's very important to allow the SRF to provide these kinds of funds to the States so that they can make these kinds of decisions.

Senator VOINOVICH. A lot of the smaller communities don't have the capacity, and you need to make it available to them to do the survey.

Mr. FOX. That's right, and then our recent national data suggest that we have approximately 20,000 waters in this country, segments of water that are not meeting our goals for fishing and swimming. Each one of these water bodies is going to require some type of site specific analysis, and the more energy and thought we can put into that, the better off our answers are going to be.

Senator CHAFEE. Thank you.

Senator Thomas?

Senator THOMAS. I guess to react, Mr. Administrator, a little bit. You were talking about technical assistance. The most recent experience we had with that was in a small town called Torrington. They had been working with the EPA for some time, planned to have a meeting and they sent in the enforcement group instead.

Now, that's not very helpful to a small town if they're looking for that kind of assistance. So I hope that we can do something, and TMDLs—I don't know who you were talking to that's excited about it, but I'm glad to hear that because we've had all kinds of trouble. People just nominating these streams without any evidence at all, and then who has to pay for it to figure it out? The State. It hasn't been a very workable situation.

So you may wish to comment on that, but that's kind of where we are. Who was it that you were talking to?

Mr. FOX. I would be happy to spend more time. I can tell you right off the top of my head that we had four States that were very much involved in developing the proposal——

Senator THOMAS. You said Commissioners—Commissioners for what?

Mr. FOX. Commissioners for the environmental departments in the States. There were four Commissioners that were involved in developing the rule, including Maryland, Iowa—I'm sorry, Maryland, Wisconsin, Oregon and Louisiana. I know that three of those four Commissioners when we proposed the rule issued very positive press statements, and they're working very closely——

Senator THOMAS. Oh, the Commissioners were in Wyoming to meet but they were from other places?

Mr. FOX. That's correct.

Senator THOMAS. OK.

Mr. FOX. We had our Annual Meeting of the Commissioners in Wyoming.

Senator THOMAS. That explains it a little more, OK.

Mr. FOX. OK, I'm sorry.

Senator THOMAS. Thank you.

Senator CHAFEE. Senator Lautenberg.

Senator LAUTENBERG. Mr. Fox, in implementing the Clean Water Act's requirements, New Jersey chose to adopt a watershed-based approach, rather than water body.

What's the advantage of doing it that way when—doesn't a problem get to be overwhelming when you look at everything at one time? There are always incremental improvements. Whether we would like to do it another way or not, it's almost impossible to attack the whole problem.

Mr. FOX. The question of scale is always the most important one to address in the context of watersheds. We are facing a dead zone in the Gulf of Mexico, as a result of the Mississippi watershed, and that is an incredibly large watershed. I think experience shows that the smaller focus of the watershed and the more intensive the effort is in working with the communities, and trying to define the problems, the more success we are going to have.

That doesn't say, though, that there aren't large scale watershed benefits. The work that's going on today in Long Island Sound or in Chesapeake Bay where they've looked at the whole loadings of pollution to the whole watershed have in fact proved very valuable in guiding individual local decisions.

So I think it's a question as to what level of appropriate action is appropriate to the different level of scale that you're looking at.

Senator LAUTENBERG. But can you—if you look at the problem, can you get everything into place? You've got rivers, tributaries, different actions by different communities. Don't you kind of have to go one by one to measure the quantity of pollutants that they put into the watershed?

I'm interested because I know that my State has taken this watershed approach, but I question you because I would like to get confirmation as to whether that's the best choice and why it might be.

Mr. FOX. We will always need individual data sets and understandings of what's happening at a very sub-watershed level. We need to know which treatment plant is discharging and is it in compliance, so we need to have that kind of data. The value of the watershed approach allows us to look at the system as a whole, and typically you don't try to address all the problems simultaneously. You pick one or two problems that you're really trying to solve.

In the case of Long Island and Chesapeake Bay, the single biggest problem that they're facing is nutrient enrichment, and so their watershed-based strategies are focused at all the different ways they can reduce nutrients to these water bodies. So they come up with a watershed-scale scheme that allows you to tradeoff sometimes the cost of one control versus another and gets you to look at the big picture, and, hopefully, come out with a better, cheaper answer.

Senator LAUTENBERG. So it's the design of reaching or defining the objectives of the program on a kind of totality basis, and that doesn't necessarily mean you don't work on the individual points.

Mr. FOX. Right, the Florida Everglades is a wonderful success story of looking at the totality of the system and trying to solve it entirely.

Senator LAUTENBERG. Thank you.

Thank you, Mr. Chairman.

Senator CHAFEE. OK, Senator Smith.

Senator SMITH. Thank you, Mr. Chairman.

Mr. Fox, this is just a sampling of the letters that I received from mayors and councilmen from Maine to California indicating their concerns for the process as it now exist, and support of the legislation before us on CSOs.

Let me just give you an example that I would like you to respond to, and I don't think this is an extreme example. I think this is an example that's pretty common place, and it would be the City of Wheeling, West Virginia.

The estimated cost for their CSO controls is $400 million. The estimated property value of the entire town is $393 million, so it's $7 million less than what you're telling them they owe. That's 13,572 rate payers—not taxpayers, rate payers, water payers. This adds up to $29,472 per rate payer, so let's round that off $30,000.

So you're saying that Wheeling, West Virginia, doesn't need grant assistance because we should stick to the loans. Well, let's use your loan example, and we'll say if you give them, from what I'm told, 15 years—if you can get that, you're lucky and you have to fight to get it. So if you give them 15 years, that's $2,000 per year, per rate payer, which I guarantee in Wheeling, West Virginia, in most homes is two or three times the property tax that they're paying.

How in the world can you say that communities like Wheeling, West Virginia, could afford this under any loan program without grant assistance? How can you say that?

Mr. FOX. First, I will look into this case in more detail. I'm not familiar with the cost numbers, but I know we've done a lot of work to bring the overall cost numbers down, like the experience you had in Manchester, which I think was a very good example of that.

Your point is that we have a lot of water needs that aren't being met, and I don't disagree with that fundamental point. I think Senator Voinovich, though, raised the ultimate policy question for all of us, which is what is the appropriate Federal, State and local role in this, particularly in the climate of the budget deficits that we're facing, or the surplus management that we are facing.

Senator SMITH. I know, but what you will hear from the mayors and other town officials is that they go through a lot of hell in terms of the hassles, the arguments and discussions, I guess, if you want to put it a little more mildly, with the EPA officials—threats, intimidation—not knowing what the bottom line is going to be, and they have to budget. They have bonding they have to do, and they don't know the answers to these questions, and so they're forced, if you continue with the Wheeling example, I mean, they don't know if you're going to give them 15 years or what, and they're try-

ing to bond and budget. They know that they can't pay those bills. It's absolutely impossible for some of those people to pay those bills, and so rather than put people through that, why not just go with the grant program?

Now, you said in your opening statement that grant authorization was the area that you had the biggest problem or one of the problems with our legislation, my legislation. But under the current system you and I both know that earmarks are put in there all the time, which you're forced to comply with, and I know you don't like it. So why not go with a competitive bidding grant process and get rid of the earmarks, which, depending on who's the most powerful and influential, forces you to administer anyway? Why not be fair to everybody?

Mr. FOX. If we could work together on a way of eliminating earmarks, you can trust that I would be right up there with you.

Senator SMITH. I've been trying to do it for 15 years and haven't worked it out yet.

Mr. FOX. You know, I think the issue with your legislation and that of Senator Graham's is fairly similar, and that is what is the appropriate Federal role, should we be creating separate grant programs or should we really focus on an SRF program as the primary Federal vehicle, figure out what's the right level and then give it the flexibility to solve some of these problems.

Senator SMITH. Well, let me just say, as one who is fairly conservative on these matters, that I agree with that. I don't like grants anymore than anyone else, direct Federal grants, but these are problems that are not of the making of these communities essentially. You come in—and in CSOs in most cases the amount of pollution—if you took the Merrimack River as an example, and Mayor Wieczorek can comment on this—it's maybe 3 percent, if that, of the pollution in the river. And for that you're going to put a huge burden. I don't think the ratio is proper here, that's No. 1, but even that aside, I mean, these people cannot pay this. It's just not possible.

So I think rather than put them through all this pain and suffering, let's just accept a fair, competitive bidding process that gives these communities the opportunity to get the grants and do it right, rather than to cause these towns to have to through anger, town meetings and arguing because they're trying to bond. In the case of Wheeling, they're trying to bond $2,000 a rate payer over 15 years, per year. I mean, it's impossible. They can't pay that; it's just not possible.

At least with a grant, there might be some way that it can be done—that's my view, and I wish that you would work with us on this so that we can have the Administration's support because these people need help. I, frankly, don't think that your objection—with all due respect, I don't think it's justified. I think we can work this out, so I wish you would work with me on it.

Senator CHAFEE. Senator Graham?

Senator GRAHAM. Thank you, Mr. Chairman.

At the conclusion of your statement on page 11 relative to the Alternative Water Source Grants, you state, "Because enactment of the proposed legislation would likely divert scarce resources from

public health-related projects, the Administration opposes this legislation.''

I would like to understand, is that opposition because you believe it is inappropriate for the Federal Government to be a partner in developing water sources of supply, or because you believe that EPA is the wrong agency to have responsibility for the development of water sources of supply?

Mr. FOX. I can really only speak at this point, Senator, for EPA and——

Senator GRAHAM. The statement says, ''The Administration opposes.'' It is beyond EPA?

Mr. FOX. That is correct, and then I can tell you that the rationale that we came to this conclusion was that the Safe Drinking Water Act authorized a series of eligible projects that were based primarily on achieving compliance with the Safe Drinking Water Act requirements and protecting public health.

There are circumstances where Alternative Water Supply is an eligible cost under the Safe Drinking Water Act. Our interpretation of your bill, however, was that it was a much broader authorization of new Federal dollars to provide potential water supplies for agricultural, industrial and urban uses, and that goes beyond the priority focus of the Safe Drinking Water Act.

In making the conclusion, though, in the final analysis it's not unlike the dialog I was having with Senator Smith, which is this is simply a question of priorities, given limited Federal dollars as to where they should go and that's the conclusion that we came to.

Senator GRAHAM. Well, if you're not able to answer the question today, I would like to get an answer as to whether the Administration's opposition is to the principle of Federal involvement in water supply development, or if it is the objection as to which agency is being given that assignment because over the last 150 years, we've spent billions, maybe trillions, of dollars of developing water source supply all over the country, particularly in the Western States.

No. 2, you indicate that you think the appropriate means of financing this is through the Safe Water Drinking Act Revolving Fund. As I read that Act, it states that priority is given to projects that, ''one, address the most serious risk to human health; two, are necessary to ensure compliance with the requirements of the Safe Drinking Water Act; three, assist systems most in need on a per household basis, according to State determined affordability criteria.''

Where does the issue of water resource development and water resource availability fit into those three priorities?

Mr. FOX. It doesn't directly; it does tangentially. If you are in a community that has, for example, a well that is contaminated for one reason or another, it would be an eligible cost under the Drinking Water Act for that community to drill a new well that would provide clean, reliable water to the people. So our eligibility is really focused on achieving precisely those criteria that you mentioned.

Senator GRAHAM. So it seems to me your suggestion that States are to look to the Safe Drinking Water Act is a vacuous proposal because none of the priorities that are listed under the Act are relevant to the issue of water supply availability and development?

Mr. FOX. I agree, yes.

Senator GRAHAM. Maybe that answer the next question, which is what percentage of State Revolving Fund loans under the Safe Drinking Water Act are currently provided for infrastructure development for future community needs?

Mr. FOX. Water supply needs?

Senator GRAHAM. Yes.

Mr. FOX. I'll have to get that information for you. Again, the Safe Drinking Water Act is not fundamentally a law that's designed to provide water supply to communities, and your legislation is seeking to do something differently, and that's the tension here.

Senator GRAHAM. But we are—I mean, the reason we're suggesting a different approach is because we think the status quo is not germane to the issue of developing appropriate alternative water supply sources. Yet, your answer to our legislation is that we ought to do it through the Revolving Loan Fund.

Mr. FOX. To the extent that it is a drinking water problem, yes, we can do it through the Revolving Loan Fund. To the extent that it's a——

Senator GRAHAM. But only if it's a public health issue, and not the quantity that's the issue.

Mr. FOX. That's correct, and it would be the Army Corp of Engineers of the Bureau of Reclamation, if you're in the West.

Senator GRAHAM. It would seem that one of your suggestions is to require that States take action to reduce their water needs prior to receiving grants from the EPA.

What type of actions would you suggest that communities take in order to reduce their drinking water needs?

Mr. FOX. We have issued a number of technical guidance documents on water conservation techniques that seem to provide benefits to community water managers. I know water conservation is in fact eligible expenditures under the Waste Water SRF. I would have to look into whether or not, and how often it's used, under the Drinking Water SRF. I don't have that answer.

Senator GRAHAM. Thank you.

Senator VOINOVICH. Mr. Chairman?

Senator CHAFEE. Yes, I now—I am anxious. We have five other witnesses, and, as you know, what happens around here is the people who are in the latter part of the witness list are often given short shifts, so we want to make sure they all have a good opportunity.

So if you've got a quick question——

Senator VOINOVICH. You'll notice I didn't take a lot of time in my questioning, Mr. Chairman. I was very brief. I just——

Senator CHAFEE. Well, we don't permit banking of time here, but you go ahead.

Senator VOINOVICH. The interesting—I would you to comment on this.

The bill that Senator Smith is suggesting is a grant program, correct?

Mr. FOX. Yes.

Senator VOINOVICH. If I am hearing right, if it's a grant program, what usually happens is that the grants are earmarked and don't go into a fund, and, as a result of that, those communities that are earmarked get it and the rest of them that are on the list don't.

The question I raise is wouldn't it be better not to have a grant program and put that money into a revolving loan program where you don't earmark it, States can compete for it, and, in the long-run, leverages a lot more money that can be recirculated back out to deal with the problems that communities are having.

Mr. FOX. That was a very eloquent presentation of our position on that. I would add one comment, and that is that there are communities today that are disadvantaged, that do not have the ability to meet that, and the current SRF authorization has a limit as to what kind of interest rate you can give. Basically, you've got to stop at zero—that's the best you can do, and, in some cases, communities might, in fact, benefit by going below zero and having some amount of principal forgiveness, and if we could find a way of crafting some ability for these SRFs to give these kinds of modest principal forgiveness, in some circumstances, that would probably help a number of communities.

Senator SMITH. I think we would be open to that, as part of the negotiating process, but, I might just say, Senator Voinovich, that in our legislation it is competitively bid; it's not earmarks. So we do change that so that it's more fair.

Senator VOINOVICH. Mr. Chairman, one other comment, and I'm it's a policy issue.

I can understand, Senator Graham, the point that you made, but the real issue is in terms of national priorities, what's the role of the Federal Government in terms of responding, in terms of problems of safe drinking water, and, in your State, obviously, they need to get some more water supply. But I would say that from a competitive position, being in that position to do that in effect deals with the whole environment of your State competing with other States, and I think that's one of the things that we need to look at in terms of if you get into that, then are we going to do that all over the United States?

Senator GRAHAM. Mr. Chairman, if I could just respond. We are doing this all over the country, but primarily in the Western States where we've had a long tradition of building major dam projects, water supply projects, etcetera, in order to meet their needs. That was done because the West was dry, the East was wet. Well, now, we're finding out that the East is also beginning to reach a point where its traditional sources of water are inadequate to meet the needs of the population.

So this is not a new idea; it's just an application of an old idea to another part of the United States.

Senator LAUTENBERG. Mr. Chairman——

Senator CHAFEE. I must say I am sympathetic to Senator Graham's problem. I think you have—am I correct in believing that you have 700 additional people come to your State every day? Is that the figure?

Senator GRAHAM. That's on a slow day.

[Laughter.]

Senator LAUTENBERG. Mr. Chairman, I'm not quite as sympathetic because which so many of our residents are going there——

[Laughter.]

Senator LAUTENBERG. But I think what Senator Voinovich says provokes a whole different discussion, which will be held in your

other committee, Mr. Chairman, and that's the Finance Committee, and that is what returns do the States get on the money they send down to Washington? Now, on that basis, New Jersey ought to get a lot more money for water projects.

Senator CHAFEE. All right, fine.

Thank you very much, Mr. Fox, and we appreciate your being here.

Now, would the next panel come forward? That would be Mayor Wieczorek, Mr. Dorfman, Mr. Mason, Mr. Kamppinen and Mr. Vergara.

Sit right up at the table, gentlemen, if you would, and don't be bashful. Just take any seat, and we'll get the signs straightened out for you. We'll start with Mayor Wieczorek.

All right, Mayor Wieczorek, from the City of Manchester, on behalf of CSOs.

Mayor, why don't you proceed?

STATEMENT OF HON. RAYMOND J. WIECZOREK, MAYOR, CITY OF MANCHESTER, NEW HAMPSHIRE, ON BEHALF OF THE CSO PARTNERSHIP

Mayor Wieczorek. Thank you very much, Mr. Chairman, and members of the committee.

For the record, my name is Raymond J. Wieczorek, and I am the Mayor of Manchester, the largest city in the State of New Hampshire.

Senator CHAFEE. What's the population of Manchester?

Mayor Wieczorek. I'm going to give it to you in the next sentence.

Senator CHAFEE. All right, go to it.

[Laughter.]

Mayor Wieczorek. Along with me is Frank Thomas, our Public Works Director.

I am here on behalf of the taxpayers of my city, and the CSO Partnership, to testify in support of S. 914, introduced by Senator Bob Smith. In addition to my comments today, the CSO Partnership has prepared written testimony that I would ask be included in the hearing record.

Senator CHAFEE. That's fine.

Mayor Wieczorek. I am here on behalf of the—Manchester is an older city with a population of approximately 1,005, which, like so many cities, was developed with a combined sewer system.

The newer communities that surround Manchester are not burdened with a combined system and do not face the financial difficulties in correcting this problem.

Between 1972 and 1994, we invested $126 million to construct a waste water treatment plant and related facilities to eliminate waste water discharges in the Merrimack River, which runs through the center of our city. This water pollution abatement work was financed through a partnership of Federal, State and local governments. We all recognize that the problem being addressed was a national problem, and the involvement of the national government was required and appropriate.

That plan has been operational for 23 years and has significantly reduced the pollution of the Merrimack River. My city is extremely

proud of that achievement, and views the river as one of the major assets that sustained the quality of life that we enjoy.

We are now undertaking a major river walk park development program in the heart of our city that would enable us to improve access and use of the river. The Merrimack has always played a key role in the history of the city, and we anticipate this asset will play a key role in the revitalization of our downtown and our economic future.

As mentioned, Manchester was built with combined sewers, the state-of-the art at the time. Our combined system discharges up to 40 times a year at 26 locations. Several years ago, Manchester was contacted by the EPA and told that it was now time to address the problems associated with a combined system. The Agency was seeking the total elimination of all discharges from our combined system. The early estimates were that these improvements would cost almost $300 million, a mind-staggering amount.

As Mayor, I am constantly challenged to find ways to meet the needs of schools, ensure the public's safety and maintain our infrastructure, while constantly trying to minimize taxes and maintaining support for the many responsibilities a city has.

Asking the citizens to spend nearly $300 million in the face of many other demands upon them is difficult. Asking them to spend it to correct a problem that happens almost a few times per year, and is only transitory in nature, is absurd. My citizens rightly wanted to know where's the common sense in asking us to spend that amount of money so that we can swim in the Merrimack River four more rainy days per year, when there is presently no swimming now due to natural constraints.

Fortunately, with the strong support of the entire New Hampshire delegation, and, especially Senator Bob Smith, who has introduced this, we are very pleased and proud, and Governor Shaheen, we were able to negotiate a more reasonable, innovative solution to address our CSOs with the EPA and the New Hampshire Department of Environmental Services.

However, this plan will require more than $60 million in capital improvements in a 10-year first phase, with the ultimate CSO program costs potentially being double the cost of the first phase. Sixty million dollars is equivalent to the sum of three new schools, one new police station, two new fire stations and a 150-miles of street resurfacing.

In the face of litigation and given our community's strong environmental awareness, we have agreed to that program knowing that the Federal and State Government's participation would be limited to slightly discounted loans we hope to receive through the State Revolving Loan Fund.

As a result, sewer rates in my community will nearly double in 10 years to implement this program's first phase. The doubling of our sewer rates will slow Manchester's growth by driving industries into the surrounding communities that do not have the expense of the CSO issue.

I am here in support of S. 914 and the efforts of the CSO Partnership because it seeks to restore the historic partnership that has been so critical to the clean water successes we have had to date. The program that Manchester is undertaking fits within the

procedural provisions of the S. 914 and terms of the implementation schedule. We need the Federal funding authorized by S. 914 to help meet this Federal mandate.

Clean water is a national goal, one the citizens of Manchester fully support. However, with many other claims on our resources, my city and I believe that most cities cannot fulfill this Federal mandate without financial assistance. The grants provided through S. 914 will ensure that sewer rates in my community remain affordable and do not choke off economic development.

I hope that the members of the committee will act quickly on this bill and help all CSO communities resolve this national problem.

I would be happy to answer any questions that members of the committee may have.

Thank you.

Senator CHAFEE. Thank you very much, Mayor.

And now, Mr. Dorfman, President of Dorfman Construction Company from Woodland Hills in California, on behalf of the National Utility Contractors Association.

Mr. Dorfman?

STATEMENT OF GERRY DORFMAN, PRESIDENT, DORFMAN CONSTRUCTION COMPANY, WOODLAND HILLS, CALIFORNIA, ON BEHALF OF THE NATIONAL UTILITY CONTRACTORS ASSOCIATION

Mr. DORFMAN. Thank you, Mr. Chairman, members of the committee.

For the record, my name is Gerry Dorfman, and I am President of Dorfman Construction. I am an underground contractor and have been for 47 years.

Several years ago, as a contractor, I picked up a set of plans——

Senator CHAFEE. Now, gentlemen, I guess I didn't say prior to the Mayor speaking, but I should have. Everybody is given 5 minutes, so if you could kind of watch the lights and trim your sales as much as possible to the time we've allowed.

Thank you.

Mr. DORFMAN. I will, Senator, thank you.

The project in Northern California, a small community, and I was prospecting the job as a bidder, and it was to replace an existing septic tank system for a community that had failed. In order to do so, you had to go into the backyard, so I knocked on the door and the lady at the door said, "I'm sorry, you can't go in my backyard," and I said, "Well, I can't look at the job in order to bid on it unless I see what the improvements are." She said, "Well, it's full of sewage, so be careful."

So I did—I went into the backyard and walked along the path and saw what was there, and I came out. We were the successful bidder and we did the job, but when I was back in the yard, you could see the children looking out the window, and I wondered, here is a situation of a yard that can't be used by a family.

I relate that to you as what goes on and what you don't see. Similarly, in another community in Southern California, we were replacing an existing sewer line and we found a gaping hole the size of a football. There were some residents watching the construction, and because we were so close, 100 yards from the waterway,

we had to work with the tide. So when the tide went out, we would work; when the tide came in, we didn't. There was a gentleman there, an elderly gentleman, obviously with his grand-children, and he said, "What is that?" I said, "That's the sewage pipe, it has a hole in it and we're fixing it," and he looked at me and he said, "But I take my children swimming over there."

Now, I relate those stories because I try—and several years ago when I was President of NUCA—to bring across a point that it's difficult to involve you in understanding what is going on. I talked to my daughter 1 day and she said, "How does it go when you testify?" I said, "Well, I was pretty nervous, but I'm not sure I got across what I was trying to say," and she said—she's a college student with a good mind—and she said, "Do you know why? Because it's out of sight out of mind, absent the crisis."

I coined that phrase, I kept it and I use it. It's, like, I would go to work and hit a pothole and ruin my tire, but I could get on the phone and call somebody because I could see it. Or if a signal is not working and you're late for an appointment, you can call someone because you can see it and you can do something. But you cannot see what contractors across the country see with our decaying pipeline system. It's antiquated, it's old, it's outdated and that is the crisis. Absent of crisis, nothing happens. If you see a sinkhole, it's reported, and they fix it. If the beach is closed, they find out what it is, but all across our country millions of miles of sewers overloaded, antiquated, outdated. Here is an opportunity to address that issue, and it's time. It's really time.

Senator CHAFEE. All right, thank you very much, Mr. Dorfman.

Now, Mr. Mason, State Revolving Fund Program Manager, from the Georgia Environmental Facilities Authority.

Why don't you proceed, Mr. Mason?

STATEMENT OF GREGORY MASON, STATE REVOLVING FUND PROGRAM MANAGER, GEORGIA ENVIRONMENTAL FACILITIES AUTHORITY, ON BEHALF OF THE COUNCIL OF INFRASTRUCTURE FINANCING AUTHORITIES

Mr. MASON. Good morning, Mr. Chairman, and members of the committee.

I am Greg Mason, State Revolving Fund Program Manager for the Georgia Environmental Facilities Authority. I am pleased to appear before you today to testify both in the capacity of the State Program Manager managing the SRF for the State of Georgia, and as a representative on behalf of the Council of Infrastructure Financing Authority, CIFA.

As you know, CIFA is a national organization of State and local authorities whose mission it is to facilitate financing of public infrastructure facilities. Like my own organization in Georgia, most of our State members manage at least the financial component of the State Revolving Loan Fund for waste water treatment, and are, as such, vitally interested in the subject of this hearing.

My testimony today will mainly address Title VI of the Clean Water Act authorizing the SRF financing program. This has been, as already has been stated, a singularly successful program that has fulfilled the vision of this committee and of the Congress in creating the fund mechanism over a decade ago.

The loans made by the SRF have provided substantial cost savings to the borrowers—the borrowers, of course, being local government officials, communities and water sewer authorities. With the SRF interest rates averaging below or right at 2.5 percent to 3 percent below market, we estimate that over its duration the cumulative subsidy the program has borrowed is around $8 billion.

As the committee looks at provisions to amend and reauthorize Title VI of the Clean Water Act, our advise is cautionary. Clearly, after years, roughly 12 years, of experience with the SRF, there are some small modifications that will make the program more efficient.

We offer some suggestions for such modifications, but, again, overall we ask the committee to move cautiously toward adopting any provisions that would dramatically overhaul or alter the way water quality projects are financed. Like the ancient admonishment to physicians, first, do no harm.

Proposals before this committee to set up a new program of grant funding for certain categories of projects could have major repercussions for the future operation of the SRF. To put it plainly, communities or borrowers that anticipate receiving Federal grants to build water pollution projects are not likely to be interested in loans, no matter how attractive the terms. Even though the proposals in S. 914 limits availability of these grants to certain categories politically maintaining that categorical limitation would be next to impossible.

Soon every project would be eligible for grant assistance and communities would defer needed projects until grant dollars became available.

CIFA recognizes that in order to address certain types of pollution problems, it may be necessary to provide deeper subsidies to the borrowers. We support provisions, comparable to those contained in Senator Voinovich's bill, allowing States the discretion to provide principal write-down subsidies and extended repayment periods for hardship borrowers. Any subsidy should be in the form of principal forgiveness and not limited in the amount available to any one community or one borrower. The criteria instead should be environmental and economic justification.

There are a number of other provisions in Senator Voinovich's bill that CIFA supports:

First, we support the decoupling of allowable administrative costs from the annual amount of the cap grant. The size of the fund, not the amount of the grant, should dictate the allowable administrative costs.

We also support the level of authorization of $3 billion annually. The numbers have been kicked around today, and we believe that $3 billion annually would be a good start.

CIFA also supports the elimination of all cross cutters and duplicate Federal requirements that increase the cost of the projects and slow down the loan process, especially since those requirements are particularly burdensome to small communities.

CIFA defers to the will of the Congress with regard to reapplication of Davis-Bacon requirements to first round projects financed with Federal grant dollars. We strongly object to the application of

those same requirements or other general grant conditions to second round loans of the money that's paid back and again reloaned.

Further, we support the expansion of eligibilities for SRF lending to include land essential for treatment works.

Last, we support at the State's discretion the extension of SRF to secure critical lands for other public purposes.

Finally, in any amendments to the SRF it is absolutely essential that Congress extend the current provisions giving States the discretion to transfer portions of the capital grant from one SRF to another.

In conclusion, the SRF has proven to be an effective means of providing Federal and State subsidies to finance environmental treatment needs. The Congress should be very circumspect about making major changes.

Again, on behalf of CIFA and the State of Georgia, I thank you for the opportunity.

Senator CHAFEE. Well, thank you very much, Mr. Mason.

Now, Mr. Tom Kamppinen, Chief of the Municipal Facilities Program in Michigan.

STATEMENT OF THOMAS KAMPPINEN, CHIEF OF THE MUNICIPAL FACILITIES PROGRAM, MICHIGAN DEPARTMENT OF ENVIRONMENTAL PROTECTION, ON BEHALF OF THE ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS

Mr. KAMPPINEN. Thank you, Mr. Chairman.

My name is Tom Kamppinen, and I am Vice-Chair of the Association of State and Interstate Water Pollution Control Administrators in their Financing Task Force and Chief of the Municipal Facilities Section for the Michigan Department of Environmental Quality.

As you know, ASIWPCA is a national organization of State officials responsible for implementing the Clean Water Act and is committed to the environmental objectives set forth in the law.

We have made tremendous strides in cleaning up and protecting our water quality in our nation, but much more needs to be done. There are several fundamental things we would like you to consider as you debate reauthorization:

Functional equivalency—we would like to see the Clean Water Act's requirements be performance-based. We would like to have the States have integrated approaches, allowing the States to be flexible in their program, and, of course, States face an enormous resource demand. The Clean Water Act and the mandates imposed by the State is much greater than the financial support provided.

Let me compliment Congress and this committee in the support that it has given States. I can give you an example in Michigan. We have since 1987–1988 provided over $1 billion in loans to municipalities of which over 60 percent have gone to combined sewer overflows.

Our second largest city in the State of Michigan, the City of Grand Rapids, in the last 5 years has reduced its combined sewer overflows by over 90 percent. We have salmon fishing below the Grand Rapids now that is safe, and it is working. So thanks to you and Congress the program is working and is well.

All 50 States and Puerto Rico do have SRF programs, and they're using them very effectively. One advantage of the SRF program is that it is much less expensive to construct a project under the SRF than prior to the SRF under the old construction grant program.

We have cut in half the time it takes to get a project under construction because of the regulatory red tape in the grant program, and one point that I would like to make to this group is that while a low-interest loan at 2 percent over a market rate over a 20-year repayment period may result in a 40 percent subsidy, there are other savings. Time is money, and if you can speed up the construction of these projects and reduce their cost, that's 100 percent grant in savings.

So, really, the 40 percent SRF financial assistance versus a 55 percent grant really, I think, is closer and projects are working. Sixty percent of our projects in the State of Michigan are coming in at, or under, budget, and they working. Under the grant program we had trouble with projects meeting their performance standards. That was not the case, in the grant program.

Congress has important decisions to make regarding the role of the SRF in the future. The Association believes that the SRF is the only viable long-term water quality financing mechanism that is appropriate. It should be viewed as a multi-purpose tool box under which there can be much flexibility.

States also recognize the need to make reforms so that it is equipped to meet future challenges, and the committee is familiar with the Association's positions, as we have them.

Over the past few years, the U.S. EPA has been using the target of $2 billion per year to make available to the SRF, but the rationale has never really been clear to us. We do feel that with the Need Survey at well over $200 billion, and, likely, because of TMDLs, and, as we implement non-point source and other watershed initiatives, it will be greater.

To give you an example, in the State of Michigan, for fiscal year 2000 we have 35 communities that have come in asking for money to be funded next year, and that totals $350 million. That need alone is greater than 25 percent of the Senate subcommittee's budget for the entire nation for 2000, and if we use the Administrator's recommended budget, it's 40 percent.

We have a dire need out there, and we have very large needs in combined sewer overflows in Michigan. The Association recommends that all infrastructure assistance should be done and incorporated under expanded Title VI programs. We recommend an authorization of a minimum of $5 billion per year for fiscal year 2000 through 20004, which is clearly well justified based on the needs.

Congress should work with the stakeholders to look at this issue in further depth. The gap between the cost of complying with new mandates and available funding is widening.

We also suggest that committee explore with States the possibility of creating ways to look at additional needs and addressing additional environmental needs, above and beyond those that are traditional in the SRF.

The States oppose the creation of any separate SRFs or mandatory set-asides for particular clean water. Each State has different

needs, and the States must have the flexibility to use those funds as appropriate.

The Association believes that hardship and small community needs are best addressed in the SRF. Below market and zero percent interest rates can save up to 50 percent of the project costs; however, States need to be able to also go and after additional subsidies. So States, we believe, should be allowed to blend principal subsidies to the SRF loans to achieve a target State level of project affordability for hardship communities, and each State should be able to define small and hardship communities to fit its own circumstances.

We also believe that where there are hardship communities up to 40-year loans should be provided. This will allow the monthly user rates to be reduced to affordable costs, for those projects not exceeding $10 million. We should be able to use administrative expenses to outreach and provide technical assistance to these small communities that need it.

We do not support, and we urge Congress not to reimpose, the Title II requirements. Those add costs to the projects, and have very little environmental benefit, if any.

We also feel that the States need additional funds and flexibility in meeting their administrative expenses. The current provision is not adequate.

And, last, we recognize and support the efforts on addressing the CSO programs on needs in S. 914. We recommend that the CSO policy of EPA be codified in the Clean Water Act Reauthorization, and we feel that the CSOs can better be addressed through capitalization of the SRF to do the job. The Association does not support reinstitution of a grant program. The SRF is proven to be a much more effective approach in providing these needs. Projects are faster, they're better and they're coming in under budget.

Thank you.

Senator CHAFEE. Thank you very much, Mr. Kamppinen.

Mr. Vergara, from the Southwest Florida Water Management District.

STATEMENT OF E.D. "SONNY" VERGARA, EXECUTIVE DIRECTOR, SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

Mr. VERGARA. Good morning, Mr. Chairman, thank you very much.

Senator CHAFEE. Do you want to make an introduction?

Senator GRAHAM. I could.

Senator CHAFEE. Won't you please?

Senator GRAHAM. I have had a long association with Mr. Vergara. He has served in a number of important positions in our State. He is currently the Executive Director of the Southwest Florida Water Management District, one of five districts within our State, which have the primary responsibility, in his case, for most of the West Coast area of Florida for their water supply needs. In his previous position, he has an extensive background in water supply issues for our State, and also for the nation.

I am very pleased that he is able to join us today in presenting his views, especially on the appropriate Federal role in water resource development.

Senator GRAHAM. All right, won't you proceed, Mr. Vergara?

Mr. VERGARA. Mr. Chairman, members of the committee—and thank you, Senator Graham. I appreciate those comments.

We appreciate the opportunity to appear before you today and for giving me the opportunity to also recognize Mr. Ronny Duncan, who is in the audience today, who is a governing Board member from my water management district.

We thank you for this opportunity to testify in strong support of S. 968, and for your continuing support and leadership on behalf of protecting our nation's water resources.

Mr. Chairman, there is a shift occurring in our Eastern fast-growing States. It is becoming more apparent that traditional sources will not be enough to meet our future needs. Traditional ground water and surface water sources have reached, and exceed, in some cases, sustainability, having some very significant impacts on the ability of our regions to maintain viable economies, as well as our environmental and natural systems.

The fast-growing Eastern States, such as Florida, New York, New Jersey, Virginia, New Hampshire, Tennessee, Arkansas and Georgia, are all having difficulty being able to ensure future needs will be met. A new Federal-State partnership, as Senator Graham has pointed out, is badly needed, much like that which has addressed the water needs of Western States over this past century.

For example, growth in some Eastern States between 1980 and 1995 equal twice the national average of 16 percent. Irrigated acreage in the Eastern United States has increased almost 50 percent between the years 1980 and 1995, while out West it has actually decreased by some 8 percent. Withdrawals for public supply in the East has doubled between the years 1955 and 1995, and is expected to increase another 30 percent by the year 2040.

We have found in Florida we can no longer look to the traditional sources, and we must discard the present paradigm. We must find new ways to create water, to treat water, to store water, to recover water, to reuse water and to conserve water. In Florida, we were spending hundreds of millions of dollars on developing sustainable alternative sources through seawater desalination, aquifer for storage and recovery, storm water recovery and waste water reclamation. But we need help, as do all the fast growing Eastern States. We're not asking for a one-way Federal dole in our district. Since 1994 we established a new water source initiative—our governing Board did this—committing $20 million for the next 10 years for sustainable alternative supplies.

In our district, we can identify an immediate need for some $250 million for alternative water supplies. In the Tampa Bay region alone, where this district has committed $273 million and the regional utility there has committed $500 million, we are trying to serve over 2 million residents.

The Tampa Bay area is on the verge of a nationally significant economic expansion, and, at the same time, we are suffering from some very significant impacts to our natural systems.

Mr. Chairman, as you can see, the costs of these programs are staggering and a great deal is at risk. We are ready to join with Congress to secure the future of this great country's Eastern States, much as it is doing in the West.

S. 968 will provide a badly needed partnership between the Federal and State Governments. It will authorize a rational and appropriate method by which grants to eligible States for alternative water source development can occur. And this will be for more than just public supplies. It will include agricultural, industry and other water users.

I am given the understanding that a process already exist within EPA, but is sporadic and ad hoc. We need a stable, dependable process that will provide for developing advanced non-traditional technologies, resulting in new sources, if you will, to meet our public supply and agricultural needs. S. 968 will provide that process and a means for both Congress and the States to leverage available funds to meet these critical needs.

Mr. Chairman, thank you once again. I am very grateful for this opportunity to appear before you, and I would be glad to answer any questions.

Senator CHAFEE. Well, I want to thank every member of the panel very much. Unfortunately, we have a vote on now. It's my understanding that Senator Voinovich will be back. I would ask him to—and he has some questions. I don't know if you have questions, Senator Smith, and Senator Graham. If you do, why don't we all go vote and then come back.

I, personally, will not be able to be here when we come back.

Senator SMITH. How much time is left on the vote?

Senator CHAFEE. I think they're still on the first round.

Senator SMITH. I'm not going to be able to come back.

Senator GRAHAM. Mr. Chairman, I think we've got about 12 minutes left in this vote. Could we possibly ask a couple of questions because we may all be in the same situation?

Senator CHAFEE. Sure, why don't you go ahead and ask a couple of questions.

Now, I'm going to go over and proceed to vote. I want to thank everybody on the panel. It's very helpful and this testimony was good. You've all addressed the challenges we face. There are different views that have been expressed here. I would say you two gentlemen have somewhat different views.

Let me ask you a quick question—does the State of Michigan help out? Does the State make some grants?

Mr. KAMPPINEN. The State of Michigan does not have a grant program. We provide the 20 percent State match through our general fund. The State of Michigan has just passed a $600 million bond issue for brownfields clean-up, as well as $50 million grant program for non-point source above and beyond all Federal funds.

Senator CHAFEE. How about, Mayor, does the State of New Hampshire help at all, the State?

Mayor Wieczorek. Well, this is what I was just asking our Public Works Director, and he stated that they will pay 20 percent. The grant program will repay 20 percent of our loan.

Senator CHAFEE. I see.

OK, now, Bob, are you all set?

Senator SMITH. Could I ask a couple of questions?

Senator CHAFEE. You go ahead, and Senator Voinovich will pick it up when he gets back.

Thank you all, gentlemen.

Senator SMITH. I would like to ask my questions of Mr. Vergara.

Mr. Vergara, earlier we heard comments by the representatives of EPA in which they indicated that the State Safe Drinking Water Revolving Fund could be looked to as a means of funding these programs that are designed to develop alternative water resources.

I wonder if you could comment as to why or why not you think that is appropriate?

Mr. VERGARA. Mr. Chairman, I was very interested in the response that Mr. Fox gave that indicated to me that in terms of priority, the SRF funding mechanism that's in place didn't really allow for the types of water resource development that we're looking at. We're looking at alternative sources, and the traditional use of the SRF program are, apparently, apart from what we're trying to accomplish under our program. And, also, Senator, there was a question of timing. The SRF program seems to take quite a while to get through your requests, as I understand it.

Senator SMITH. One of the aspects of this legislation is to try to incorporate early environmental planning in the development of alternative water resources in order to avoid downstream environmental adverse consequences.

I wonder if you could elaborate on that point, and your view as to whether EPA is the appropriate Federal agency to have responsibility for such a program of developing alternative water sources?

Mr. VERGARA. Senator, as you know, my expertise lies mostly in how we have addressed water supply, water management issues, in the State of Florida and the Federal funding process has always been a maze to me. So would you restate that question again? Let me understand that clearly.

Senator SMITH. I guess, just to ask the second half of the question, the legislation that has been introduced would place the responsibility within the Environmental Protection Agency.

The question is based on what the goals of this program are, and based on, apparently, the less than enthusiastic response of EPA to those goals, do you think that is the appropriate agency, or should we look elsewhere—for example, to the Corps of Engineers to manage this program?

Mr. VERGARA. Yes, I noticed he referenced the Corps of Engineers, and I have two responses to that. One is we had a very good relationship with our region of the EPA, and have, in fact, received some funding for which we are very, very grateful. But, as I mentioned, it's something on an ad hoc basis, on a sporadic basis, but, yes, we feel that EPA is the appropriate agency to receive the funding. The Corps of Engineers and their objectives seem to be somewhat disparate from what we're trying to accomplish. Again, they are builders and they do a great job at it, but we feel that under this program we remain responsible for that construction, we do the construction, we know what needs to happen and we are ready to do that, given the assistance that we're looking for.

Senator GRAHAM. Senator Smith, I apologize. I'm going to have to go vote and then meet another commitment that will preclude my returning. I want to express my appreciation to all of the members of the panel who provided us such insightful comments on this important set of issues.

Senator SMITH. Would my friend from Florida let my colleagues know that the Senator from New Hampshire is in route as well in a moment?

Senator GRAHAM. I'll do so.

Senator SMITH. We're down to about 4 minutes, so I apologize to the witnesses, but I think Senator Voinovich is coming back, so he may have another question or two. I may have to recess here briefly if he's not back so that I can make the vote, but I do apologize.

I don't know how it works in cities and States but here we have three committee meetings at the same time, that's what I've had this morning—Judiciary, Armed Services and EPW. So I guess the case in point is don't be on three committees, I guess. I was just notified that I was needed for a quorum down at Judiciary and was supposed to ask questions in another committee, but, anyway, let me say thank you, Mayor Wieczorek, for coming down. I still haven't had a chance to talk to you privately, but maybe I'll get a chance to do that in Manchester when it's not so hectic.

Mayor Wieczorek. Sure, Senator.

Senator SMITH. Mayor Wieczorek, does the designate use review that EPA conducted for Boston, how would that impact you, just briefly?

Mayor Wieczorek. I am certainly aware of the use review that they did conduct in Boston, and a similar review in Manchester really would be critical.

You know, when we're talking about getting to the affordable in point of our CSO program, this is going to be extremely important in having them determine how we're going to get through this. Currently, with the original program that we started, we took out 98 percent of the pollutants in the river with the first phase. With this phase of the CSO, $58 million that we're talking about, we're going to bring it up to 99 percent.

So we certainly need to have them do a review of what we have here so they're all going to be on the same page, and it will be very important, certainly, to the rate payers and to all of us that are impacted by the finances here if they don't do it. It will be a negative impact if we don't have a review.

Senator SMITH. I was particularly impressed with your comment in your statement, Mayor Wieczorek about the balancing that you have to do between the other issues that you face as a Mayor—schools, roads and all of the other things, and I think your point, at least the point that you've made to me over the years, is that when you put these into a priority, that 10 percent that you're trying to achieve to make the river swimmable, which, you know if you jump in at Manchester, in about 5 minutes you'll be in Nashua with the currents. You don't swim there anyway. If you had your choice of priorities, you would rather do the schools, or, perhaps, some other environmental problem—maybe a Superfund site or whatever else might be in your city.

I think that makes sense, and that's one of the reasons why I've crafted this.

I would just say, Mr. Kamppinen, it's a little bit interesting to me that you strongly support receiving a Federal grant for a State SRF program but not for a community. In 30 seconds, why is that?

Mr. KAMPPINEN. The construction grant program, as in the past, that was in the 1970's and 1980's, was very over-managed and bureaucratic. It took sometimes 10 years to get the project through the planning, design and construction stage. We're now doing all three at once. The efficiencies are there, it's State-managed, State-oversight, the environmental reviews are done with design and financing and the communities are taking ownership into the projects as a loan, rather than a free gift.

It helps and it's a subsidy, and seeing the costs are lower, you achieve 100 percent assistance in a cost that you don't incur, and, therefore, if you're building projects cheaper, that in itself is a subsidy. So you can't look at a 40 percent subsidy on a 20-year loan at 2 percent and a 55 percent grant. You have to look at also the savings on the administration.

Senator SMITH. Thank you.

I'm going to have to go. I think what we'll do is recess for a couple of minutes. I think Senator Voinovich is coming back. If the witnesses could just stay for a few moments and let him finish his questions, it should be within minutes.

Thank you, and, Mayor, I'll get a chance to talk to you, hopefully—are you going back to the office?

Mayor Wieczorek. Yes, we're going back to your office and then we're leaving early this afternoon.

Senator SMITH. All right, I'll try to catch up to you at some point before you leave.

Mayor Wieczorek. Thank you very much.

Senator SMITH. I thank all of the witnesses for coming.

[Recess.]

Senator VOINOVICH [assuming Chair.] First of all, I want to say thank you for the testimony. The Chairman was kind of enough to leave it open so that I could ask a couple of questions.

Mayor, I was really impressed with the fact that you had a $300 million problem, and you worked with someone and reduced it to a $60 million problem.

How did that happen?

Mayor Wieczorek. That's only phase I. There's no magic to this.

That was really phase I, and after meeting with our Department of Environmental Services, and the EPA, we were able to work out an accommodation where we did some extra things that they wanted to have done, and we were able to reduce the amount of money that we really had to spend on that first phase.

So the second phase is the one that really would give us a lot of concern because we could be talking more than twice the doubling of phase I, and we've only corrected 1 percent of the problem here with this first phase—the $58 million that we're talking about. We had taken 98 percent of the pollutants out of the river when we built the plant, and, with this first phase, we bring it up to 99 percent.

The second, which would be to bring it up to 100 percent, could be extremely expensive.

Senator VOINOVICH. The question is in terms of the standard you have to meet, is it a reasonable standard when you look at it in terms of being practical in terms of the use. I mean, you were saying, "clean it up so that our folks can go swimming 4 days when

it's raining, which they never do.'' Are the standards that they're asking you to meet unreasonable, and should there be some flexibility there in terms of what the actual problem is and the use?

Mayor Wieczorek. Well, I think that everybody, certainly, is interested in having clean water, clean air and making sure the environment is protected. Yes, I think it's a real test for us, especially in communities where you have all these other items that you have to address—education, public safety. Those are tremendously important items—the infrastructure that we have—and what we're doing is then beginning to compete. We're not able to take care of the problems that we have, and, yet, the Federal Government is going to be mandating things that are going to be a priority and we can't address our other needs.

Senator VOINOVICH. And I understand it because I was a mayor for 10 years.

Mayor Wieczorek. I know you were.

Senator VOINOVICH. But the issue is, for example, the clean up of a brownfield site. What level do you clean up the site when there's various levels that you can reach, and the question I have is are they, the EPA, under the current standards requiring your community to go to something that's a really high level, which, frankly, if you look at it from a perspective that may be way beyond what is required? That's the issue because if you go out, how far do you go?

Mayor Wieczorek. That really is the problem. When I talk about spending $58 million and improving it by 1 percent, that certainly isn't cost-effective. Do we want to make sure that it's clean? Sure, we do, but it's pretty expensive to take care of that minor part. So I would hope that there would be more sensitivity to allow us to deal with these problems.

Senator VOINOVICH. I would be interested if the person who's doing this for the city could get back to me in terms of what standard are you being asked to reach, and does that individual that's responsible feel that that's a reasonable standard, or will there be a lower standard that would get the job done, and, at the same time, unburden you with these costs that you're going to have in the future to get to, say, zero percent?

Would you do that for me?

Mayor Wieczorek. I will have our Public Works Director get in contact with your office and let you know precisely what that is.

Senator VOINOVICH. The question that I'm going to ask, and it's to Mr. Kamppinen.

Mr. KAMPPINEN. Yes.

Senator VOINOVICH. Forgive me for asking this question because it's heavy on my mind. We're in a situation now where we're trying to balance the budget without using Social Security and without raising taxes, and the issue is what responsibility do we have and what responsibilities do the locals have and what responsibilities do the State have?

Now, I know your Governor quite well, and I know that you have a terrific rainy day fund—big, big surpluses in Michigan and he's reduced taxes, and so on. We're concerned about people paying rates and the point I'm making is that they're all the same taxpayers, and they either pay rates on the local level for their sewer

and water or they pay for it by sending their money to Washington and then Washington sending it back to the local community. I would be interested to know just how much participation do you get from the State of Michigan in terms of dealing with your problems?

Mr. KAMPPINEN. Our program is well-supported by the State. We are providing general fund appropriations for our required 20 percent State match. The voters in the State of Michigan, as I said earlier, have passed a $600 million bond issue for the environment, of which $50 million is for grants for non-point source and for some other areas, such as brownfield developments and water quality improvements.

So we have a lot of support in the State of Michigan for water quality, and, yet, the end result is the rate payer—how much is a water quality improvement project going to cost per month? The point I wanted to make earlier is in a loan program don't just look at a loan subsidy, say, over a 20-year period that's a 40 percent subsidy from market rates, but there's also efficiency in time. We've cut in half the time that it takes to get a project under construction. That time is money saved, and you don't lose it to inflation. Our projects are coming in, they're working and they're less expensive projects because we're looking at them very critically, and a dollar saved on a project that is not needed whether it gets a grant or not is a 100 percent savings.

Senator VOINOVICH. Right, and I understand——

Mr. KAMPPINEN. But we are supporting the environmental program very extensively in Michigan.

Senator VOINOVICH. I think from your testimony, though, you were saying that the $3 billion—my bill provides $3 billion per year over 5 years, and your suggestion was it ought to be $5 billion, and I can tell you that that's an enormous sum of money for us to be putting out when we have all of these other competing interests that we're getting into.

I guess what I'm saying is that a lot of local government officials don't look at the big picture, and when the Federal Government gets off into school construction, 100,000 teachers and education is a big deal, but the issue is whose responsibility is it? If it's competing between the States' responsibility and education and the Federal Government getting involved in it, and, at the same time, then using that money that could be used to fund the issue you're talking about today, you can't do it all.

We have a situation where we are $5.7 trillion in debt, 14 cents out of every dollar that we spend in the Federal Government goes for interest payments. Actually, we've been borrowing money from our people and from the Social Security pension funds to pay for a lot of programs in this country for a long time, but we just aren't paying for them.

So the point I'm making is there's a time when we need to really sit down and talk about what are our priorities and what are our respective responsibilities.

One of the things that I would be very interested in would be—you gentlemen represent different organizations—I would really be interested in what's the number that we would have to put in for the next X number of years on a regular basis that would put us

in a position where we could deal responsibly with the, quote, "Federal share," of meeting the mandates from the various—let's say, the Clean Water Act that we have and where are we going on that. That's just like what we did with—I lobbied very hard to get all of the money that we pay in gas tax to be used for highway construction. There was a trust fund to be used for it, and the thing that was important about that legislation is that it guarantees that each year you're going to get the same amount of money. One thing that's very important is that there's some consistency there that you can rely upon. One year it's not up, and the next year it's down, and so on.

So, the issue is how much should that be, and then also taking into consideration your—I really enjoyed your testimony, Mr. Dorfman—the capacity of the industry to handle it. Right now—and I'm amazed that your projects are coming in below costs. Almost all the projects I know in the public area today are coming in way above projected costs because there's so much competition for those dollars because there's so much construction going on today.

These are long-term issues that I think need to be worked out, and, again, I would interested in any of your commenting on that.

Mr. KAMPPINEN. I don't have a magic number in terms of—you know, there's no formula or anything that comes out whether it should be $3 billion, $4 billion or $5 billion. I think the need in the Need Survey and the gap analysis and the additional information on non-point source, and watershed and storm water is going to show that the infrastructure needs are greater. I face the same situation as you, except yours is much more magnified and broader in that I have projects on our priority list for next year totaling $350 million, which could consume as much as 25 percent of the entire Senate Appropriation committee budget for the SRF nationwide.

So we do have to set priorities—you're correct.

Senator VOINOVICH. Well, again, we would like to have some of your thoughts on it.

Yes, Mr. Dorfman?

Mr. DORFMAN. Thank you, Senator.

First, to preface, to say that in my anxiety to beat the red light I forgot to even add that we support this bill, the Association does, and I wanted to be sure it was on the record.

To address your question regarding capacity, there is no doubt in my mind from my years in construction that throughout the country NUCA—and I don't mean the capacity of NUCA contractors because we're a small organization, but there's tens of thousands of contractors throughout the country, and there are suppliers, equipment dealers and manufacturers that can address the issues, if the funds are available—no question in my mind for that. The new technology of doing this and making the pipe and digging the trenches and so forth is there.

Senator VOINOVICH. Thank you.

Would anyone else like to comment on anything before we rap it up?

Mayor Wieczorek. Senator?

Senator VOINOVICH. Yes?

Mayor Wieczorek. Just one thing, I talked to the Public Works Director while other people were commenting, and he stated that the EPA has been difficult in the standards that have been established to deal with, and we did reach an impasse, and that's the reason we had to go to a second phase. They want zero discharges, and, for us to take out one-tenth of 1 percent of the CSOs would cost another $39 million.

Senator VOINOVICH. That may mean that we have to look at that and have some kind of discretion available to deal with it. When they come into see you, they don't know you have public buildings, and you're recreation, and you've got schools and all the rest of it to take care of. So they just say, "Well, you take care of this and they don't care about your other responsibilities."

Mayor Wieczorek. You're absolutely right, and this is what we deal with on a regular basis.

Senator VOINOVICH. The other comment I would like to make is that Senator Smith's bill—the issue of grants or loans? Anybody want to comment on that?

Mayor Wieczorek. Well, certainly, a grant is a welcomed thing. It certainly gives us a moral boost, if we were to get it. I'm concerned that with all the moneys that we have to pay back, what we're doing is mortgaging our children's children's future, and, instead of leaving them with something that is better than what we have, we're going to leave them with something that is worse.

That's a major concern of mine, and I think that if the Federal Government is going to be mandating all of these things that communities have to do, as you stated, we have all these competing interests with schools, public safety, infrastructure, it's very hard to be dealing with all of those situations and still take care of the highest priorities in our communities. It makes it extremely difficult.

Senator VOINOVICH. Any other comments?

Mr. DORFMAN. Well, I want to address the grants issue from the contractors standpoint, and in my years of constructing I've found that—and I don't know the reason for this because I'm almost the end-user of the money in bidding the project—but it seemed like when the SRF came into effect in 1987, if that was the year, projects seem to move forward quickly. You would hear about a project that was coming out for a particular city, and it seemed like it was there to bid sooner. I don't know the reason for that, but I think the important thing is your bill, the SRF first, and then address the grants.

Senator VOINOVICH. Mr. Vergara?

Mr. KAMPPINEN. The Association does not object—in fact, we support additional assistance to hardship communities. In some cases, the SRF is not adequate, and in hardship cases we do feel some subsidy is necessary.

Senator VOINOVICH. Mr. Vergara, were you here when I was commenting to your Senator about the proposed bill?

Mr. VERGARA. As it relates to the Western——

Senator VOINOVICH. Yes, I thought he made a very good point, and I hadn't really thought about it, but one of the things about being a former Governor, there's enormous competition between States, and water is very important. Your State is being overrun

with people coming in, and, if you can't provide the water, it will slow down the number of people coming into your State.

The issue is what's the Federal Government's responsibility to deal with that problem, and, in all due respect to your State, you have no State income tax and I think that from the Federal Government's point of view, at least from a real preventional point of view, as a former Governor of Ohio, I'm not real anxious to have the people in my State pay Federal tax dollars so that we can build water facilities in Florida, which we don't need because we have Lake Erie. I mean, that's just real simple, and that means that if we didn't do it, then that means that development in Florida would slow down a little bit.

It's an interesting thing when you look at all these issues. They do deal with competitiveness, and, also, I think from your own point of view, in terms of growth, has anybody really sat down and looked at—I haven't talked to but would love to talk to Jeb Bush about it—but has anybody looked at the growth of the State and just how much more can you do? Your water tails in some places are in jeopardy, and so on, and somebody ought to sit down and say, we want to have a great State and we don't want to get so overrun that our infrastructure problems just bog us down and we kind of come to a standstill.

Mr. VERGARA. Senator, if I might, thank you very much.

That issue is a major public policy decision or discussion that's underway in the State today, and I'll give you an example of a situation that I promised the folks behind me that I wouldn't talk about, but there's a county in Florida that decided at one point that they didn't want this growth that was happening throughout the State. They decided that if they didn't build the infrastructure, if they didn't support the construction of it, then it wouldn't happen and they would enjoy this relatively comfortable state that they felt that they were in.

They were incredibly wrong. Growth came anyway, and the State, I think, is going to be subjected to that continuing influx of people anyway. So we, I think, those of us in government and those of you who are in elected positions, it's so important to simply acknowledge that fact. We've got to be able to accommodate. There's not much we can do about it that I've been able to figure out.

Senator VOINOVICH. What you could do is when people come, they know they're going to have to pay for it.

Mr. VERGARA. That's true.

Senator VOINOVICH. I mean, it's the same thing with schools. You've got a real education challenge in your State, and part of the problem is you've got a lot of snow people, snow birds that are there, and they become residents and may not be as supportive of that kind of thing, as they ought to be.

So I think they may be coming, but if the word goes out that if you come, you're going to have to pay for these things, some of them may not come.

Mr. VERGARA. Senator, perhaps we should go back to the earliest years when the funds were being made available by the Federal Government to the Western States in order to develop them, and try to explain to them out West that if you're going to go out there, we think you should pay for those programs out there.

I don't think that those Western States would be where they are today without that Federal assistance, and what we're experiencing is the reality that the issues that were addressed out there, and surely were justified and continue to need to be addressed today. But there are new issues now that are just as legitimate, and, on some sort of equitable basis, we feel that it is justified that they be addressed in the Eastern part of the United States today.

Senator VOINOVICH. Well, sorry to bring up all these bigger picture things, but, as I said, this whole budget thing is weighing upon me, and I know one thing, that we can't keep doing everything that we're doing today and not just end up in a hole. Maybe you're worried about the legacy, but I'm worried about my children's and grandchildren's legacy.

We have a covenant in Social Security and Medicare that unless we get that under control we're not going to be able to provide for that in 10 to 15 years, and we're going to have a problem in this country that's unbelievable—a battle between the older people and the younger people.

We've got lots of problems, and we're all partners in it. The real challenge is how do we shift out our perspective responsibilities, and, I agree that the Federal Government does have a role to play. The issue is what is the role to play, how much of it should we play and then how much should we ask our partners in State and local Government to play?

Thanks very much for being here today. We appreciate it, I and look forward to, hopefully, when we're moving this along, I can call on you for some support in terms of sending some letters and phone calls and all the other stuff that we need.

Thank you.

[Whereupon, at 12:06 p.m., the committee was adjourned, to reconvene at the call of the Chair.]

[Additional statements submitted for the record follow:]

STATEMENT OF HON. CONNIE MACK, U.S. SENATOR FROM THE STATE OF FLORIDA

Mr. Chairman, Ranking Member Baucus, and members of the committee, I appreciate the opportunity to submit a written statement regarding S. 968, the Alternative Water Sources Act of 1999. Senator Graham and I, along with Senators Lincoln, Robb, and Cleland introduced this bill to assist in the development of alternative water source projects to meet projected residential, industrial, agricultural, and environmental water supply needs.

During the last decade, many areas of the country have experienced unprecedented population growth. Future projections of population growth indicate additional strain on already diminishing supplies of water. My home State of Florida is facing a 40 percent increase in its population by the year 2025. At that time, it is estimated that over 20 million people will live in Florida. Countless others will visit its beautiful beaches, play at its amusement parks, and experience its vast ecosystems, assuming, of course, that we have the water infrastructure to sustain this number of people.

Currently, water level declines in some areas of the Florida Aquifer reach 150 feet due to municipal, industrial, and agriculture pumping. Aquifers in the southeast and southwest coastal areas have experienced saltwater intrusion, and wetlands and lake levels have been lowered due to increased urbanization resulting in increased water usage. In Florida, an orderly program of Federal assistance would enable local, regional and State planners to leverage their resources and speed the development of critically needed alternative water supply projects throughout the State.

S. 968 would establish a Federal matching grants program to assist in the development of alternative water source projects to meet projected residential, industrial, agricultural, and environmental water supply needs. Assistance will be provided to

States or regions that have identified a long-term water supply need as part of a comprehensive, long range water resource management plan.

Seventy-five million dollars per year for 5 years would be authorized for alternative water source projects. While some may concerned about authorizing additional Federal money at a time when Congress is exercising fiscal restraint, I must point out that this authorization would validate the several grants the Congress has already made on an ad-hoc basis primarily through the VA-HUD appropriations bill. In addition, this program would help identify deserving projects for funding and would recognize States that have undertaken critical, long-range assessments of their water supply needs.

This legislation is pro-environment and essential for continued economic growth in this country. Nothing is more important that having available and usable water. I appreciate the time and attention paid to this issue by this committee.

STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

Mr. Chairman, as the only member of the Environment and Public Works Committee who can claim State interest in the Tennessee Valley Authority (TVA), I am pleased to support Ms. Skila Harris and Mayor Glenn McCullough to the TVA Board of Directors.

TVA's importance to Virginia is unmistakable. Fifteen counties in Southwestern Virginia make up a large portion of the Tennessee River Watershed. Virginia is the home to the headwaters of five tributaries of the Tennessee River. These include the Powell River, Clinch River, North Folk Holston, South Fork Holston and Beaver Creek.

The first dam that TVA ever built, Norris Dam, continues to provide flood control and recreation opportunities in Southwestern Virginia. Both the Clear Creek and Beaver Creek Dams are located in Washington County, Virginia. Although neither produces hydropower, they are vital to the community for both flood control and recreation.

TVA continues to serve Powell Valley Electric Cooperative with wholesale power. Over 7000 consumers enjoy affordable rates throughout Lee and Scott counties.

In short, TVA is an important and valued presence in Virginia, hence my interest in assuring quality men and women fill its Board of Directors.

I am confident that Ms. Harris and Mayor McCullough will fight to assure that Virginians as well as the 8 million customers being serviced by TVA will continue to receive quality service at affordable rates. I am pleased to support their nominations.

Thank you, Mr. Chairman.

STATEMENT OF HON. CHARLES S. ROBB, U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

I want to thank the committee for conducting a hearing on these important issues today.

For years problems of water development and water supply were largely limited to the western States. We in the east heard about water wars but didn't experience them. That situation is changing. As the Virginia's population continues to grow, we are beginning to see real opposition to the development of new water supplies that infringe on open space, or tap already stretched reserves.

The Potomac River, the source of water for the Nation's Capitol and the surrounding area, came very close to reaching the limits of withdrawal during the summer's drought. New requests for drawing water from the River are likely to be met with resistance from current users as well as environmental and conservation groups. In Manassas, Virginia, we are already seeing the use of alternative water supplies. Over 1 million gallons per day of safe clean drinking water are developed from an unlikely source, wastewater.

In Virginia's lower peninsula a 12 year effort to develop a new source of water has been delayed by questions concerning the environmental impacts of building a reservoir, as well as the impact that reservoir will have on tribal properties. In this case both sides have serious concerns, and reaching a solution has proven elusive. Pitting environmental and cultural concerns against a community that needs water is a no win situation. Unless we find alternative water supplies more and more communities will be faced with real water shortages as opposition to the traditional methods of supplying water increase.

Of course communities have to conserve water; that goes without saying. And I believe a new ethic in water conservation is taking hold. But that is not enough. We need to encourage new methods, new ideas, and new technologies. I encourage you to act on S. 968 in the near future, many locations have not had to face shortages yet, so this is the time to start solving the problem. I encourage you to act on this legislation with deliberate speed, so that we gain the necessary knowledge and experience to develop alternatives as the need arises.

I also want to express my support for S. 914. Combined sewers remain a serious environmental and financial problem for older communities. In Virginia, Richmond and Lynchburg will face bankruptcy without assistance on repairing, and rebuilding these systems. We need a systematic approach to the problem of replacing combined sewers, one that allows cities to plan for the lengthy construction schedules that these projects require, and be assured that funding will be available to complete them. S. 914 provides that structure, and I am pleased to be able to cosponsor and voice support for that bill.

I want to thank the committee members for their leadership, offer my support, and say I look forward to working with you on moving this legislation forward.

STATEMENT OF HON. OLYMPIA J. SNOWE, U.S. SENATOR FROM THE STATE OF MAINE

Thank you, Senator Chafee, for holding a hearing today on a substitute amendment to S. 914, the Smith-Snowe Combined Sewer Overflow Control and Partnership Act of 1999. The bill's bipartisan sponsors believe that this substitute bill will benefit not only the environment but the ratepayers in CSO communities in your New England State and mine, and in other areas of the country. The problem of CSOs has been a long standing issue, for which I cosponsored similar legislation in the House back in the 102d Congress. We all must realize that the problem is obviously not going to go away, but is becoming an increasingly bigger financial burden for our communities every day. Combined sewer overflows are by far the single largest public works project in the history of almost every CSO community.

Eleven States in the two geographic areas of New England and the Great Lakes account for 85 percent of the water-quality problems attributed to CSOs nationwide, where sewer lines and stormwater collection systems were first constructed in the 1800's and early 1900's. Typically, sewer lines designed to carry raw sewage from urban residential areas and business were laid first. These were followed by stormwater drainage systems designed to collect rainwater during storms to reduce or eliminate urban flooding. In many cases, sewer lines and stormwater conduits were connected into a combined sewer, which served as a single collection system to transport both the sewage and stormwater.

CSOs are the last remaining discharges from a point, or known, source of untreated or partially treated sewage into the nation's waters. Sewer overflow problems arise mainly during wet weather, causing an overload of the systems, and the untreated or partially treated waste water discharges through combined sewer overflow outfalls into receiving waters such as rivers, lakes, estuaries and bays. Recently, the torrential rains from Hurricane Floyd greatly compounded these overflow problems in CSO communities with devastating effects, especially in some of the Mid-Atlantic States, but impacting some of my communities and yours as well. If enacted, our bill will eliminate or appropriately control CSO discharges in this country by the year 2010.

Presently, over 43 million people in the U.S. are incurring the high costs of trying to overcome the problem of combined sewer overflows because of the lack of Federal statute and funding to meet Federal sewage treatment mandates for these CSO communities. When the Maine Municipal Association members met with me this past spring, they informed me of communities where people are facing paying more in sewer rates than they will owe in property taxes. This, to me, is unacceptable, especially when considering our senior citizens who live on fixed incomes. This legislation will help ratepayers in at least 53 communities throughout the State of Maine and in over 1,000 other communities around the country.

The purpose of the Smith-Snowe Combined Sewer Overflow Control and Partnership Act, originally introduced on April 29, 1999, is to facilitate and accelerate implementation of CSO controls nationwide. For at least the past 3 years, CSO communities in Maine have told me that legislation is necessary to advance the implementation of CSO controls in the U.S. if we are to fulfill the promise of truly cleaning up bodies of waters for all Americans to make them "fishable and swimmable" under the Federal Pollution Control Act, better known as the Clean Water Act (CWA).

This can only happen if the 1994 CSO Policy developed by the Environmental Protection Agency (EPA) is fully and properly implemented so that CSO communities are able to cost-effectively comply with the CWA and ensure that public moneys will be properly spent on appropriate CSO controls. Given the extreme burden that the Federal CSO control mandate imposes on CSO communities nationwide, Federal funding assistance is both necessary and appropriate. EPA has actually estimated that the control of CSOs in this country is at least a $50 billion problem with municipal stakeholders estimating at least twice that amount.

I would like to submit for the hearing record endorsements for the Smith-Snowe CSO legislation from the Maine communities of Lincoln, Bangor, and Orono, who join communities, such as Portland, Augusta, Auburn, Lewiston, and South Portland, in support for CSO legislation. Mr. Chairman, I urge the committee to mark up the CSO substitute to S. 914 as soon as possible and to pass the bill out of committee so that it may be considered by the entire Senate. The bill being considered by the House is essentially the same. Passage will go a long way toward helping to alleviate the immense financial pressure and uncertainty amongst all ratepayers of our CSO communities, and to help us fulfill the promise of truly cleaning up our rivers, our lakes, our bays, and our estuaries all over the country. I thank the Chair.

TOWN OF ORONO, ME,
October 4, 1999.

The HONORABLE OLYMPIA J. SNOWE,
U.S. Senate,
Russell Senate Office Building,
Washington, DC 20510

RE: CO-SPONSORSHIP OF S. 914—THE CSO CONTROL PARTNERSHIP ACT OF 1999

DEAR SENATOR SNOWE: I am writing on behalf of the Town of Orono to request your continued support of S. 914, the CSO Control and Partnership Act of 1999. It addresses several critical regulators and financial issues associated with EPA's National Combined Sewer Overflow Control Policy. The bill was introduced on behalf of the CSO Partnership, a national association of CSO communities.

As you know, Orono is a small community of 10,500 residents that swells to over 20,000 when the University of Maine is in session Orono's secondary wastewater treatment plant has a dry weather daily average flow of about 800,000 gallons per day. When it rains or during "ice out," the flow can increase to over 4 million gallons par day. During 1998 seven CSO events occurred: a total of 6,950,000 gallons of untreated wastewater flowed into the Penobscot River. To date in 1999, due partly to the recent hurricanes, 10 C!(1 events have occurred resulting in 5,230,000 gallons of overflow.

The sewer system is funded exclusively by user fees. There are 1329 rate payers which includes the University of Maine as the largest single user. Since 1997 Orono has spent over $1 million dollars on settler maintenance and CSO abatement projects with only $18,000 of State of Maine DEP assistance. Currently, principal and interest payments and sewer maintenance related work represent 04 percent of our annual budget. This figure will soon rise to over 35 percent when a $1.4 million 2-year project begins in the year 2000. We have additional CSO projects estimated to cost $1.7 million. Our total anticipated CSO abatement work therefore, is estimated to be $4.1 million. Our goal is to eliminate CSO events in the future. With such a small number of ratepayers, the burden of undertaking such an ambitious CSO abatement program will be heavy indeed for the individual user. It would seem that S. 914 would lesson this burden while addressing a problem which impacts the entire community of Orono. We believe the funding within S. 914 can make a difference in Orono and hope for successful passage.

Thank you for your co-sponsorship on this important issue. Please call on us for any future support.

Yours sincerely,

PAUL F. WINTLE, *Superintendent,*
Orono Water Pollution Control Facility.

LINCOLN SANITARY DISTRICT,
P.O. Box 66, Haynes Street, Lincoln, ME 04457,
September 28, 1999.

Senator Olympia I. Snowe,
Russell Senate Office Building,
Washington, DC 20510.

DEAR SENATOR SNOWE: I am writing in support of H.R. 828/S. 914 "Combined Sewer Overflow Control and Partnership Act of 1999". We have worked diligently over the past 15 years to reduce our CSO events. We have separated storm drains; removed roof leaders and cedar drains from the sanitary sewer; replaced vented manhole covers win solid covers to reduce inflow; completed an inflow and infiltration study; implemented the nine minimum controls; developed and began implementing long-term CSO controls.

The Lincoln Sanitary District has undertaken a $2.36535 million dollar project to convey and treat combined sewer overflows in order to comply with an EPA Administrative Order. The financial strain of this project together with the $173,691.46 recently spent for the inflow and infiltration study has and will limit our ability to address other infrastructure needs of the district for some time to come. (We service a small community of 5724 people with user base of about 1100 accounts.) The cost to address the CSO issue is overwhelming. There is a critical need for Federal assistance given the high costs associated with CSO abatement and the fact that the wastewatcr treatment facilities constructed in the 1970's and 1980's are coming to the end of their design life. Communities will not have the financial means to upgrade these older wastewater treatment plants and deal with CSO abatement too. My greatest fear over the next 10 years is that the Lincoln Sanitary District will not have the funds to make major repairs to its 1981 wastewater treatment plant should they be needed because of CSO abatement costs we are incurring.

I encourage the 106th Congress to support H.R. 828/S. 914. This legislation will move clean water efforts forward while providing some relief from the financial burden of CSO abatement.

Sincerely,

DAROLD WOOLEY, *Superintendent,*

CITY OF BANGOR, ME,
October 5, 1999.

The HONORABLE JOHN CHAFEE,
U.S. Senate,
Committee on Environment and Public Works,
Washington, DC 20510–6175.

DEAR SENATOR CHAFEE AND COMMITTEE MEMBERS: I am writing on behalf of the City of Bangor, Mane to offer testimony in strong support of S. 914, the Combined Sewer Overflow and Partnership Act of 1999.

Bangor is a City of 33,000 located in East Central Maine which has been very actively involved in Combined Sewer Overflow Control since 1987. Our Assistant City Engineer, John L. Murphy, PE represents the City in numerous CSO organizations and entities, including the State of Maine Wet Weather Water Quality Standards Committee, the CSO Partnership, the EPA Urban Wet Weather Flows Federal Advisory Committee, and EPA's Invited Experts Panel addressing issues related to the National Combined Server Overflow Control Policy.

In 1996, Bangor's commitment and expertise relating to Combined Sewer Overflow Control was recognized by receipt of the United States Environmental Protection Agency's National First Place Award for Combined Sewer Overflow Program Excellence.

Wbile we are strongly committed to Combined Sewer Overflow Control, the local burden has been tremendous.

Over the past 12 years, Bangor has expended approximately $50 million of mostly local dollars to upgrade its wastewater treatment plant to control combined sewer overflows An additional $25 million expenditure is projected over the next 10 years to complete the City's CSO control program. This $75 million expenditure is the largest public works expenditure in the Cities history by a large margin.

Currently, Bangor is in debt $32,112,03S for wastewater collection and treatment projects that the City has undertaken since 1987.

In addition to this huge capital expenditure, $25 million is estimated {OT interest costs Ad fees for money borrowed from the State Revolving Loan Fund (SRF). Interest costs do not directly provide environmental protection or improvement,

The financial impact of CSO control falls squarely on the shoulders of Bangor's citizens. Our sewer rates have increased nearly 400 percent in a 10-year period, and our CSO program is only about two-thirds complete. Upon completion of the program, the average cost for each sewer ratepayer will be approximately $10,500. These impacts are typical of CSO communities. nationwide.

S. 914 specifically addresses three CSO control issues that are extremely important to Bangor as well as to other CSO communities. These issues are CONFORMANCE, COST-EFFECTIVENESS, and COST.

CONFORMANCE—S. 914 will require that all CSO Control Programs nationwide CONFORM to the National CSO Control Policy of 1994. Today, there is an inconsistency in application of the policy. Bangor is doing its part and would appreciate universal application of the policy by each EPA Regional Office and by each CSO Community. S. 914 will provide this CONFORMANCE.

COST-EFFECTIVENESS—Local CSO Control Programs must have a balance of being both COST-EFFECTIVE and environmentally effective. This balance is not possible unless there is a reasonable procedure to make the designated uses of the waterbody compatible with the uses that can actually be attained during wet weather. considering the site-specific wet weather impacts of CSOs.

S. 914 will require development of a guidance document that will facilitate and promote water quality reviews. This will insure that CSO control is no more extensive or expensive that necessary to protect the current attainable uses of the receiving waters. S. 914 will assure that CSO control programs are COST-EFFECTIVE.

COST—CSO Control is enormously expensive. Approximately two-thirds of CSO Communities are small communities that do not have the resources to undertake even the planning required by the CSO Control Policy. For those communities, Federal Grant Assistance is required to fund most of their CSO control program. For other communities such as Bangor, Federal Grant Assistance is necessary to continue their CSO Control Program while keeping server rates within the range of reasonable affordability. S. 914 will provide Federal Grant Assistance to help local communities deal With the COST of Combined Sewer Overflow Control.

Favorable consideration S. 914 is crucial if progress on Combined Severer Overflow control is to be maintained.

On behalf of the City of Bangor and nearly 1000 other CSO Communities nationwide, we respectfully request your support of S. 914 The Combined Sewer Overflow Control and Partnership Act of 1999.

Respectfully Submitted,

JAMES D. RING, *PE City Engineer And Director of Public Services.*

ASSOCIATED BUILDERS AND CONTRACTORS
Rosslyn, VA, October 6, 1999.

The HONORABLE JOHN CHAFEE, *Chairman,*
Senate Environment and Public Works Committee
U.S. Senate
Washington, DC 20510

DEAR CHAIRMAN CHAFEE: On behalf of Associated Builders and Contractors (ABC) and its more than 21,000 contractors, subcontractors, material suppliers, and related firms across the country I would like to express our support for reauthorization and adequate funding for the Clean Water State Revolving Fund (SRF) and respectfully submit the following comments for the hearing of the Clean Water Infrastructure and Wet Weather Flows hearing on October 7, for the record.

The costs of insufficient attention to the clean water issues are indisputable. Non point source pollution, leaking toxins, stormwater runoff, and coastal pollution pose grave risks to water quality. Our nation's water quality and "environmental" infrastructure could not be more vital to our health, safety and overall quality of life. Congress passed the first Clean Water Act in 1972, which linked the Federal Government with States and cities to clean up the country's water by funding projects relating to water supply and wastewater treatment.

Under the Clean Water SRF, EPA provides capitalization grants, or "seed" money, for States to create infrastructure loan funds. States combine the capitalization grants with 20 percent matching grants, leveraging, and interest payments to offer low-interest loans to municipalities for wastewater infrastructure as well as nonpoint source and estuary projects. As loans are repaid, States "revolve" them and make new loans.

A primary goal of the Clean Water SRF program is to provide States with increased flexibility in running their programs, including prioritizing and choosing the best projects to improve water quality. Expanding loan eligibility further enhances

State flexibility beyond providing loans to the wastewater infrastructure, non-point source and estuary projects. Enhancing State flexibility would help States better address their changing infrastructure needs.

However, ABC would like to note that the Federal Davis Bacon Act adds 5–39 percent to the costs of construction. We strongly urge Congress to refrain from imposing this burden on SRF construction projects. Nineteen States recognize the waste associated with Federal restrictions like Davis-Bacon and have chosen not to have similar State restrictions. Any new extensions of Davis-Bacon on SRF will act as an "unfunded mandate" on those States, by forcing them to spend money toward complying with an outdated Federal labor law that results in inflated costs.

Local residents should have the flexibility to work on local construction projects to meet neighborhood needs. Yet projects under a Federal mandate with Davis-Bacon cannot use local "helpers" to work on the infrastructure projects. These are valuable entry-level jobs for low-skilled workers who want job access and experience by working under the direct supervision of higher skilled journey-level workers. In today's changing welfare-to-work environment, and with the importance of revitalizing disadvantaged communities, it is critical that the Federal Government not hinder State and local efforts to provide entry-level jobs. Inserting the Federal Government bureaucracy into the local construction process will limit job opportunities for many low-skilled minorities, at-risk youth, and displaced workers who would otherwise have a chance to gain experience as a helper on a project in their own neighborhood.

ABC supports adequate funding for keeping America's water clean. However, any expansion of Davis-Bacon to revolving funds and/or grants is unnecessary and would be an unprecedented expansion of Davis-Bacon to the bill (Federal Davis-Bacon restrictions were never intended to apply to State funds). ABC is strongly opposed to this effort and any similar expansion of Davis-Bacon to local construction activity.

Sincerely,

SHANE DOWNEY, *Washington Representative.*

STATEMENT OF J. CHARLES FOX, ASSISTANT ADMINISTRATOR FOR WATER, U.S. ENVIRONMENTAL PROTECTION AGENCY

Introductory Remarks

Good morning, Mr. Chairman and members of the committee. I am Chuck Fox, Assistant Administrator for Water at the U.S. Environmental Protection Agency (EPA). I welcome this opportunity to discuss the Nation's investment in facilities to reduce water pollution and protect the environment and human health. I will also comment on several legislative proposals addressing clean water infrastructure.

Looking back over the past quarter century, we can all be proud of our stewardship of Federal water infrastructure resources and of the environmental benefits that this investment has provided. Today, the Nation's sewage treatment facilities remove about 7.5 million metric tons—that is over 16 billion pounds—of oxygen-depleting chemicals from wastewater each year.

We at EPA look forward to working with you and State and local governments in shepherding a range of important financial assistance programs and initiatives—including the Clean Water State Revolving Funds (SRFs)—into the twenty-first century.

CLEAN WATER STATE REVOLVING FUNDS

A National Pollution Control Success Story

For much of the last century the Nation's basic wastewater facilities were constructed primarily through local initiative, and at local expense. Federal financial assistance for the construction of wastewater infrastructure began during the 1950's and 1960's and increased dramatically with the enactment of the 1972 Clean Water Act (CWA). Since 1972, EPA has contributed almost $70 billion to wastewater infrastructure programs through the CWA construction grants program, the Clean Water SRF program, and other financial assistance programs.

Two basic statistics document this success [see Chart 1]. First, the number of people served by secondary or advanced wastewater treatment doubled between 1972, when the CWA was first authorized, and 1996, rising from about 85 million to 173 million. Second, during that same time, pollutant loads from municipal treatment facilities have fallen about 40 percent. This environmental improvement is significant, especially in view of the 30 percent increase in population over the same period.

Our investment in the Nation's water quality infrastructure has a positive influence on society—economically, socially, and environmentally. The quality-of-life improvements made possible by our investment in wastewater infrastructure are enormous. Besides the obvious health benefits of eliminating the discharge of raw sewage into water bodies, Federal infrastructure programs contribute to the protection of ecosystems and watersheds, and improve habitats for wildlife, birds, and fish.

The economic and social benefits of water infrastructure projects can be seen in cities such as Boston, Cleveland, St. Petersburg, and Baltimore. In each of these communities, cleaning up the water has resulted in more aesthetically pleasing waterfronts, as well as economically vibrant, water-focused urban environments. Improving a community's water infrastructure can lead to increased tourism, as well as greater attractiveness to industry and other potential investors.

EPA estimates that at the national level every billion dollars invested in these waste water infrastructure projects generates between 16,000 to 22,000 jobs in construction and related activities. The 1999 investment from the Clean Water SRF of close to $3 billion in new loans will thus result in between 48,000 and 66,000 jobs nationally.

In short, this dramatic improvement in sewage treatment over the past quarter century is a national success story and a compelling example of the environmental and economic good that can come from cooperative efforts of Federal, State, and local governments.

Clean Water State Revolving Loan Fund—A Sound Concept

Over 10 years ago, Congress amended the Clean Water Act to create the Clean Water SRF program to replace the wastewater construction grants program. The SRF program was designed to provide a national financial resource for clean water infrastructure to help implement the Clean Water Act that would be managed by States and would provide funding in perpetuity. These important goals have been met.

Under the SRF program, EPA makes grants to States to capitalize their Estate revolving loan funds." States provide a 20 percent match to the Federal capitalization payment. Local governments get loans for up to 100 percent of the project costs at below market rates. After completion of the project, the community repays the loan and these loan repayments are used to make new loans on a perpetual basis.

Because of the revolving nature of the funds, funds invested in the SRFs provide about four times the purchasing power over 20 years compared to what would occur if the funds were distributed as grants [see Chart II/A].

In addition, low interest SRF loans provide local communities with dramatic savings compared to loans with higher, market interest rates. An SRF loan at the interest rate of 3 percent has the same value to a community as a grant for 20 percent of project costs because of interest savings over 20 years (assuming an alternative market rate of 5.6 percent). If the State chooses to offer a zero interest loan, the loan would be equivalent to a grant for 40 percent of project costs [see Chart II/B].

More than $16 billion in Federal capitalization grant funds have been made available through fiscal year 1999. With the addition of the State match, bond proceeds, and loan repayments, the total assets of the: SRFs (i.e. funds in the Banks) were more than $30 billion as of June 30, 1999. We expect the States to make about $3 billion in loans in 1999, for a cumulative loan total of $26 billion (i.e. total loans made by the Bank) See Chart III. Since 1988, States have made over 8,000 individual loans.

National Clean Water Infrastructure Needs

EPA works with States to develop a Wean Water Needs Survey" to identify needed clean water infrastructure investments in each State eligible for SRF funding. Besides providing a gauge of current and future needs, the Needs Surveys provide a common reference point for all parties in planning for capital spending and in making other management decisions. EPA's latest Needs Survey was completed in 1996 and the next Needs Survey is scheduled to be released in February 2002.

The 1996 survey estimated wastewater needs of $128 billion, including $26.5 billion for secondary treatment projects, $17.5 billion for advanced treatment, and $73.4 billion for various types of sewage conveyance projects, including collectors, interceptors, combined sewers, and storm water. Because some of these capital costs are documented by 10-year project plans and specifications, they generally reflect needs for facilities for 10 years into the future. Most facilities are designed for a 20-year useful life.

The 1996 Needs Survey estimated $10.3 billion in the replacement / rehabilitation and inflow infiltration categories. EPA is working with States and others to frame

a comprehensive program to address sanitary sewer overflows (SSOs) and we are undertaking an effort to model SSO costs. EPA's preliminary model considers costs incurred in addressing SSOs by 60 communities that have completed planning and design work.

Our preliminary estimate for SSO costs is approximately $81.9 billion. Although we believe that the Needs Survey substantially underestimates SSO costs, we are not sure of the magnitude of the overlap of the two estimates.

Because the next Needs Survey is more than a year away and the program is evolving in areas such as SSOs, we have commenced effort to refine needs estimates and to approximate the Funding gap" for wastewater infrastructure.

We are aware of other estimates concerning the costs of wastewater. For example, the recent estimate for The Cost of Cleans issued by the Association of Metropolitan Sewerage Agencies and the Water Environment Federation is about $330 billion for wastewater costs. In basic terms, these cost assessments tend to differ primarily because the basis for costs differ. For example, EPA requires that costs included in the estimates be established by planning or design documentation. The Cost of Clean" starts with the EPA needs estimates and then adds a model estimate to account for replacement investments that are not captured in the Needs Survey as a documented need.

We estimate that spending for sewage treatment in general was around $11 billion annually as of 1994. This estimate includes wastewater capital infrastructure investment from all sources, including: local spending; State spending, including the SRF programs; and, other Federal investments (e.g. EPA assistance to needy communities, the Rural Utility Service, the Community Development Block Grant program). Although more recent data on total spending is not readily available, there is some indication ?that the spending patterns for wastewater have been, at best flat, and some information suggest that annual capital spending may even be declining. Finally, we know based on recent work by the Congressional Budget Office, that O&M spending has been increasing at a consistent level of more than 5 percent annually. In 1994, O&M spending represented 63 percent of the total spending on wastewater. This is a significant change from the 1970's and 1980's where the bulk of the sending was for capital investments.

Clean Water SRF Investments

Although the authorization for SRF funding in the CWA expired in 1994, the President's fiscal year 2000 budget proposes to maintain Federal capitalization of SRFs into the next century. Historically, the Administration's goal has been to capitalize the SRF programs so that they can provide at least $2 billion in financial assistance annually over the next several decades [see Chart IV]. To reach this capitalization goal, the Administration proposes Federal capitalization grants of $800 million in each of fiscal years 2000 to 2005. Because of the revolving nature of the SRFs, this annual capitalization amount will allow the Clean Water SRF programs to provide about $3 billion in total annual assistance available over the next few years.

The proposed $800 million annual investment is consistent with the Administration's Deficit Reduction Plan. Additionally, the Administration's $2 billion goal is consistent with historical levels of Federal assistance for wastewater treatment. It will provide a substantial and sustained contribution to meeting the overall annual need. At the same time, our understanding of wastewater needs is evolving, and the Administration would like to encourage a constructive dialog on the appropriate and affordable long-term funding level for the SRF program.

PROPOSED LEGISLATION TO REAUTHORIZE THE CLEAN WATER SRFS

Mr. Chairman, you asked that I comment on legislation introduced in the House of Representatives to reauthorize the Clean Water SRF program (H.R. 2720). I am pleased to say that many of the provisions of H. R. 2720 are generally consistent with recommendations that the Administration has made in the past, including President Clinton's 1994 Clean Water Initiative.

For example, the Administration generally supports expanding the range of financial assistance mechanisms available to small and disadvantaged communities, and applying Davis Bacon requirements to the Clean Water SRFs. Furthermore, given the growing evidence that unplanned development or Sprawl" can contribute to significant water quality and environmental problems and reduce the livability of communities, we support use of section 211 of the CWA to minimize the use of SRF loans for new sewer collection systems.

EPA stands ready to provide technical assistance in addressing minor issues related to drafting of these provisions. For example, proposed language making a project eligible for SRF assistance when water quality is a Principal benefit" of the project

may be overly broad, and several newly created eligibilities should be more narrowly defined. Conversely, the language constraining loan eligibility to projects affecting Navigable waters could be limiting.

In addition, we would be happy to work with the committee to address a number of other needed adjustments or clarifications to the SRF program. For example, in reauthorizing the Safe Drinking Water Act (SDWA), Congress provided Governors with discretion to use specified amounts of SRF funds to support key State drinking water programs and projects. Our experience with this provision of the SDWA has been positive, and a comparable provision should be considered for the Clean Water SRF program.

The Administration also supports an extension of section 1452 of the Safe Drinking Water Act, which currently allows transfers of funds between Clean Water SRFs and Drinking Water SRFs through September 30, 2001. This financial tool, coupled with the cross-collateralization provisions, has allowed the new Drinking Water SRFs to utilize the financial strength of the proven Clean Water SRFs and obtain the highest bond ratings with credit rating agencies.

Furthermore, the President's fiscal year 2000 Budget included a proposal to amend the CWA to give Governors the discretion to use up to 20 percent of their annual Clean Water SRF capitalization funds to make grants, rather than loans, for projects to implement plans developed under section 319 to reduce pollution from nonpoint sources of the CWA and to under CWA section 320 to protect and restore estuaries. Many States have a critical need for these nonpoint and estuary projects and have not been able to finance this work with loans alone.

Finally, Mr. Chairman, I note that the proposed authorization level for the SRF in this proposed legislation is $3 billion in fiscal years 2000–2004. As I indicated earlier, the Administration would like to encourage a constructive dialog on the appropriate and affordable long-term funding level for the SRF program. Funding at the proposed level clearly would make a large contribution to the significant needs for wastewater treatment. I am sure that this proposed authorization represents the aspirations of the bill sponsors and will be applauded by witnesses later in the hearing. At the same time, it is not clear how these funds can be appropriated in the next several fiscal years in light of the deficit reduction agreement and the constraints faced by appropriations subcommittees.

OTHER WATER INFRASTRUCTURE LEGISLATION

The committee asked that I comment on two additional bills:

- S. 968, to authorize the Administrator of EPA to make grants to State agencies and other entities for the development of alternative water sources; and
- draft legislation providing that controls over discharges from combined storm and sanitary sewers (i.e. CSOs) conform to the CSO Control Policy and to authorize grants for CSO projects.

Alternative Water Source Grants

S. 968 would authorize the EPA to make grants to State agencies and other water supply authorities for projects to develop new sources of water for municipal, industrial, and agricultural uses in areas with critical water supply needs.

Current sources of drinking water are increasingly threatened by regional population growth, economic development, and urban sprawl, and the costs of assuring the quality of these existing sources is substantial. EPA's 1997 Drinking Water Needs Survey estimated that drinking water suppliers will need about $138 billion to install, upgrade, or replace infrastructure necessary to continue to ensure the provision of safe drinking water to their customers.

In the 1996 amendments to the Safe Drinking Water Act, Congress and the President created the Drinking Water State Revolving Fund Program to address current public health threats and drinking water quality needs. Eligible projects include expenditures: to improve compliance with drinking water standards; to upgrade or replace existing drinking water distribution or storage facilities; for planning and design; and, for system consolidation. States are prohibited from providing loans to finance growth, dams, and most reservoirs and water rights. States determine which projects are funded by using a priority system that ranks projects primarily based on three criteria: risk to human health, the necessity of the project to ensure compliance with the SDWA, and the economic need of the system.

EPA's primary drinking water mission is to protect public health. The limited Federal resources available through EPA to address drinking water infrastructure needs are best used by the existing State Drinking Water SRFs to protect and restore current sources of drinking water. Because enactment of the proposed legisla-

tion would likely divert scarce resources from public health related projects, the Administration opposes this legislation.

Combined Sewer Overflow Policy and Grants—Draft Bill

The draft bill related to CSOs that the committee has asked me to comment on would amend the CWA to provide that requirements for control of CSOs be consistent with the CSO Policy and would authorize grants for CSO projects.

Since the passage of the original CWA in 1972, EPA and States have worked effectively together to address the environmental challenge presented by large point source dischargers, such as sewage treatment plants and industrial facilities. More recently, attention has focused on discharges of polluted runoff in urban areas such as discharges of contaminated storm water, overflows from sanitary sewers (SSOs), and overflows from combined sewers (CSOs). Collectively, these wet weather sources pose serious threats to public health and the health of our Nation's waters.

In 1994, EPA took a major step forward in efforts to address these wet weather problems by publishing the CSO Policy. This Policy was the result of a cooperative process that included Federal, State, and local governments, environmental organizations, and other interested parties. It represents a consensus among all interested parties on how to best address the CSO problem.

The CSO Policy calls on communities to promptly implement nine minimum controls over CSOs, including activities such as: proper operation and maintenance; maximization of flow to the publicly owned treatment works for treatment; prohibition of CSOs during dry weather, and, public notification of CSO occurrences.

Communities with CSOs are also to develop a long-term CSO control plan that provides for attainment of water quality standards. Long-term plans typically include characterization, monitoring, and modeling of the combined sewer system, as well as public participation and cost/performance considerations.——

The flexibility in the CSO Policy enables States and communities to manage their CSOs in the manner that best suits their unique circumstances. This flexibility is evident in the different approaches that States and communities are taking to control CSO discharges, including separating combined sewer systems' implementing the nine minimum measures and developing and implementing long-term CSO control plans in their regulatory framework, and/or reviewing the designated uses at the impacted water bodies.

Communities are making good progress in implementing the CSO Policy. Today, 83 percent of all combined sewer systems are either implementing the nine minimum controls or are under an enforceable requirement to put the measures in place. In addition, 74 percent of combined sewer systems have their long-term controls in place, are required to put them in place, or are under an enforceable requirement to develop long-term CSO control plans.

The CSO Policy is working—it is the best road map to achieve our goal of protecting public health and the environment in areas impacted by CSO discharges. The Administration is not opposed to Congress, in amendments to the CWA, endorsing the CSO Policy and its principles. However, there are some serious problems with the bill language, and the Administration stands ready to work with Congress on an appropriate legislative approach.

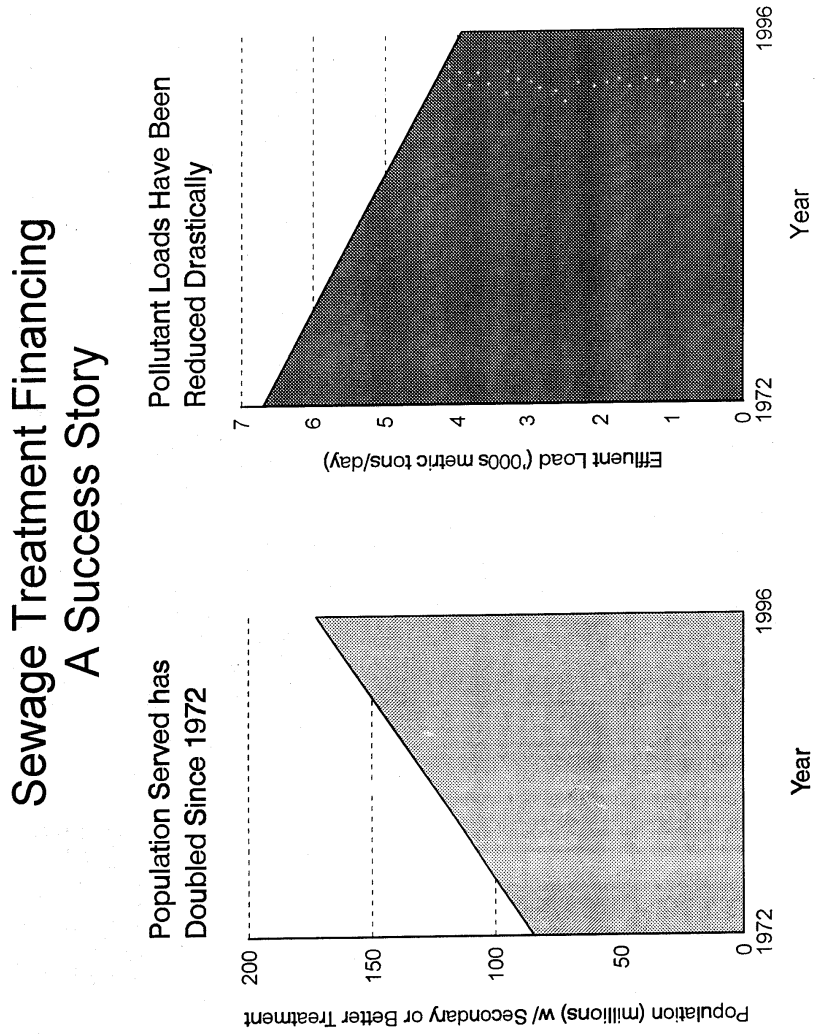
The legislation also includes authority for a new Federal grant program for CSO project implementation with a total authorization of $1.5 billion. The Administration is opposed to creating a new grant program to fund implementation of CSO or other wet weather projects. As I noted earlier, the SRF program is a solid and proven financial tool that is operated by the States and available to address these wet weather needs. Should the Congress determine that additional Federal funds are needed for wet weather projects, these additional funds would be better used to provide additional capitalization for the SRFs in each State.

Given these concerns, the Administration is opposed to the draft bill. Finally, I want to note, Mr. Chairman, that the Administration is strongly opposed to several of the provisions in the related legislation introduced in the House of Representatives. These bills would slow or undo the progress we now are making toward reducing wet weather pollution Should those provisions be added to the pending bill at a later stage in the legislative process, the Administration would strongly oppose enactment of the amended bill.

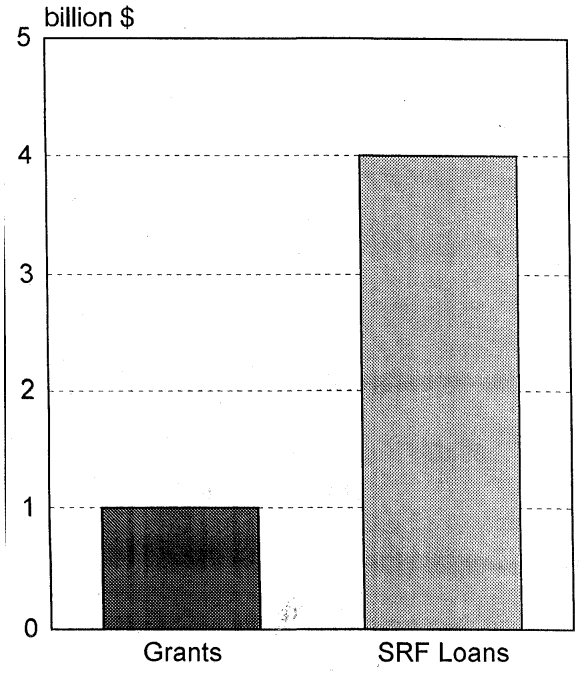
CONCLUSION

Thank you, Mr. Chairman and members of the subcommittee for this opportunity to testify on the Clean Water SRFs. EPA stands ready to provide additional technical assistance on issues related to these bills. And, we look forward to working with you to both improve the operations of the SRFs and to define the appropriate level of long-term capitalization of this valuable resource.

I will be happy to answer any questions.



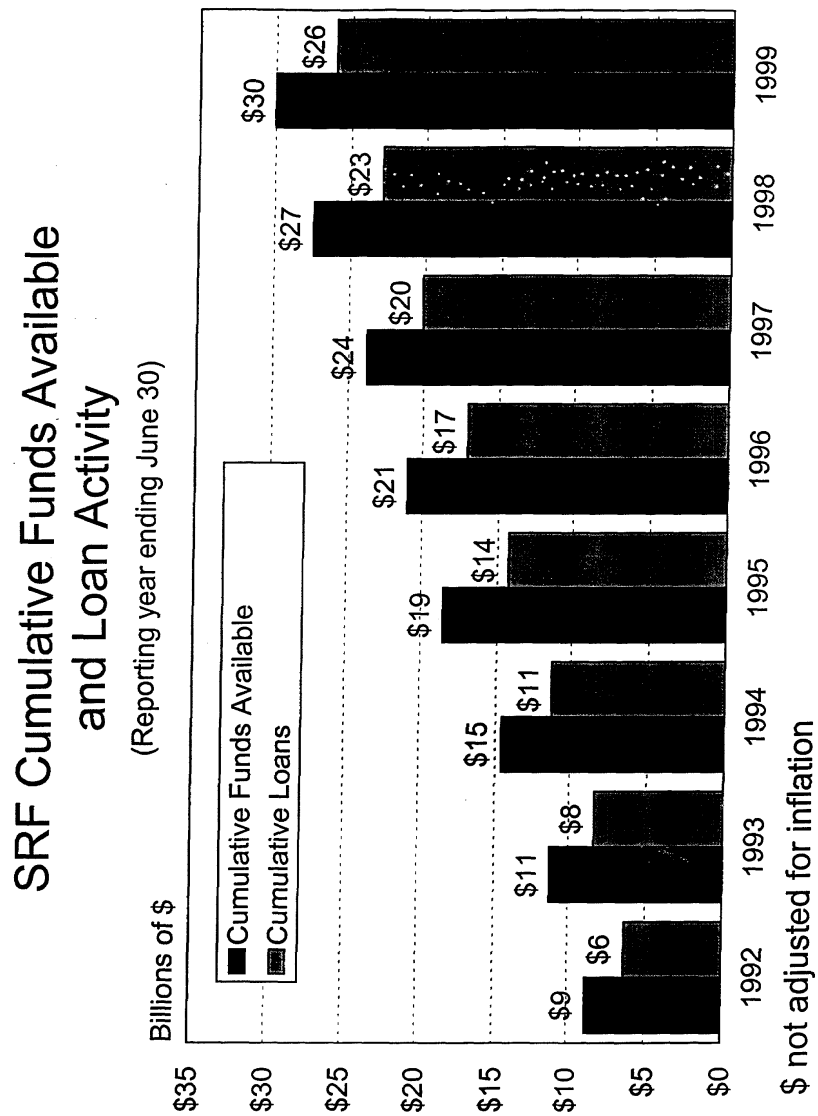
The SRF Has 4 Times the Buying Power



SRF Program Loan Savings to Communities

		SRF loan savings
Market rate	5.6%	--
Average SRF rate	3.0%	20%
Lowest SRF rate	0.0%	40%

* Market rate is the 20-year Bond Buyer Index average from 1995-99.


SRF Cumulative Funds Available and Loan Activity
(Reporting year ending June 30)
Billions of $
Cumulative Funds Available
Cumulative Loans
$35
$30
$25
$20
$15
$10
$5
$0
$9
$6
$11
$8
$15
$11
$19
$14
$21
$17
$24
$20
$27
$23
$30
$26
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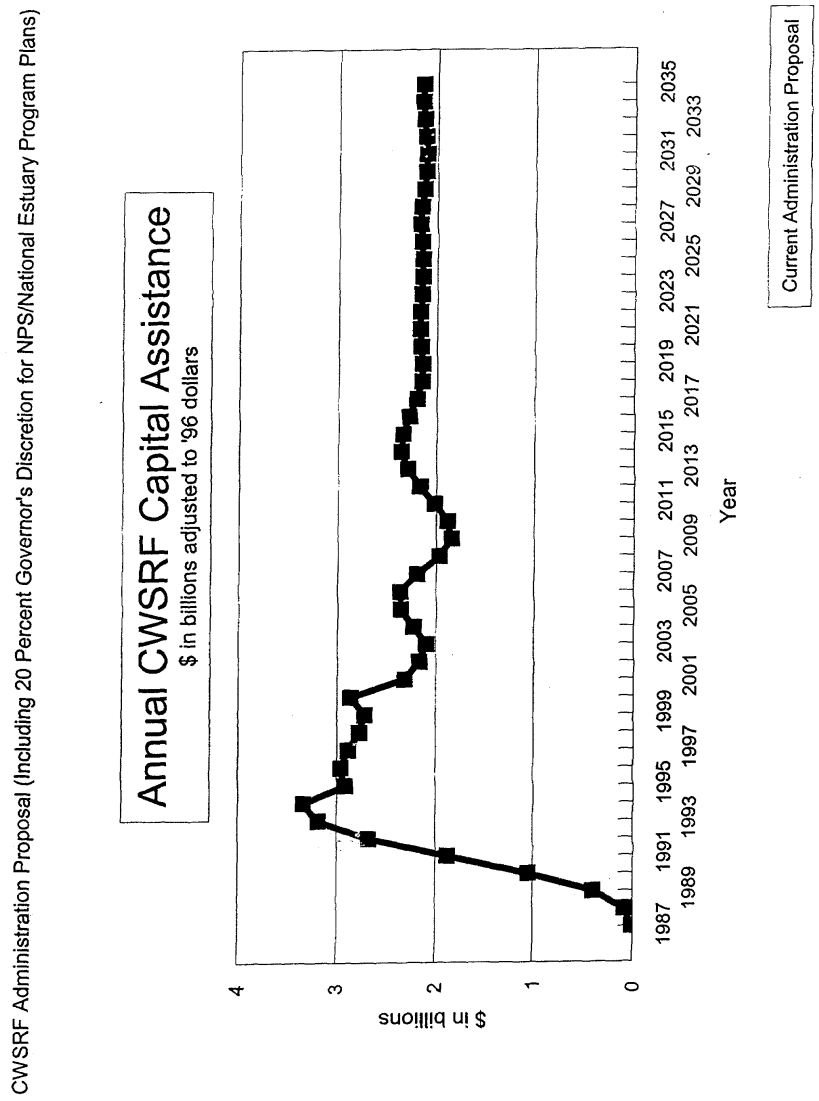
1995
1996
1997
1998
1999
$ not adjusted for inflation



STATEMENT OF RAYMOND J. WIECZOREK, MAYOR OF MANCHESTER, NEW HAMPSHIRE

Members of the committee: My name is Raymond Wieczorek and I am the Mayor of Manchester, the largest city in the State of New Hampshire. I am here on behalf of the taxpayers of my City and the CSO Partnership. Manchester is an older city with a population of approximately 105,000, which like so many cities, was developed with a combined sewer system. The newer communities that surround Manchester are not burdened with a combined system and do not face the financial difficulties in correcting this problem.

Between 1972 and 1994 we invested $126 million to construct a wastewater treatment plant and related facilities to eliminate wastewater discharges to the

Merrimack River which runs through the center of our City. This water pollution abatement work was financed through a partnership of Federal, State and local governments. We all recognized that the problem being addressed was a national problem and the involvement of the national government was required and appropriate.

That plant has been operational for 23 years and has significantly reduced the pollution of the Merrimack River. My City is extremely proud of that achievement and views the River as one of the major assets that sustain the quality of life we have. We are now undertaking a major riverwalk park development program, in the heart of our City, that will enable us to improve access and use of the River. The Merrimack has always played a key role in the history of the City and we anticipate this asset will play a key role in the revitalization of our downtown and our economic future.

As mentioned, Manchester was built with combined sewers, the state-of-the-art at the time. Our combined system discharges up to 40 times a year at 26 locations. Several years ago, Manchester was contacted by the EPA and told that it was now the time to address the problems associated with a combined system. The Agency was seeking the total elimination of all discharges from our combined system. The early estimates were that these improvements would cost almost $300 million, a mind staggering amount. As Mayor, I am constantly challenged to find ways to meet the needs of schools, ensure the public safety, and maintain our infrastructure, while constantly trying to minimize taxes and maintaining support for the many responsibilities a City has. Asking the citizens to spend nearly $300 million in the face of the many other demands upon them is difficult. Asking them to spend it to correct a problem that happens only a few times per year and is only transitory in nature, is absurd. My citizens rightly wanted to know where is the common sense in asking us to spend that amount of money, so that we can swim in the Merrimack River four more rainy days per year when there is presently no swimming now due to natural constraints.

Fortunately, with the strong support of the entire New Hampshire delegation and Governor Shaheen, we were able to negotiate a more reasonable innovative solution to address our CSOs with the EPA and NH Department of Environmental Services. However, this plan will require more than $60 million in capital improvements in a 10-year first phase, with the ultimate CSO Program cost potentially being double the cost of the first phase. Sixty million dollars is equivalent to the sum of 3 new schools, 1 new police station, 2 new fire stations and 150 miles of street resurfacing. In the face of litigation and given our communities strong environmental awareness, we have agreed to that program knowing that the Federal and State government's participation would be limited to slightly discounted loans we hope to receive through the State Revolving Fund.

As a result, sewer rates in my community will nearly double in 10 years to implement this program's first phase. The doubling of our sewer rates will slow Manchester's growth by driving industries into the surrounding communities that do not have the expense of the CSO issue.

I am here in support of S.914 and the efforts of the CSO Partnership because it seeks to restore the historic partnership that has been so critical to the clean water successes we have had to date. The program that Manchester is undertaking fits within the procedural provisions of the S.914 in terms of the implementation schedule. We need the Federal funding authorized by S.914 to help meet this Federal mandate. Clean water is a national goal, one the citizens of Manchester fully support. However, with many other claims on our resources, my City and I believe that most cities cannot fulfill this Federal mandate without financial assistance. The grants provided through S.914 will ensure that sewer rates in my community remain affordable and do not choke off economic development. I hope that the members of the committee will act quickly on this bill and help all CSO communities resolve this national problem.

I am happy to answer any question that members of the committee may have. Thank you for giving me this opportunity to speak.

RESPONSES BY RAYMOND J. WIECZOREK TO ADDITIONAL QUESTIONS FROM SENATOR CHAFEE

Question 1. What are the sewer rates now and what will they be in 10 years?

Response. The current sewer rate for the City of Manchester is $1.55 per 100 cubic feet of water used, plus an $11/quarter service charge. This translates to a typical annual household cost of about $230/year. The rate is similar for industrial and commercial users, with annual cost higher because of greater usage.

In 10 years, it is expected that the rate will increase to $3.10 per 100 cubic feet of water used. This would be about $416/year for a typical single family residence.

Question 2. What are the various sources of funding available?

Response. The sources of funding available to the City at this time are the State Revolving Loan Fund, the 20 percent State Grant Program and municipal bonds.

The rates calculated in Question 1 above anticipate receipt of the 20 percent grant and SRF funds. If these sources are not available, the rate increases would be higher.

Question 3. How much money do you anticipate borrowing from the SRF?

Response. We would like to borrow the entire project amount, about $60M over the 10 year period. However, we are not sure that the funds will be available.

The $5.6 million allocated for the Supplemental Environmental Projects per our Consent Order is not eligible for grants or SRF loans. This will be paid through the Sewer Fund.

Question 4. How much money have you received from the State in grants or other assistance?

Response. To date, we have received about $7,450,000 in SRF loans, and $391,000 in grant funds for CSO related projects from NHDES.

STATEMENT OF GERALD E. DORFMAN, DIRECTOR AND PAST PRESIDENT, NATIONAL UTILITY CONTRACTORS ASSOCIATION

My name is Gerry Dorfman, and I am delighted to participate in this hearing on behalf of the National Utility Contractors Association (NUCA). NUCA is a family of 1,900 union and non-union companies from across the Nation that build, repair, and maintain water, wastewater, gas, electric, and communications systems, and that manufacture and supply the necessary materials and services.

A VIEW FROM THE TRENCHES

Before I address the Clean Water SRF reauthorization bill introduced by Senator George Voinovich, I will take a few minutes to describe the appalling State of clean water infrastructure as I see it from down in the trenches. I say the problem is appalling because we as a nation have knowingly failed to maintain vital wastewater infrastructure in a meaningful way. We have the capacity to fix the cruddy pipes and protect public health and the environment. It's time we do so before we contaminate our water supply, before sewer moratoriums shut down our communities, and before your constituents' sewer rates go through the roof.

My company was hired to replace a septic tank system in a small, rural community of 20,000 people in northern California. As I prospected the job when preparing the bid, I was dumbfounded. Walking along the easement lines of the residential area to determine the location of the new system, I found myself sinking in saturated ground—ground saturated with raw sewage that had overflowed from failed leaching systems. I'd like to pretend that no one other than myself was exposed to the sewage, but I'm quite sure the neighborhood children played there on occasion. It was, after all, adjacent to their backyards.

Failing infrastructure is not unique to rural communities. It is an urban phenomenon as well. On a project for a major city in southern California, we replaced a sewer pipeline that had failed earlier than expected due to unstable ground conditions. When we uncovered the pipe, we found gaping holes where raw sewage had been escaping into the surrounding ground for months if not years. To make matters worse, the sewer system was less than 100 yards from a fresh waterway. The problem, therefore, was compounded by tidal action. Twice every 24 hours, the water level rose over the top of the sewer line, allowing fresh water to run into the broken pipe and travel to the treatment plant. When the tide went out, so did the sewage. We had uncovered a daily exchange of raw sewage and fresh water.

These stories are from the western United States because that is where I work. Similar problems exist coast to coast, in every State.

SKYROCKETING INFRASTRUCTURE NEEDS, DECLINING FEDERAL INVESTMENT

Over the last several months, a lot of dollar estimates for the cost to repair and replace the nation's failing infrastructure over the next 20 years have been tossed about. The EPA has preliminarily increased its 1996 estimate from $139 billion to more than $200 billion. Private studies demonstrate that the needs will exceed $300 billion. Does it really matter whether it's $200 billion or $300 billion? The Federal contribution to the SRF last year was less than 1 percent of either figure.

What really matters today is that wastewater infrastructure needs are ever increasing, yet Federal capital investment has remained on a steady decline ever since the Clean Water SRF authorization expired 5 years ago. The current lack of authorization unintentionally widens the investment gap because it sends an implicit message to congressional budget and appropriations committees that wastewater collection and treatment is not a national priority. Annual capitalization of the program suffers as a result. Also, the absence of authorization creates uncertainty about the program's future in the eyes of potential borrowers, which may delay and in some cases prevent vital project financing.

If Congress does not invest in the nation's infrastructure, the 21st century likely will be remembered for the preventable public health and environmental disaster the Nation failed to prevent. The Clean Water State Revolving Loan Fund (SRF) reauthorization bill, S. 1699, crafted by Senator George Voinovich, is a concise, pragmatic, efficient, and bold preventive measure. Here's why.

THE CLEAN WATER SRF WORKS

The 12-year performance of the SRF has been spectacular. The following highlights are taken from the U.S. EPA's National Information Management System. The information is current through June 30, 1999.

- Cumulative Federal capitalization grants of $ 15.4 billion have been supplemented by State contributions of $3.2 billion, net leveraged bonds of $11.6 billion, loan principal repayments of $3.8 billion, loan interest payments of $3.3 billion, and investment earnings of $2.0 billion. After subtracting $1.7 billion for leveraged bonds repaid, $188 million for State match bonds repaid, $2.7 billion for interest paid on bonds, $431 million for administrative expenses, and $3.8 billion for debt service reserves, there has been $30.3 billion in SRF funds available for projects. Now that's a program that puts tax dollars to work for all Americans!
- Of the $30.3 billion available for projects, $26.1 billion (or 86 percent) has been provided for 8,200 wastewater collection and treatment, nonpoint source, and estuary projects. The number of projects rose from just 3 in the year ending June 30, 1988, to 1,280 in the year ending June 30, 1999. And the program will continue to grow to meet massive infrastructure needs!
- Of the 8,200 projects approved to date, 58 percent (23 percent of the dollars loaned) serve communities with populations less than 10,000; 31 percent (36 percent of the dollars loaned) serve communities with populations in the 10,000 to 99,999 range; and 12 percent (40 percent of the dollars loaned) serve communities with populations of 100,000 or more. The flexibility doesn't leave any class of community to wade in its raw sewage!

THE VOINOVICH BIKE MAKES THE CLEAN WATER SRF EVEN BETTER

Senator Voinovich's bill builds on the 12-year success of Clean Water SRF Program by authorizing new funding and adding important improvements.

- S. 1699 would provide critical new authorized funds for the States to use in meeting their respective capital infrastructure gaps. Capital investment is the most critical component of Federal policy, and this is the most important provision in the bill.
- S. 1699 would provide technical and planning assistance for small systems serving populations of fewer than 20,000. This important initiative will inform and enable, without prescribing, vital institutional reforms. For instance, comprehensive planning assistance would provide better information to document needs and inform the public about underlying problems and the range of potential solutions. Technical assistance in financial management would raise small system awareness and participation in the SRF Program.
- S. 1699 also would expand the types of projects eligible for loans, which enhances the Clean Water SRF's successful tradition of State flexibility. New eligibilities would include water pollution prevention initiatives, lake protection programs, projects to improve public water use efficiency, and projects to restore riparian areas.
- Finally, S. 1699 would provide qualifying disadvantaged communities with additional assistance through extended loan repayment periods and principal subsidies. These new tools would boost SRF participation and make the program an even more effective instrument for addressing the funding gap.

THINGS CHANGE, THINGS STAY THE SAME

Seven years ago I appeared before the House Merchant Marine and Fisheries Committee to discuss the problem of the cruddy pipes falling apart. Since then, an-

nual Federal investment in the Clean Water SRF Program has been cut in half, yet there remain thousands of miles of barely functioning sewer pipelines that are leaking gallons of raw sewage into underground aquifers daily.

The State revolving funds have become increasingly efficient and effective, but not enough Federal seed money has been invested to ensure that human and environmental costs of the multi-billion dollar funding gap are prevented.

People intuitively understand that their lives are directly linked to water quality and the collection and treatment of wastewater. And we all expect leadership from our lawmakers in addressing this threat to all Americans' qualify of life. Please take the lead by supporting Senator Voinovich's Clean Water SRF reauthorization bill.

We appreciate the opportunity to testify before the subcommittee today, and we look forward to helping advance Sen. Voinovich's solution in the 106th Congress.

STATEMENT OF GREG MASON, FOR THE COUNCIL OF INFRASTRUCTURE FINANCING AUTHORITIES

Mr. Chairman and members of the committee, I am Greg Mason, State Revolving Fund Program Manager of the Georgia Environmental Facilities Authority (GEFA). I am pleased to appear before you today to testify both in that capacity and on behalf of the Council of Infrastructure Financing Authorities (CIFA). CIFA is a national organization of State and local authorities whose mission is to facilitate financing of public infrastructure facilities. Like my own organization in Georgia, most of our State members manage at least the financial component of the State Revolving Loan Funds (SRFs) for wastewater treatment and, as such, are vitally interested in the subject of this hearing.

My testimony today will mainly address Title VI of the Clean Water Act, authorizing the State Revolving Loan financing program. This has been a singularly successful program that has fulfilled the vision of this committee and the Congress in creating the loan fund mechanism over a decade ago. In that time the SRF has created a loan pool of more than $30 billion providing low-cost lending to build municipal treatment and water pollution abatement projects throughout the nation. This year, as last year, it is expected the program will provide more than $3 billion in loans for these critical environmental projects. Moreover, the loans provide substantial cost-savings to the borrowers. With SRF interest rates averaging two and one half to 3 percent below market, we estimate, over its duration, the cumulative subsidy the program has provided borrowers is around $8 billion.

In terms of Federal investment, the SRF program has proven to be a tremendous bargain. The Federal contribution, thus far, in funding for capital grants to the States has been around $15 billion, about one half of the total amount of the SRF. State contributions, loan repayments, other interest earnings and leveraged funds account for another $15 billion. A very good return on the initial Federal investment, and one that will continue to grow as the fund matures.

As the committee looks at provisions to amend and reauthorize Title VI of the Clean Water Act our advice is cautionary. Clearly, after nearly 12 years of experience with the SRF there are small modifications that will make the program more efficient. A new SRF has been created to finance safe drinking water needs and the inter-relationship of these two funds could be more successfully joined by some small changes in the statute. Also, growing recognition of new priorities for nonpoint source projects, as well as the economic hardship project costs can impose on some communities, suggest the need for some deeper subsidy for certain types of borrowers. Some changes are needed in the administrative provisions of the fund to match it to the realities of this thriving loan program. We will offer some suggestions for such modifications. But overall, we ask the committee to move cautiously toward adopting any provisions that would dramatically overhaul or alter the way water quality projects are financed. Like the ancient admonition to physicians, ''first do no harm.''

Proposals before this committee to set up a new program of grant funding for certain categories of projects could have major repercussions for the future operation of the SRFs and the future quality of the nation's waters. Put plainly, communities that anticipate receiving Federal grants to build water pollution projects are not likely to be interested in loans, no matter how attractive the terms. And even though the proposal in S. 914 limits availability of these grants to certain categories of projects, I submit that politically maintaining that categorical limitation would be next to impossible. Soon every project would be grant eligible and communities would defer needed projects until grant dollars became available. Additionally, Congress should be careful not to set up financial assistance programs that create dual

and overlapping administrative structures at either the State or Federal level. The re-initiation of a construction grant program would do just that.

CIFA recognizes that in order to address certain types of pollution problems it may be necessary to provide deeper subsidies to the borrower. We support provisions comparable to those contained in Senator Voinovich's bill, allowing States the discretion to provide principal write-downs or extended repayment periods for hardship borrowers. Such loan subsides, similar to those allowable with the Drinking Water SRF, should be limited to no more than 20 percent of the capital grant in any 1 year, with the proviso that States may bank the set-aside for use in future years, as need may dictate. The subsidy should be in the form of principal forgiveness and not limited in the amount available to any one borrower. The criteria, instead, should be environmental and economic justification.

There are a number of other provisions in Senator Voinovich's bill that CIFA supports. First, we support the de-coupling of allowable administrative costs from the annual amount of the capital grant. The amount of the capital grant to the State is no longer a measure of the administrative burden of the program. The large and increasingly sophisticated loan portfolios the States now manage require more administration. The size of the fund, not the amount of the grant, should dictate the allowable administrative cost. Moreover, new types of lending for nonpoint source and other borrowers can be very manpower intensive. We support the provision that would connect the administrative fee to the total value of the fund, allowing one half of 1 percent of the fund or $400,000 annually, whichever is greater, as well as any fees collected in association with the lending, to be used by the States to administer the SRF.

We also support the proposed level of authorization of $3 billion annually. CIFA believes that future demand for Clean Water SRF loan funding will exceed the $2 billion annualized goal EPA has identified as sufficient for Federal capitalization. This goal for sustained SRF financing, which was arrived at by EPA without consultation with the States, appears woefully deficient when compared to the level of funding, estimated as high as $300 billion, needed to meet public clean water requirements over the next 20 years.

CIFA also supports elimination of all cross-cutters and duplicate Federal requirements that increase the cost of the projects and slow down the loan process, especially since these requirements are particularly burdensome to small communities and potential nonpoint source borrowers. While recognizing that the application of Davis Bacon wage standards may increase project costs in some States, CIFA defers to the will of the Congress with regard to reapplication of these requirements to first round projects financed with Federal grant dollars. CIFA, however, strongly objects to the application of those requirements, or other general grant conditions, to second round loans from the SRF.

We support the expansion of eligibilities for SRF lending to include lands essential for the treatment works. We believe that protection of riparian areas, water supply areas and purposes of mitigating environmental damages or habitat loss are already eligible for SRF lending, but have no objection to their being made explicit in the law. We would also support the inclusion of conservation management and water conservation measures as eligible SRF purposes.

Further, we support, at the States' discretion, the extension of the SRF to secure critical lands for other public purposes such as park, recreation and habitat protection. The SRF, with its capability of providing zero-interest lending, is capable of accomplishing the same purposes as the Administration's proposed Better America Tax Credit Bonds, which are so far untried in the municipal financing market and may not, in fact, provide the same level of no-cost financing that the SRFs can and often do provide the borrower.

Finally, in any amendments to the SRF, it is absolutely essential the Congress extend the current provision giving States the discretion to transfer a portion of the capital grant from one SRF to the other. This authority, which was provided in the 1996 Amendments to the Safe Drinking Water Act, expires next year. Faced with this deadline, States are increasingly uneasy about executing such transfers, even though efficient management of the two funds should encourage such interdependency in order to shift funding toward current demands in either program area. In addition, statutory provisions making it clear that transfer of the proportionate share of the administrative fund allowance is also permissible would be helpful to a number of State SRF programs.

In conclusion, the SRF has proven to be an effective and efficient means of providing Federal and State subsidies to finance municipal environmental treatment needs. The Congress should be very circumspect about making major changes that will affect or impact on the SRF program, or to impose provisions that will create rigidity in the operation of the individual State loan programs. The genius of the

SRF program, in many ways, has been the flexibility that the Congress provided the States in the 1987 amendments. In reality, no two State programs are identical in their structure or their management, and this flexibility is what has allowed each State to fashion the program to meet their own set of needs and their own managerial and administrative structure.

We appreciate the opportunity to testify before this committee and offer to work with the members and staff to make statutory adjustments that will improve the efficiency of the SRF program.

STATEMENT OF TOM KAMPPINEN, VICE CHAIR, ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS

Mr. Chairman, members of the committee and subcommittee, my name is Tom Kamppinen, Vice Chair of the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA) Financing Task Force and Chief of the Municipal Facilities Program for the Michigan Department of Environmental Protection. As you know, Mr. Chairman, ASIWPCA is the national organization of State officials responsible for implementing the Clean Water Act and is committed to the environmental objectives set forth in the law.

Tremendous strides have been made in cleaning up and protecting the nation's waters, but much more needs to be done. Several fundamental themes cut across water quality issues that we ask the committee to consider in reauthorizing the Clean Water Act programs.

Functional Equivalency: Successful resolution of water quality problems will require the cooperation of many levels of government and approaches that go well beyond the Federal Clean Water Act tool box. Clean Water Act requirements should be performance-based.

Integrated Approaches: Issues we face involve many program and funding authorities. The Clean Water Act needs to enable them to be integrated or harmonized at the State/local levels.

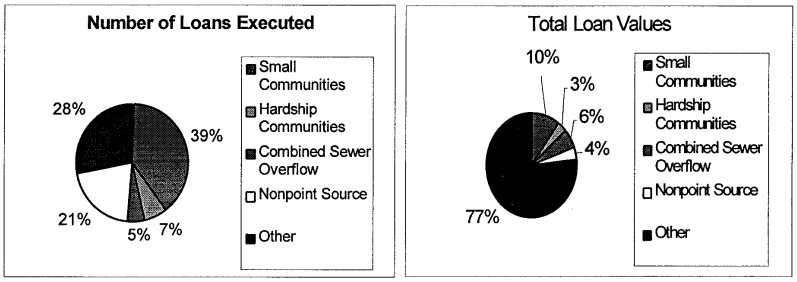
Better Science: The Clean Water Act needs to increase USEPA's priority on the fundamentals, i.e., up-to-date effluent guidelines, improved best management practices (BMPs), enhanced monitoring and-assessment techniques and improved water quality 304(a) criteria.

Funding: Resolution of clean water issues places enormous resource demands on States. Clean Water Act programs need to be much better funded.

THE TITLE VI STATE REVOLVING LOAN PROGRAM

As this committee well knows, the State Revolving Loan Fund (SRF) was created under the 1987 Amendments to meet not only traditional municipal wastewater treatment needs, but also emerging issues, including nonpoint source pollution control and estuary protection. The 50 States and Puerto Rico have all created SRF programs. They are using them very effectively to solve a diverse array of water quality problems. Projects have been built at less expense and 50 percent faster than through Federal grants. The SRF has 4 times the buying power than the Title II grant program.

	Number of Loans Executed	Total Loan Value
Total	8,000	26,000,000,000
Small Communities	3,200	2,600,000,000
Hardship Communities	520	900,000,000
Combined Sewer Overflow	400	1,600,000,000
Nonpoint Source	1,650	1.000,000,000
Other	2,230	19,900,000,000



Future Role and Capitalization: Congress has important decisions to make regarding the future role of SRF. The Association believes the SRF is the only viable long-term water quality financing mechanism and should be viewed as a multi-purpose tool box. The SRF is unique in its ability to use limited Federal and State funds efficiently, effectively, and equitably to foster compliance and waterbody use attainment. At the same time, States recognize the need to make program reforms in the SRF so that it is equipped to meet future challenges.

Over the past few years, USEPA has been using a "target" for capitalization that is sufficient to allow $2 billion per year to be available from the SRF nationally. The rationale for that number has never been clear or adequately justified. We agree with USEPA that it is important to have a capitalization goal, but we do not agree with the notion that the target of $2 billion is adequate.

ASIWPCA believes that needs under the Act are well in excess of $200 Billion and are likely to grow as TMDLs are implemented, nonpoint source programs develop and more watershed initiatives are underway. The Clean Water Act Needs Survey is incomplete, because it captures primarily traditional publicly owned treatment works construction, rather than the expanded eligibilities or new policy initiatives for nonpoint sources, estuaries, watersheds, AFOs, TMDLs and SSOs. While, we expect USEPA's upcoming Funding Gap Analysis to better identify the SRF funding need, it is likely to be an incremental step.

Recommendation: All infrastructure assistance should be incorporated under the Title VI umbrella.

An authorization of $5 billion per year for Fiscal Years 2000 through 2004 is justifiable. The Association urges the committee to work with the States and other stakeholders to explore viable ways to achieve the goal.

States should be able to make SRF loans to privately owned confined animal feeding operations (CAFOS).

We suggest that it is time for the committee to explore with States more creative ways they could use SRF funds to address the next generation of water quality problems. For example:

- States could have the flexibility to use funding above the $2.4 Billion level for a watershed restoration matching grant/cost share program for NPS control. These funds could be available to both the public and private sector, including Federal agencies.
- Incentives could be considered as a means to challenge States or watershed projects to overmatch, leverage or otherwise enhance the program (e.g., to buy open space, restore habitat, remove dams, and create a market for trading).

Set-Asides: States oppose the creation of mandatory separate SRFs or set-asides for particular clean water needs. Each State has different needs. If Congress should chose to offer set-asides, they should be optional, as in the Safe Drinking Water Act SRF.

Recommendation: Congress and the Administration should carefully consult with the States and ASIWPCA regarding the creation of any set-asides for the SRF. In no event should set-asides occur without making additional funds available beyond the needed core SRF authorization level.

Appropriations: Consistent and predictable levels of SRF appropriations are critical. Recent fluctuations have been damaging not only in terms of immediate funding, but also for strategic planning. This is especially critical for small and hardship communities and new or innovative approaches. States appreciate the support the committee has provided in the past.

Recommendation: The committee should place a very high priority on bringing the appropriation level up to the level envisioned for a reauthorized Act. Other programs should not be funded at the expense of the Title VI SRF, and vice versa.

Small and Hardship Communities: Existing funding eligibilities are broad and States, with USEPA's assistance, have worked hard to modify the SRF to meet those needs. A major outstanding issue relates to disadvantaged communities.

The Association believes hardship and small community needs are best addressed in the SRF. With interest rates that can range from below market to zero percent, SRF loan recipients can save up to 50 percent in project costs. In many cases, however, States need to be able to offer additional subsidies to make facility improvements affordable. SRFs are also uniquely positioned to provide an added benefit to disadvantaged communities—technical assistance.

USEPA successfully harmonized the fiscal year 1997 $50 Million hardship program with the SRF and avoided the creation of a potentially conflicting program. With a few modest amendments, the SRF can accomplish these objectives on a much larger scale.

Recommendations:

- States should be able to blend principal subsidies with SRF loans to achieve a target State level of project affordability. Each State should be able to define "small and hardship" to fit its circumstances.
- The SRF should provide "one stop shopping" by expanding eligibility to include acquisition of land. easements and rights of way.
- Loan recipients should be exempt from Title II/Federal crosscutting laws, including the Davis-Bacon Act.
- Up to a 40 Year loan repayment period (or the facility's useful life) should be allowed for projects not exceeding $10 Million.
- States should be able to use administrative funds for outreach/technical assistance.

Refinements in Eligibilities: While the current SRF eligibilities are broad, some refinements would be helpful to better serve those in need of such funds.

Recommendations: Authorize the use of SRF assistance for the purchase of any necessary land easement. or right-of-way not already owned by the recipient, provided the assistance does not exceed the acquisition price determined in accordance with the Uniform Relocation and Real Property Acquisition Act of 1970. "One stop shopping" improves the effectiveness of the SRF and reduces total project costs.

Regarding H.R. 2720's provision on innovative technology, the committee is urged to proceed with caution. Under the Title II grant program, projects had mixed success and communities are still paying high operations and maintenance costs.

Regarding S. 968 authorizing source water development grants, this issue appears to be a drinking water issue and should not be funded at the expense of either the Clean Water or Drinking Water SRF.

Application Of Title II Requirements: On September 30, 1994, Title II requirements and crosscutting Federal laws sunsetted under the Act. With the expiration of these requirements, States have streamlined and simplified program requirements to better allocate SRF funding to priority water quality concerns.

Recommendation: Congress should not reimpose these requirements. States, on a case-by-case approach, should be allowed to adopt any or all of these former requirements on their own merit. And, many States currently address their intent. Any Federal laws and authorities that Congress decides to apply should be tied only to funds directly made available by Federal capitalization grants. Section 602(b)(6) should not be revised.

Administrative Expenses: The majority of States have no independent, long-term ability to provide for the expenses of SRF administration. They need a predictable

and secure source of administrative funding which is not dependent upon year-to-year appropriations.

Recommendation: It is essential that Title VI be amended to recognize the needs of States for administrative funding. A State should be allowed to use up to 4 percent of its SRF capitalization grant amount, $400,000 per year, or one-half of 1 percent per year of the current valuation of its SRF's assets, whichever amount is greater, for administering its SRF. Technical assistance should be an eligible activity.

COMBINED SEWER OVERFLOWS (CSOS)

As S. 914, recognizes, much remains to be done to correct CSO problems that impair water quality and the Association appreciates the improvements that have been made in the bill in response to comments received. CSO correction is a high priority of State Water Quality programs and in States with CSOs, a very large potion of SRF funding is allotted for that purpose. The Association was a major stakeholder in the development of the USEPA CSO Control Policy and is committed to its implementation. Regarding S. 914:

Recommendations

- *National CSO Policy*: S.914 makes significant contributions to facilitating the effort to carry out the national CSO policy. Recognizing the policy in the Act would be appropriate. Getting public input and issuing the polices to promote and facilitate wet weather use reviews is also beneficial. It is also helpful for USEPA to report periodically to Congress. The Association looks forward to working with the USEPA and other stakeholders on implementation.
- *Funding*: A better capitalized SRF is the most efficient and effective way to meet CSO needs over time. Additional flexibility is also needed so that States can meet the needs of CSO hardship communities (e.g., principle subsidies).

  The Association does not support reinstitution of a grant program and is concerned that any grant program authorized not be funded at the expense of the SRF or serve as an incentive to delay compliance.

  - The grant percentage ("at least" 55 percent) is linked to no criteria upon which to decide what level would be appropriate. In the alternative, if bill specified a match and included provisions for hardship (principal subsidy) there would be a better basis to make decisions. Parameters should be articulated for "in-kind services".
  - Any appropriated grant funds should be allocated to and administered by the States. State priority systems should determine which projects are in most need of funding.

RESPONSES BY TOM KAMPPINEN TO ADDITIONAL QUESTIONS FROM SENATOR CHAFEE

Question 1. In your testimony, you recommend the committee consider providing States with the flexibility to use funding for a watershed restoration matching grant/ cost share program for NPS control.

Response. Congress was extremely visionary when it created the State Revolving Loan Fund (SRF) in 1987 to finance infrastructure for municipal, nonpoint source and estuary management. The approach is sound, but it will take many years for the SRF to fully realize its potential. State priorities change over time, customer needs evolve, water quality management programs mature and new challenges emerge. Watershed restoration and protection will be a major focal point under which many efforts need to be coordinated.

ASIWPCA believes the SRF should continue to be the infrastructure financing mechanism for clean water programs. We recognize that future financing needs will be more diverse and the SRF, therefore, needs to be more flexible to address them. Principal subsidies for hardship communities is one example that should be allowable in a reauthorized Clean Water Act.

The committee should also consider refining the SRF to better serve nonpoint source and watershed management needs. There is no question that the current SRF is useful, but for some customers, the committee should consider more flexibility for States to:

- Provide grant assistance or principal subsidies as an incentive to address priority problems.
- Package SRF assistance with other grant assistance (such as EQIP, 319 or Bureau of Land Management funding). Such a "matching grant" use of the SRF leverages other programs to solve priority water quality problems and improves project affordability. It is particularly useful when there are significant lands in

Federal ownership or under agricultural production. Under 319, for example, Federal funds cannot be used as a match.

- Fund source control regardless of whether there is a permit under Section 402 (e.g., for animal feeding operations).

Question 1A. Are you suggesting the creation of a nonpoint source grants program within the SRF?

Response. There is no need to create (nor does ASIWPCA support) a NPS grant program within the SRF. The reauthorized Act simply needs to allow States more flexibility in the SRF to make it attractive and affordable to NPS projects. It needs to be sensitive to the fact that each State is unique in terms of water quality problems and appropriate financing strategies. And, these circumstances will evolve over time.

Question 1B. Why should the committee create a separate grants program with the SRF for nonpoint sources instead of using the grants program established under Section 319?

Response. ASIWPCA views Section 319 as a program/management/technical assistance framework and the SRF as the infrastructure financing tool box. Creating (in 319) a separate infrastructure funding mechanism is unnecessary and counterproductive. Federal capitalization funds will be limited. In reauthorizing the Clean Water Act, the committee should seek to improve the SRF's ability to serve as a multi-purpose, efficient and effective financing mechanism. It should avoid the pitfalls of grant programs, where anticipation of Federal grants promotes project delays.

The issue is also broader than 319, since many future challenges will be watershed based, as current dialog on total maximum daily loads illustrates so well. Rather than starting down a road that leads to different funding pots for different purposes, the committee should maximize the SRF's flexibility to solve watershed problems—whatever their origin. This could go beyond the concept of loans, principal subsidies and grants to encompass more creative approaches. For example, SRFs could seek new ways of leveraging that:

- Enable States to create, within the SRF, challenge or incentive programs for watershed initiatives to solve local problems.
- Reward States that overmatch, leverage or otherwise enhance SRF financing with added flexibility, for example, to buy open space, fund pollution abatement efforts on private lands through loans, open up market incentives such as for pollution trading, financing habitat restoration such as dam removals, etc.

Inherent in all of these concepts are the need to:

- Better capitalize the SRF. To the extent that the committee improves the SRF's ability to finance the kinds of projects needed in the future, we believe that there will be increased support for capitalization.
- Minimize Federal intrusion into what needs to be a State program for local problem solving. Federal requirements and micro management must be kept to an absolute minimum.

Question 2. ASIWPCA has advocated increasing State Revolving Loan Fund (SRF) capitalization grant levels to $5 Billion annually to meet increased demand.

A. Do certain States have money that is not being loaned out for projects?

Response. In a program the SRF's size, there is always a certain amount of funds fitting that description. $15.4 Billion in Federal capitalization grants have generated $26.1 Billion in loans executed (a 1.7:1 ratio) considering State matching funds, leveraging and interest. There are many factors at play. Since the program must respond to project readiness to proceed over a construction season, there is lag time between Federal funds availability and actual loan execution. For large projects, sufficient funds must accumulate before they can be obligated. To the extent that the outlook for SRF funding year to year is uncertain, there is also a tendency to carry forward some funds from one fiscal year to the next to tide the program over. Since 99 percent of Federal appropriations are obligated within the 1 year of availability, the program is performing well.

Question 2B. Do most States have a backlog of loan applications for projects?

Response. There are more projects on State intended use plans than there are likely funds available. In some States, the number of projects that could use SRF funds is huge in comparison to the funds available. One response to this backlog has been the decision of States to leverage from time to time. However, generally a loan application is not prepared until the likelihood of SRF funding appears certain.

In discussing the SRF's role in the water quality program, it is important to keep in mind that grants are essentially 25 percent as effective as loans. Due to the re-

volving nature of loan programs, they can satisfy more needs over time than a grant program. Michigan, for example last year, awarded $245 million in loans. In a grant program, they could have funded only $57 million. Principles subsidies need to be used judiciously, e.g., for hardship communities.

STATEMENT OF E.D. "SONNY" VERGARA, EXECUTIVE DIRECTOR, SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

WATER FOR THE NEXT MILLENNIUM

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before you today in support of S. 968, the Alternative Water Sources Act of 1999.

The Problem

Nationwide, an increasing amount of water is in demand to provide for urban development, agriculture, and environmental needs. Although current water supplies are sufficient in some States, in many high growth areas such as Florida, New York, New Jersey, and Virginia, traditional sources of water supply are no longer adequate to meet increasing demands. Groundwater pumping has caused lowered aquifer levels and resulted in the degradation of water quality and the environment. Increased use of surface water has resulted in reduced flows in streams and rivers. In Florida, groundwater levels have declined as much as 150 feet and coastal areas have experienced salt water intrusion into the aquifer. New York has experienced declines in aquifer levels and low flows in streams. Droughts occasionally cause inadequate water supply for New York City. In New Jersey, water supply coming from surface water, which supplies most of northern New Jersey, is only adequate when precipitation is greater than average. And, in Virginia, water supplies in southern Virginia are not sufficient to meet projected future demands. Groundwater withdrawals have caused declines of up to 200 feet in some areas. If current trends continue, water demand can be expected to exceed supply throughout the midwest and along the eastern seaboard by the year 2020 causing severe economic and environmental impacts.

The Solution

Non-traditional or alternative water sources are needed to meet growing needs while ensuring environmental protection. An alternative sources project is defined as a project designed to provide municipal, industrial, or agricultural water supplies in an environmentally sustainable manner by conserving, managing , treating, reclaiming or reusing water or wastewater. Cost-share funding is needed in States not eligible for assistance through the Department of the Interior/Bureau of Reclamation to demonstrate methods for developing alternative water supplies which conserve, manage, reclaim, reuse, and de-salt water. The funding should be targeted to States with demonstrated needs, the ability to cost-share, and projects which alleviate current or projected economic and environmental impacts. S. 968 would not use existing funds from the Bureau of Reclamation. Rather, it would provide additional, much-needed money for alternative water supplies in those eastern States not presently eligible for grants under any Federal assistance program.

Economic and Environmental Benefits

Examples of the economic and environmental benefits of alternative water supply technology:

- Safeguards economic vitality and allows the opportunity to compete nationally for business development;
- Ensures that water related industries such as tourism, commercial fisheries, and recreational sports are not economically impacted;
- Provides incentives for innovative and environmentally sound water supply projects that can serve as national demonstration projects;
- Continues affordable water supplies for all reasonable and beneficial uses;
- Alleviates over-pumping of groundwater;
- Preserves minimum flows and levels of surface waters;
- Prevents further saltwater intrusion along our coastlines;
- Protects valuable ecosystems and avoids damage to wetlands;
- Promotes long-range, comprehensive planning for water resource development.

Recommended Congressional Action

The Congress should authorize a program in the U. S. Environmental Protection Agency (S. 968) to make grants to all eligible agencies with responsibility for water resource development in States not eligible for assistance through the Bureau of Reclamation. The grants would be used for the purpose of maximizing available water supplies and protecting the environment through the development of alternative water sources.

The Florida Water Story

Water supply has emerged as a critical issue for Florida. Between 1995 and 1996, Florida added 260,000 new residents—the equivalent of four cities the size of Daytona Beach. Population growth necessarily leads to increased water supply needs. Florida's challenge is to ensure adequate future water supplies for the growing population as well as industry and agriculture while providing for natural systems.

Ecosystems in Florida have global significance. The Florida Everglades has been recognized internationally. The Florida Keys have been designated as one of the 12 "Last Great Places" in the world by the Nature Conservancy. Silver Springs is one of the largest first-magnitude springs in the world. Florida is No. 1 in the Nation for number of lakes and a close second to Alaska in miles of coastline. Impacts from projected water supply withdrawals will significantly impact these vital resources. Visible impacts have already occurred in some areas.

Needs are Growing

From 1980 to 1995, Florida's public water supply increased 43 percent, more than double the national average of 16 percent. Florida's water resources are managed by five regional Water Management Districts (WMDs) defined by major river basin hydrology. The WMDs have assessed water supply needs and sources through the year 2020. Based on scientific modeling, many of the high growth areas of the State have been designated as Water Resource Caution Areas, areas where current or projected withdrawals are likely to impact natural systems such as wetlands and surface waters, increase saltwater intrusion, reduce groundwater levels and spring flows, and create competition among existing users.

Existing Sources are Limited

Florida's aquifers provide most of the existing public supply and a large part of the agricultural supplies in the State through pumping of groundwater. This source is of good quality, economical, and highly reliable. However, other sources, are needed for the State to recover from existing problems and avoid projected problems identified by the WMDs. Water sources being considered and implemented include additional water conservation, increased reuse, reclaimed water (highly treated waste water), better managed existing sources, and new sources such as aquifer storage and recovery, surface water, desalinization of brackish ground water and sea water, and artificial recharge. Florida can be the national leader in developing innovative solutions to the nation's water supply needs.

Efforts are Underway

The State of Florida through its Department of Environmental Protection (DEP) and its five water management districts has implemented steps to address the State's water supply needs. Each district has completed a District-Wide Water Assessment which evaluates projected demands, makes water use projections to the year 2020 and compares these demands to the availability of water sources over the twenty-year planning period. In those areas where demand is expected to exceed available water supply before 2020, a Regional Water Supply Plan must be developed subsequently. This information is reflected in an annual report produced by the DEP and in the comprehensive Florida Water Plan.

Water management districts are required by statute to allocate a portion of their yearly budget to the development of alternative water supply projects. Since 1994, the Southwest Florida Water Management District has committed $236 million to fund projects totaling $494 million in overall cost. This is in partnership with local governments. Projects such as these will continue to need funding through Federal, State, regional and local partnerships so that new water sources can be developed that are financially, technically and environmentally feasible.

Since 1995, the State of Florida has received approximately $50 million from the Federal Government in earmarked grants to assist with the development of important projects statewide. We are very grateful for this assistance. The list of projects these funds have enabled us to begin developing is attached. There is a much longer list of projects we need to build if we are to keep pace with Florida's anticipated growth through the year 2020. The Alternative Water Sources Act recognizes the importance of these projects and others like them and provides a framework for their development in partnership with the Federal Government. It is a much-needed program and I hope you will support its passage.

Thank you again for the opportunity to appear before you today. I would be pleased to answer any questions you might have.

ATTACHMENTS

Map of High Growth Eastern States
Chart of Projected Population (Eastern States)

FLORIDA ALTERNATIVE WATER SOURCES DEVELOPMENT PROGRAM

Projects Under Development

Southwest Florida Water Management District

The Peace River Option (Sarasota, Manatee, Charlotte, DeSoto Counties): A major expansion of a surface water potable supply. The capacity of the Peace River facility to serve its Peace River/Manasota Regional Water Supply Authority member governments would be increased from 12 to 18 MGD by expanding the treatment facility, constructing 14 aquifer storage and recover (ASR) wells to provide off-stream storage and an 80-mile transmission pipeline.

Agricultural Reuse Supply (Manatee County): A combination storm water and reclaimed water supply project. UP to 29 MGD of groundwater will be offset by connecting a network of wastewater treatment and storm water storage facilities, then constructing a transmission pipeline to deliver water from these facilities to large self-supplied agricultural interests in the Eastern Tampa Bay Water Use Caution Area—Most Impacted Area.

Manasota Basin Regional Reuse System (Manatee and Sarasota Counties): Interconnection and regionalization of city and county reuse systems to supply reclaimed water to large agricultural, industrial, and recreational water users. Initially, an additional 8.8 MGD of reclaimed water will be available to offset ground water withdrawals. Innovative technology such as aquifer storage and recovery (ASR) will provide water quality and flood control benefits.

Seawater Desalination (Tampa Bay Area): Design and construction of a 35–50 MGD seawater desalination facility to provide water to the regional system of the West Coast Regional Water Supply Authority. Included in the overall project is the seawater desalination plant, as well as infrastructure for treatment, pumping, storage, and transmission of water.

Enhanced Surface Water System (Hillsborough County): Will harvest and store excess surface water during times of high stream flow. Aquifer storage and recovery (ASR) technology will be explored as a method to economically store large volumes of seasonal flows to optimize the regional water supply system and avoid impacts of groundwater withdrawals. Reclaimed water will also be explored as an additional source of water.

Note: The previous three projects are part of the Tampa Bay Partnership Plan, a cooperative project between the Southwest Florida Water Management District and Tampa Bay Water to develop new water supply for the Tampa Bay Area through the use of alternative sources such as reuse, ASR technology, demand management, desalination, and the harvest and storage of excess surface waters during times of high stream flow. Included in this project is construction of infrastructure for treatment, pumping, storage and transmission of water. The overall cost estimate is $183 million.

St. Johns River Water Management District

Alternative Water Supply Development in East and Central Florida (Brevard, Lake, Orange, Seminole, Volusia Counties): Surface and brackish groundwater development including treatment storage, artificial recharge, wetland mitigation and avoidance of impacts related to groundwater withdrawals, and potable and reclaimed water system interconnections for the purpose of assuring dependable public water supplies through cooperative development of a combination of alternative water supply sources. The initial phase of implementation will include several demonstration projects.

East Palatka Water, Wastewater and Reuse Project (unincorporated Putnam County): Develop and treat a dependable source of potable water supply, prevent ground and surface water pollution, and provide reuse of reclaimed water.

City of Gainesville Reclaimed Water System Development (Alachua County): Construction of improvements to two wastewater treatment facilities and infrastructure necessary to supply reclaimed water to several current major users of groundwater for irrigation directly replacing current groundwater withdrawals.

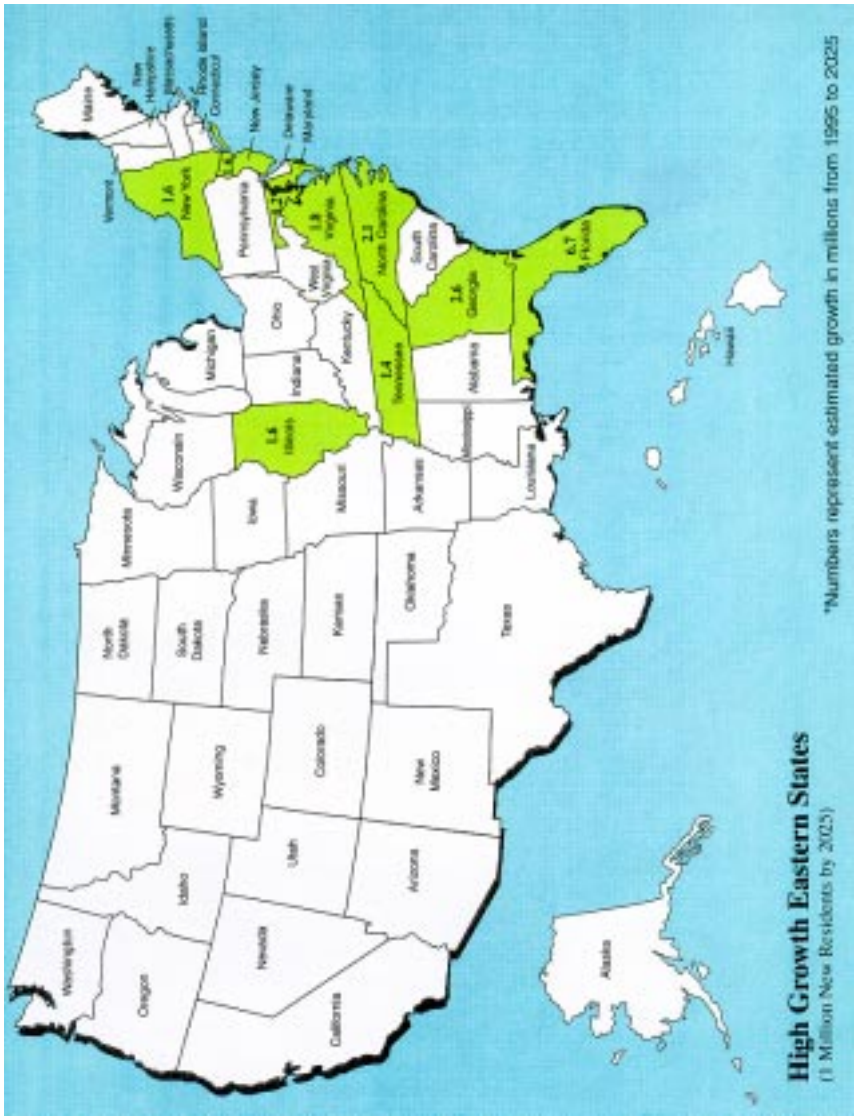
Alternative Water Supply Development in Northeast Florida (Duval, Clay, St. Johns, Flagler Counties): Surface and brackish groundwater development including treatment and storage, wetland mitigation and avoidance of impacts related to groundwater withdrawals, and potable and reclaimed water system interconnections for the purpose of assuring dependable public water supplies through cooperative development of a combination of alternative water supply sources and reduction of point source discharges into the St. Johns River.

Northwest Florida Water Management District

Regional Alternative Water Supply (Santa Rosa County): Design and construction of a well field, which would utilize an alternative groundwater supply from the Sand-and-Gravel Aquifer, to provide water supply. This well field would form the basis of a regional system designed to meet the anticipated water needs of local governments.

South Florida Water Management District

Central and Northern Palm Beach Water Management Initiative (palm Beach County): Will capture and conserve excess surface water as an alternative source for meeting present and future urban water supply demands. The project will include construction of aquifer storage and recovery (ASR) wells, canal and levee improvements, pumping stations, treatment and other water control facilities. Implementation will recharge coastal aquifers and well fields, avoid degradation of estuarine systems and rehydrate environmentally sensitive wetlands.


High Growth Eastern States
(1 Million New Residents by 2025)
*Numbers represent estimated growth in millions from 1995 to 2025
1.6 New York
1.8 Virginia
2.1 North Carolina
2.6 Georgia
6.7 Florida
1.4 Tennessee
1.5 Illinois
Maine
New Hampshire
Massachusetts
Rhode Island
Connecticut
New Jersey
Delaware
Maryland
Vermont
Pennsylvania
West Virginia
South Carolina
Ohio
Kentucky
Michigan
Indiana
Alabama
Mississippi
Wisconsin
Iowa
Missouri
Arkansas
Louisiana
Minnesota
North Dakota
South Dakota
Nebraska
Kansas
Oklahoma
Texas
Montana
Wyoming
Colorado
New Mexico
Idaho
Utah
Arizona
Nevada
Oregon
California
Washington
Alaska
Hawaii

Current and Projected Population in Selected Eastern States: 1995 & 2025 (in thousands)

STATE	ESTIMATE 1995	PROJECTION 2025	TOTAL INCREASE 1995-2025	% INCREASE 1995-2025
Florida	13,956	20,710	6,754	48%
Georgia	7,192	9,869	2,677	37%
Illinois	11,795	13,440	1,645	14%
Maryland	5,027	6,274	1,247	25%
New Jersey	7,956	9,558	1,602	20%
New York	18,146	19,830	1,684	9%
North Carolina	7,187	9,349	2,162	30%
Tennessee	5,235	6,665	1,430	27%
Virginia	6,601	8,466	1,865	28%

Source: Statistical Abstract of the United States: 1998.

Increase in Public Supply Water Use in States that Doubled the U.S. Average (1980-1995)

Source: Estimated Use of Water in the United States: 1980-1995. USGS.

STATEMENT OF THE AMERICAN SOCIETY OF CIVIL ENGINEERS

Mr. Chairman and Members of the committee: The American Society of Civil Engineers (ASCE) is pleased to offer for the record this statement on the importance of passing legislation that would reauthorize the State Revolving Loan Fund (SRF) program under Title VI of the Clean Water Act.

ASCE represents more than 120,000 civil engineers in private practice, academia and government service. Its members are experienced in environmental and water resources engineering. ASCE was founded in 1852 and is the oldest national engineering society in the United States.

A. Need for the Legislation

Many thousands of Americans are exposed to raw sewage daily. Substantial new Federal investment in facilities to collect and treat this sewage is absolutely necessary, and the solution won't come cheaply. As the American Society of Civil Engineers reported last year, America's wastewater infrastructure is overdue for major improvements. In our "Report Card for America's Infrastructure" issued in early 1998, we assessed the condition of the nation's wastewater treatment plants at D+ barely a passing grade and hardly one to be proud of. Earlier this year, we criticized

the Clinton Administration's Fiscal Year 2000 budget proposal of $800 million for wastewater infrastructure under the SRF program, a reduction of $550 million from the Fiscal Year 1999 appropriated level approved by Congress. We continue to believe that cuts of the magnitude contained in the President's short-sighted budget request will tie the states' hands in their efforts to come up with adequate capitalization for badly needed wastewater facilities. Fortunately, Congress heard that message and has proposed to increase the SRF level for Fiscal Year 2000 substantially above the Administration's request.

As this committee well knows, the Clean Water Act's program of financial aid for municipal wastewater treatment plant construction is a central feature of the law. Since 1972 Congress has provided $69 billion to assist cities in achieving requirements for secondary treatment of municipal sewage (equivalent to 85 percent reduction of wastes), or higher where required by local water quality conditions. State and local governments have spent more than $25 billion of their own funds, as well. All states have established the legal and procedural mechanisms to administer the new loan programs and are now eligible to receive SRF capitalization funds under Title VI. Some states with prior experience using similar financing programs moved quickly, while others had difficulty in making a transition from the previous grants program to one that requires greater financial management expertise for all concerned.

Needs remain high nevertheless. In 1996, the Environmental Protection Agency (EPA) estimated that America needs to spend at least $139 billion over the next two decades to improve and preserve the nation's sewage treatment plants. That figure rose to nearly $200 billion by March of this year, in large part because of the need to address anticipated sanitary sewer overflow needs. When replacement costs are added, 20-year needs soar to more than $300 billion. It's time for America to fix its decaying sewage pipes.

The Clean Water SRF program created by Congress in 1987 provides Federal financing for wastewater collection and treatment facilities. The SRF is an investment program that operates much like a community bank. Unfortunately, the funding authorization for the SRF program expired in 1994, and Congress needs to take steps soon to recapitalize the fund, which has been subject to annual appropriations since Fiscal Year 1995. [1]

The SRF program works. Since 1987, cumulative Federal capitalization grants of $14.2 billion have been supplemented by state contributions of $3 billion, net leveraged bonds of $10.9 billion, loan principal repayments of $3.4 billion, loan interest payments of $2.7 billion, and investment earnings of $1.5 billion. Even after deducting payments for principal and interest, the SRF program has provided $27.4 billion for wastewater treatment projects.

Of that $27.4 billion, $23 billion (or 84 percent) has been provided for 6,816 wastewater collection and treatment, nonpoint source, and estuary projects in the past 11 years. Unfortunately, the funding authorization for the Clean Water SRF Program expired in 1994.

That's why ASCE strongly supports the Clean Water Infrastructure Financing Act introduced by Senator Voinovich. We also endorse a similar bill, H.R. 2720, that has been introduced in the House by Rep. Sue Kelly of New York and Rep. Ellen Tauscher of California.

This legislation is vitally needed. The Senate and House bills are a pragmatic, efficient and necessary remedy to the potential risks of disease and water pollution posed by America's aging wastewater treatment infrastructure.

The Senate bill and its House companion make the Clean Water SRF program even better. They build on the success of the SRF program by authorizing $15 billion in new funding and adding important improvements.

The Voinovich bill, like its House counterpart, retains the policy of zero tolerance for the structural degradation of the nation's wastewater treatment works. The current lack of authorization unintentionally contributes to the investment gap. It sends an implicit message to your colleagues on the Budget and Appropriations committees that wastewater collection and treatment is not a national priority, and annual capitalization of the program suffers as a result.

With this bill, you have it in your power to close the funding gap and prevent further injury to critical infrastructure systems nationwide. We urge the committee to move expeditiously to reauthorize funding for this most important environmental program.

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[1] The Clinton Administration requested $800 million for fiscal year 2000 for State Revolving Loan Fund—$500 million less than the appropriated amount for fiscal year 1999. The House (H.R. 2684) recommends $1.175 billion and the Senate (S. 1596) recommends $1.35 billion in fiscal year 2000.

B. Use of Competitive Bidding and Qualifications Based Selection Procedures

ASCE strongly recommends that the Senate bill be strengthened by the addition of provisions requiring the states to engage in competitive bidding for the construction of wastewater treatment plants and requiring those states without a qualifications-based selection (QBS) procedure for architectural and engineering contracts to follow the Federal law on A/E contract procurement.

We support full and open competition for the procurement of contracts by all levels of government, including the use of competitive sealed bidding for construction contracts and the QBS procedures for architectural and engineering contracts.

Of course the awarding of architectural and engineering design contracts, which are highly technical in nature and require the mature professional judgment of licensed architects or engineers, is of special interest to ASCE. This type of contract requires a slightly different procurement method the QBS method.

In this traditional "design-bid-build" method, the agency employs a design professional who develops plans and specifications for the project under an architectural and engineering (A/E) services contract. After the professional design firm completes its work (or nearly so), the agency awards a second contract to a contractor who is responsible for carrying out the construction project. The design and construction functions are entirely separate. This process is sometimes referred to as "linear construction."

Under the traditional system, the awarding of A/E services contracts by Federal agencies is governed by the qualifications-based selection process under Title IX of the Federal Property and Administrative Services Act, which was enacted 27 years ago. [2]

Title IX requires the government "to negotiate contracts for architectural and engineering services on the basis of demonstrated competence and qualification for the type of services required at a fair and reasonable price." The agency client must evaluate current statements of qualifications from A/E firms and to conduct negotiations with at least three of them, beginning with the most qualified. The contract then must be awarded to the highest qualified firm "at fair and reasonable prices." The Act defines A/E services as "those professional services of an architectural or engineering nature as well as incidental services that members of those professions in their employ may logically or justifiably perform."

Under Title IX, the QBS process protects the client agency and the design professional by ensuring that the agency receives the services of the most highly qualified design professionals. The QBS procedure is unique because the procurement of professional services is difficult and complicated. There is little correlation between the procurement of these services and, for example, the purchase of durable goods and supplies. The heart of the design contract is the unique capability of the mind incapable of hard and fast measurement, as in the case of a physical item. When one seeks to acquire the services of a physician, surgeon, lawyer, architect or engineer, one is looking for competency and training, and also for originality, innovation and inspiration. The QBS procedures ensure that the agency receives that originality and innovation in the design of public works projects.

The American Bar Association (ABA) recommends the use of the qualifications-based selection process for A/E contracts awarded by state or local governments.

The principal reasons supporting this selection procedure for architect-engineer and land surveying services are the lack of a definitive scope of work for such services at the time the selection is made and the importance of selecting the best qualified firm. In general, the architect-engineer or land surveyor is engaged to represent the [State's] interests and is therefore, in a different relationship with the [State] from that normally existing in a buyer-seller situation. For these reasons, the qualifications, competence, and availability of the three most qualified architect-engineer or land surveying firms are considered initially, and price negotiated later. [3]

Thirty-seven states currently follow the Federal QBS procedure for the awarding of these contracts by state agencies under their "Little Brooks" acts. Of these, 17 states (Arizona, Colorado, Connecticut, Kansas, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Missouri, Nebraska, New Hampshire, Ohio, Oklahoma, Oregon, South Dakota, and Utah) require the QBS process for the acquisition of A/E contracts by state agencies but not by local governments.

Thirteen states Alabama, Georgia, Hawaii, Indiana, Iowa, Michigan, Mississippi, New Jersey, North Dakota, Rhode Island, South Dakota, Vermont and Wisconsin do not currently require the QBS process for A/E contracts at any level of state or local government.

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[2] 40 U.S.C. §§ 541–44. Title IX is commonly referred to as the Brooks Architect-Engineers Act.

[3] American Bar Association, *The Model Procurement Code for State and Local Governments, Section 5 (1979).*

ASCE believes the QBS procedure, which offers the state and local governments the means of acquiring the best qualified architects and engineers for the design of publicly owned treatment works, should be standardized to avoid conflicting contracting procedures among various state and local agencies that receive Federal SRF loans to finance the construction of wastewater treatment facilities. We urge Congress to amend the Clean Water Act to require the use of this highly successful contracting process in those states that do not follow the Federal procedure.

Mr. Chairman, that concludes our statement on the Clean Water Infrastructure Financing Act. If you have any questions, please do not hesitate to contact Michael Charles of our Washington Office at (202) 789–2200 or by E-mail at mcharles@asce.org.

WASTEWATER

Wastewater Treatment Infrastructure Needs*			
State	*20-Year Need*	*State*	*20-Year Need*
Alabama	$1,458	Nevada	$84
Alaska	648	New Jersey	6,958
Arizona	2,520	New Mexico	242
Arkansas	581	New York	15,956
California	11,482	North Carolina	4,131
Colorado	652	North Dakota	238
Connecticut	1,788	Ohio	7,403
Delaware	267	Oklahoma	698
Dist. Of Columbia	624	Oregon	2,492
Florida	6,258	Pennsylvania	6,302
Georgia	2,278	Rhode Island	1,209
Hawaii	910	South Carolina	1,753
Idaho	441	South Dakota	304
Illinois	11,228	Tennessee	1,313
Indiana	5,267	Texas	6,351
Iowa	1,245	Utah	429
Kansas	1,669	Vermont	362
Kentucky	2,502	Virginia	4,311
Louisiana	1,073	Washington	1,710
Maine	901	West Virginia	1,686
Maryland	1,676	Wisconsin	2,285
Massachusetts	3,746	Wyoming	80
Michigan	5,143	Amer. Samoa	41
Minnesota	1,125	Guam	48
Mississippi	1,138	No. Marianas	49
Missouri	3,199	Puerto Rico	1,304
Montana	303	Virgin Islands	91
Nebraska	750	**TOTAL**	**$139,467**

* Total needs for capital investment for publicly owned facilities in millions. Source: U.S. EPA *Clean Water Needs Survey, 1996.*

ASCE

American Society of Civil Engineers

America's Infrastructure Renewal -- A Status Report

The American Society of Civil Engineers issued a national Report Card for America's Infrastructure in March 1998. The chart below outlines what action has been taken at the federal level to improve funding and public policies to benefit the condition and performance of the infrastructure. This chart also lists the action ASCE believes the federal government should take. ASCE did not issue new grades since the condition and performance have not changed significantly in one year.

Categories	1998 ASCE Report Card Grades & Status*		1998-99 Federal Action Taken	Federal Action Needed
Roads	D-	More than half of our roadways (59 percent) are in poor, mediocre or fair condition. More than 70 percent of peak-hour traffic occurs in congested conditions. It will cost $263 billion to eliminate the backlog of needs and maintain repair levels. Another $94 billion is needed for modest improvements -- a $357 billion total.	In 1998, Congress passed the largest public works bill in American history. Known as the Transportation Equity Act for the 21st Century (TEA-21), this measure provides a 40 percent increase in spending over six years to improve the nation's aging highways and mass transit systems. *In all, the $217.9 billion transportation bill* provides about $173 billion for new highway construction, $42 billion for mass transit and over $2 billion for highway safety programs. Although work has begun in many states, it will take some time before road condition and performance improves and there is new or increased capacity in mass transit facilities.	While TEA-21 includes more than $100 billion for road repairs and maintenance, the amount is still less than one-quarter of the amount needed to improve the condition of aging roads and crumbling bridges. To help revitalize America's infrastructure, ASCE supports legislation that encourages public-private partnerships and other innovative financing mechanisms. ASCE also supports the Clinton Administration's FY 2000 U.S. DOT budget proposal of $50.5 billion, $641.4 of which is for the Federal Highway Administration's Research and Technology Program. This proposal also increases mass transit funding to $6.1 billion -- $300 million over the authorized level in TEA-21.
Bridges	C-	Nearly one of every three bridges (31.4 percent) is rated structurally deficient or functionally obsolete. It will require $80 billion to eliminate the current backlog of bridge deficiencies and maintain repair levels.		
Mass Transit	C	Twenty percent of the buses, 23 percent of the rail vehicles and 38 percent of the rural and specialized vehicles are in deficient condition. Twenty-one percent of rail track requires improvement. Forty-eight percent of rail maintenance buildings, 65 percent of rail yards and 46 percent of signals and communication equipment are in fair or poor condition. The investment needed to maintain conditions is $39 billion. It would take up to $72 billion to improve conditions.		
Aviation	C-	There are 22 airports that are seriously congested. Passenger enplanements are expected to climb 3.9 percent annually to 827.1 million in 2008. At current capacity, this growth will lead to gridlock by 2004 or 2005. Estimates for capital investment needs range from $40-60 billion in the next five years to meet design requirements and expand capacity to meet demand.	The House and Senate have each introduced aviation bills (H.R. 1000/S. 82). The House measure, Aviation Investment & Reform Act for the 21st Century (AIR-21) seeks $90 billion to upgrade airport and air traffic control facilities.	ASCE supports the H.R. 1000 proposal to take the Airport and Airway Trust Fund off-budget so its revenues will be spent on critical improvements. The Airport Improvement Program should be funded at a minimum of $2 billion per year.
School Buildings	F	One-third of all schools need extensive repair or replacement. Nearly 60 percent of schools have at least one major building problem, and more than half have inadequate environmental conditions. Forty-six percent lack basic wiring to support computer systems. It will cost about $112 billion to repair, rennovate and modernize our schools. Another $60 billion in new construction is needed to accommodate the 3 million new students expected in the next decade.	The Administration's FY 2000 budget request proposes that the federal government raise $25 billion over two years through bonds with special tax credits. Several initiatives also have been introduced in the 106th Congress.	ASCE supports school modernization legislation that provides tax relief to financial institutions and local communities for school construction and maintenance programs. ASCE also supports legislation with reduced-rate bonds that will enable lower construction and repair costs for taxpayers.

(America's Infrastructure Renewal -- A Status Report, continued)

Categories	1998 ASCE Report Card Grades & Status*		1998-99 Federal Action Taken	Federal Action Needed
Drinking Water	D	The total infrastructure need remains large -- $138.4 billion. More than $76.8 billion of that is needed now to protect public health. More than 16,000 community water systems (29 percent) did not comply with the Safe Drinking Water Act standards in 1993.	The Safe Drinking Water Act was last updated in 1996 and no legislative activity is expected until 2003 when authorization for grants to water systems expires. The Administration released $775 million in previously approved funds for state revolving loans.	More federal grants are needed to help small systems meet stricter water quality standards. Congress should provide the authorized level of at least $1 billion annually for state revolving loan funds. This is especially important given new AWWA data that place distribution needs at 3.9 times EPA estimates.
Wastewater	D+	Today, 60 percent of our rivers and lakes are fishable and swimable. There remain an estimated 300,000 to 400,000 contaminated groundwater sites. America needs to invest roughly $140 billion over the next 20 years in its wastewater treatment systems. An additional 2,000 plants may be necessary by the year 2016.	Inadequate funding is still a problem. The Administration requested only $1.075 billion for state revolving loan funds in FY1999, $275 million below the previous year's level. The Administration's budget request is only $800 million for FY 2000, 41 percent below the authorized level.	Congress should reauthorize the Clean Water Act to provide adequate funding based on construction needs and compliance schedules. Government-imposed barriers to innovative financing should be removed.
Dams	D	There are 2,100 regulated dams that are considered unsafe. Every state has at least one high-hazard dam, which upon failure would cause significant loss of life and property. There were more than 200 documented dam failures across the nation in the past few years. It would cost about $1 billion to rehabilitate documented unsafe dams.	Under the National Dam Safety Program Act's state grant program to improve dam safety, Congress appropriated $3.9 million in FY 1999. The president is seeking $5.9 billion in his FY 2000 budget request.	While the $5.9 million FY 2000 request is a good step, more will be needed as more dams exceed their expected lifespans in the next 20 years. Congress should establish a dam state revolving loan fund similar to those in the Safe Drinking Water Act and Clean Water Act.
Solid Waste	C-	Total non-hazardous municipal solid waste will increase from 208 to 218 million tons annually by the year 2000, even though the annual per capita waste generation rate will decrease from 1,606 to 1,570 pounds. Total expenditures for managing non hazardous municipal solid waste in 1991 were $18 billion and are expected to reach $75 billion by the year 2000.	Legislation (H.R. 379 and S. 533) has been introduced that would give states or localities the authority to restrict or impose fees on solid waste imports from other states.	Congress should pass legislation that eases the contentiousness of interstate waste issues. ASCE supports the export of solid and/or hazardous waste to other countries as long as disposal facilities have the same environmental protection requirements as the U.S.
Hazardous Waste	D-	More than 530 million tons of municipal and industrial solid waste is generated in the U.S. each year. Since 1980, only 423 (32 percent) of the 1,200 Superfund sites on the National Priorities List have been cleaned up. The price tag for Superfund and related clean up programs is an estimated $750 billion and could rise to $1 trillion over the next 30 years.	Since taxing authority for Superfund expired in 1995, Congress has not authorized new revenue sources for site cleanups due to disagreements over who must pay. The Congressional Budget Office estimates the trust fund will be depleted by the year 2000.	ASCE strongly encourages Congress to reauthorize and reform the Superfund program to end the liability problems, concentrate on cleanup needs and speed the removal of remediated sites from the NPL.

*For the 1998 report card, ASCE evaluated each category on the basis of its condition and performance, capacity, and funding vs. need, using government data. A = Exceptional, B = Good, C = Mediocre, D = Poor and F = Inadequate. After ASCE issued the 1998 report card, the federal government released new data on highways, airports and drinking water. The highway and water data did not represent a significant change. The number of severely congested airports has risen to 27. Additional information on drinking water and dams has been released by other organizations. For more information, contact the ASCE Washington Office at 202/789-2200.

American Society of Civil Engineers, Washington Office, 1015 15th Street, NW, Suite 600, Washington, DC 20005-2605; 202/789-2200.

STATEMENT OF DR. ROBERT HIRSCH, CHIEF HYDROLOGIST, U.S. GEOLOGICAL SURVEY

Historically, problems of water use and supply in the United States have been most closely associated with the arid and semi-arid West. Increasingly, however, eastern States are experiencing problems with inadequate supply of water due to increasing population, deteriorating water quality, and growing use of water for a variety of purposes, including agriculture, power generation, and public drinking water.

- The use of fresh water for all purposes in the East has doubled in the past 35 years.

- Irrigated acreage has increased nearly 50 percent in the East between 1980 and 1995, while in the West during this period, irrigated acreage has actually decreased by about 8 percent.
- Withdrawals of water for public water supply in the East nearly doubled from 1955 to 1995.
- The recent drought in the East has resulted in drought declarations or water restrictions in 15 States.
- If current trends continue, the use of water in the southeastern U.S. will increase an estimated 30 percent by 2040.

In developing solutions to the growing problems of water use and supply, two factors must be clearly understood. First, water resources occur in a wide variety of environments throughout the eastern United States; the problems and solutions associated with these varying environments will differ. Second, surface water and ground water are in reality, a single resource; proposed solutions must recognize the important and often complex interactions of surface water and ground water. A few illustrations follow.

Development of ground-water resources along the Atlantic and Gulf Coasts has caused saltwater to intrude into many highly productive freshwater aquifers as, for example, in the areas of Tampa, Miami, and Jacksonville, Florida. Farther north, saltwater intrusion is occurring near Brunswick and Savannah, Georgia, on Hilton Head Island, South Carolina, and in New Jersey from Cape May to northern parts of the State. The threat of saltwater intrusion is always present on Long Island, New York, and Cape Cod, because saltwater bodies surround both locations. Projected future growth in population along the coastal areas of the United States will likely increase stresses on coastal aquifers.

Moving landward, the Appalachian Piedmont and Blue Ridge province of the eastern U.S. is an extensive and unique area that extends from Alabama to Pennsylvania. The region includes rapidly growing cities such as Atlanta, Charlotte, and the western suburbs of Washington, D.C. Ground water in this region, which primarily occurs as flow of water through fractures in rocks, is difficult to characterize and to develop for water supply. The ground water in this region is very vulnerable to contamination and is particularly susceptible to droughts as demonstrated by numerous private wells going dry this past summer. All of these factors lead to significant challenges in water-resource development.

Nearly all surface-water features—streams, lakes, wetlands, and estuaries—interact with ground water and vice versa. As a result, actions taken with one part of the system often have unintended consequences with other parts of the system. The nature of the hydraulic connection between ground water and surface water varies considerably from place to place. For example, ground-water development occurs in many small glacial aquifers along streams in the northeastern U.S. and in the Great Lakes region, as well as along major watercourses, such as the Mississippi and Ohio Rivers. The connection of surface water and ground water has led to water supply concerns in some areas, particularly in the southeastern United States. In many areas, pumping ground water from wells located near streams can induce contaminated water to move from streams into wells. The stress of pumping ground water can have significant impacts on development of surface-water resources and the costs of treatment by municipalities.

As a final example, "karst" areas characterized by limestone and other soluble rocks exist throughout much of the eastern United States, including large parts of Alabama, Florida, Tennessee, Kentucky, Missouri, and Indiana, among others. Aquifers in karst terrain are particularly susceptible to contamination where the aquifers are hydraulically connected by sinkholes or other conduits that can channel river water directly into an aquifer with little or no filtration. Likewise, the aquifers can provide rapid transport of contaminants to surface-water bodies.

It is often difficult to predict the outcome of new water-management projects on these complex and interrelated ground-water and surface-water systems. For this reason monitoring should be incorporated as a key component to allow periodic evaluation of system performance to provide the basis for appropriate adjustments toward more optimal water management and to minimize unanticipated adverse impacts.

Solutions to the water management challenges of the eastern States need to be built using a variety of tools. They must, first of all, be based on facts regarding the true availability of the resource, including both ground water and surface water. They must use science to aid in predicting the consequences of planned water resource development, paying careful attention to the influence of ground water development on surface water supplies and the influence of surface water development on ground water. They must also consider the consequences of development on water quality and aquatic habitat. The use of innovative technologies needs to be

a part of developing alternative supplies such as using brackish water and reclaimed wastewater, and artificially recharging aquifers with surface water in times of abundance for later use during dry periods. These technologies are all feasible but are also costly and may have unforeseen consequences. They need to be considered as a part of the long-term solution throughout the East as they are in the West. Finally, the whole water resource system must be managed in an optimal manner, with an eye to long-term and short-term goals, and another eye toward balancing legitimate competing needs of different communities and of the natural environment.

The USGS welcomes a continuing role in helping all States by providing a scientific foundation of information about the resource and the consequences of new technologies and alternative management plans. We would look forward to working with EPA and the States in providing the scientific information needed for successful decisions about water management options. Thank you for this opportunity to provide a statement on this proposed legislation. Please do not hesitate to call on the USGS for further information.

ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES,
Washington, DC, October 6, 1999.

The HONORABLE JOHN H. CHAFEE, *Chairman,*
Environment and Public Works Committee
Dirksen Senate Office Building
Washington, DC 20510–6175

DEAR SENATOR CHAFEE: On behalf of the Association of Metropolitan Sewerage Agencies (AMSA), I applaud you and your colleagues on the Environment and Public Works Committee for addressing water infrastructure issues in tomorrow's hearing. AMSA respectfully submits this letter and its accompanying enclosure for the hearing record, and writes today to familiarize you with additional clean water infrastructure legislation that will be introduced in the Senate in the coming weeks. The bill, the Urban Wet Weather Priorities A ct of 1999, addresses the most critical clean water infrastructure issues for municipalities today—the control and financing of urban wet weather pollution.

Over the course of the past year, AMSA has worked with the National League of Cities (NLC), National Association of Counties (NACo), National Association of Flood and Stormwater Management Agencies (NAFSMA), American Public Works Association (APWA), U.S. Conference of Mayors (USCM), and the Water Environment Federation (WEF) to develop broad-based legislation that would strengthen municipal wet weather remediation efforts. The resulting bill, the Urban Wet Weather Priorities Act of 1999 (see enclosed bill text and summary), strengthens the Clean Water Act and improves the way communities respond to all urban wet weather problems. Narrowly targeted, this bill is designed to do the most good by making important, but relatively minor, changes to the Act. It will provide consistent standards for controlling urban wet weather discharges and a direct infusion of desperately needed Federal funds to jump start community remediation programs.

The Urban Wet Weather Priorities Act of 1999 speaks to the critical issue that will serve as the focus of tomorrow's hearing—the establishment of additional Federal funding mechanisms that support our Nation's clean water infrastructure. At every opportunity we urge you to pursue greater a Federal contribution to the costs of controlling wet weather flows. Municipalities alone cannot keep up with skyrocketing infrastructure costs for clean water, not to mention the price tag for controlling wet weather discharges. AMSA and WEF's joint report, The Cost of Clean, documents that municipal clean water infrastructure needs over the next 20 years are at $330 billion. Roughly half of the overall costs, a total of at least $150 billion, is attributed to the expenditures required to control combined sewer overflows (CSOs), sanitary sewer overflows (SSOs), and urban stormwater discharges. To make matters worse, EPA recently found that unmet capital needs have risen to an astonishing $6 billion per year. In response to this need, the Urban Wet Weather Priorities Act of 1999 establishes a new grants program, $6 billion over the next 3 years, to help fund various municipal wet weather control efforts. While this money by itself will not cure the enormous funding shortfall, the greater availability of grant funds will help all communities.

As we work to improve water quality in the watershed context, communities need to address wet weather discharges on a holistic basis that takes into account all wet weather flows within a single urban watershed. Municipalities are spending billions of dollars on wet weather controls without the ability to allocate scarce resources in accordance with cost-effectiveness and actual watershed impact. A comprehensive

approach to the management of wet weather discharges on an urban watershed basis will result in a systematic, incremental and more cost-effective achievement of water quality objectives. Although we believe that eventually all wet weather flows should be controlled within a watershed framework, the Urban Wet Weather Priorities Act of 1999 takes the first critical steps in making the transition to the watershed approach through the use of demonstration projects. The bill provides $45 million over the next 3 years to allow EPA to conduct municipal demonstration projects relating to the management of urban wet weather flows, and the determination of stormwater management controls that are cost-effective in reducing pollutants from urban stormwater runoff.

The draft legislation I have enclosed also provides targeted reforms directed at the priority water quality issues of combined sewer overflow abatement, sanitary sewer overflow control and municipal stormwater standards. We encourage you to seriously consider the Urban Wet Weather Priorities Act of 1999 as part of a narrowly targeted effort to strengthen the Clean Water Act and look forward to the opportunity to describe the legislation in further detail at a future hearing of your committee.

Please feel free to call me to discuss the bill or any related issues at 202/833–4653. Thank you for your dedication to the Nation's clean water program.

Sincerely,

KEN KIRK, *Executive Director.*

URBAN WET WEATHER PRIORITIES ACT OF 1999

A bill to amend the Federal Water Pollution Control Act to establish nationally consistent requirements for controlling urban wet weather flows and to provide sufficient funds to municipalities to meet these requirements.

SECTION 1. SHORT TITLE. This Act may be cited as the ''Urban Wet Weather Priorities Act of 1999''.

SECTION 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds the following: (1) Wet weather flows, including combined sewer overflows, sanitary sewer overflows, stormwater runoff, and nonpoint source discharges constitute the largest remaining challenge to achieving the goals of the Clean Water Act.

(2) To effectively control wet weather flows, national regulatory requirements must be in place to provide municipalities with clear and achievable goals that allow them to prioritize the expenditure of limited local funds, and that are consistent within and among the Regions and States.

(3) The Combined Sewer Overflow Policy signed by the Administrator on April 11, 1994, has not been fully recognized as binding authority, leaving those affected municipalities unsure of the appropriate control standards.

(4) In the absence of a national policy clarifying the appropriate control standard for sanitary sewer overflows, municipalities are being subject to the inconsistent enforcement discretion of each individual Region or State without the benefit of a clearly defined control standard.

(5) In recognition of the unique nature of municipal stormwater runoff, Congress established a distinct compliance standard for municipal separate storm sewer system control programs which is to be based on the implementation of best management practices and the reduction of pollutants to the maximum extent practicable.

(6) An effective solution to the problems associated with wet weather flows can be attained through a coordinated urban watershed management approach to rules, policies, and guidelines for wet weather flows.

(7) Current funding sources for the construction and modernization of publicly owned treatment works are insufficient to assist municipalities in meeting wet weather control mandates.

(b) PURPOSE.—The purposes of this Act are: (1) To achieve national consistency in the regulatory oversight of urban wet weather flows;

(2) To codify the National Combined Sewer Overflow Policy signed by the Administrator on April 11, 1994 to establish a clear and nationally consistent approach;

(3) To direct the Agency to develop, through direct consultation with municipalities, a national sanitary sewer overflow program which is uniformly adopted in all Regions and States:

(4) To clarify that the original intent of Congress with respect to the appropriate compliance standard for municipalities subject to the Act's municipal separate storm sewer system control requirements was to require the implementation of best management practices and not to impose numerical discharge standards.

(5) To develop information to exhibit the effectiveness of managing urban wet weather flows using a watershed management framework and to evaluate the effectiveness of available best management practices to control stormwater runoff; and

(6) To establish a wet weather grants program to assist municipalities in addressing the impacts of urban wet weather discharges.

SECTION 3. COMBINED SEWER OVERFLOWS. Section 402 of the Federal Water Pollution Control Act (33 U.S. C. 1342) is amended by adding the following:

(q) Combined Sewer Overflows.—

(1) REQUIREMENT FOR PERMITS, ORDERS, AND DECREES.—Each permit, order, or decree issued pursuant to this section for a discharge from a combined storm and sanitary sewer shall conform to the Combined Sewer Overflow Control Policy signed by the Administrator on April 11, 1994, as amended by this Act. Any future revisions to the policy shall be developed in consultation with State and municipalities.

(2) TERM OF PERMIT, ORDER, OR DECREE.—

(A) AUTHORITY TO ISSUE.—Notwithstanding any schedule for compliance authorized by section 301(b) or any permit limitation authorized by subsection (b)(l)(B) of this section, the Administrator or the State (in the case of a State with a program approved under subsection (b)) may issue or execute a permit, order, or decree consistent with this section for a discharge from a combined storm and sanitary sewer.

(B) SCHEDULE FOR COMPLIANCE.—A permit, order, or decree issued pursuant to subparagraph (A) shall include a schedule for compliance, within a period of not to exceed 15 years, with a long-term control plan under the control policy referred to in paragraph (1), except that a compliance schedule of longer than 15 years may be granted by either the Administrator or the State (as the case may be) if compliance within 15 years is not within the economic capability of the owner or operator.

SECTION 4. SANITARY SEWER OVERFLOWS. Section 402 (33 U.S. C. 1342) is further amended by adding at the end the following:

(r) SANITARY SEWER OVERFLOWS.—

(1) DEVELOPMENT OF REGULATIONS.—One year after the date of enactment, but no later than May 29, 2001, the Administrator, in consultation with State, municipal, and wastewater authorities shall issue regulations which establish a comprehensive program to control municipal separate sanitary sewer overflows.

(2) PROGRAM ELEMENTS.—The program shall provide for the following:

(A) GENERAL PROHIBITION.—Sanitary sewer overflows are prohibited with the exception of those overflows which are determined to be unavoidable. Municipal separate sanitary sewer systems shall not be liable for those overflows which are determined to be unavoidable. For the purposes of this section, unavoidable overflows shall be as follows:

(i) Discharges that are necessary to prevent loss of life, personal injury, or severe property damage; or

(ii) Discharges that are temporary, exceptional incidents beyond the reasonable control of the operator, such as exceptional acts of nature, wet weather conditions beyond a system-specific control plan in an approved facility plan or other remediation plan that is currently approved by the Administrator, third party actions that could not be reasonably prevented, blockages that could not be avoided through reasonable measures, and unforeseen sudden structural, mechanical or electrical failure that are beyond the control of the permittee.

(B) MINIMUM PROCEDURES.—In consultation with municipalities and wastewater authorities, minimum operational procedures will be developed as guidance for use by operators of municipal separate sanitary sewer systems for identification of sanitary sewer overflows, immediate overflow response, proper operation and maintenance, and new sewer and service lateral installation.

(C) REMEDIATION.—

(i) SYSTEM-SPECIFIC CONTROL PLANS.—If avoidable and repeated sanitary sewer overflows occur following implementation of the minimum operational procedures as defined pursuant to subparagraph (B), a system-specific control plan that establishes priorities for addressing these overflows will be developed by the permitted. The control plan will be submitted to the permitting authority for approval. The control plan shall provide:

a. SHORT-TERM REMEDIATION.—For short-term remediation of those sanitary sewer overflows that pose immediate and significant health risks or environmental impacts or which can be addressed without conducting a complex analysis of the system, including procedures for dry weather operation and maintenance, dry weather capacity, wet weather operation and maintenance, wet weather preventative maintenance and minor capital improvement, and wet weather capacity and rapid solution.

b. LONG-TERM REMEDIATION.—For any other chronic wet weather or avoidable and repeated dry weather sanitary sewer overflow, long-term remediation including a combination of activities to remove extraneous peak flow sources, improve conveyance capacity, improve treatment plant capacity, and provide additional storage.

(ii) GUIDANCE.—The Administrator shall develop guidance for determining the type of short-term or long-term remediation necessary based on the relative impacts to public health and environment.

(iii) WET WEATHER TREATMENT.—Discharges from the sanitary sewer collection system via wet weather facilities, at less than the equivalent of secondary treatment that meet technology-based standards of the Act, shall be authorized as follows:

a. TEMPORARY MEASURES.—Temporary discharges (which are part of the interim measures prior to completion of the long-term control plan) from wet weather facilities shall be authorized where they reduce health risks by strategically locating discharges to lower risk areas in a way that reduces or eliminates the occurrence of overflows to sensitive receiving waters, and the occurrence of sewage spills and basement backups in other parts of the collection system until other steps to rehabilitate the collection system are taken. Where temporary discharges from a wet weather facility are approved, either a permit or an enforcement order must provide interim milestones for constructing, operating, and terminating the discharges.

b. LONG-TERM FACILITIES.—Authorized discharges from long-term wet weather facilities shall be included in a comprehensive remediation plan that:

1. Includes measures to manage peak flow (such as removal of sources of peak flows, improved conveyance and treatment plant capacity, management of future system deterioration, or additional storage). The municipality must also demonstrate that additional peak flow reduction measures are not feasible, which may be determined by considering the technical limitations of control techniques, financial capability of the municipality, and cost effectiveness of the measures;

2. Demonstrates that wet weather discharges will not interfere with the attainment or maintenance of the water quality based requirements of the Act

3. Provides the public with an opportunity to review alternatives prior to a decision being made; and

4. Demonstrates that future system deterioration will be adequately addressed.

(D) JURISDICTIONAL ISSUES.—Where collection systems are connected to a publicly owned treatment works but are not operated by the same municipal entity or local government that is responsible for treating the discharge, a description of acceptable mechanisms, other than NPDES permits, which assign responsibilities for proper operation and maintenance of those collection systems shall be developed. Such mechanisms could include inter-agency or intrajurisdictional agreements, permits, local ordinances, or similar enforceable instruments. Such an approved operation and maintenance instrument will be required to be obtained by the collection system within a specified time. If such instrument has not been obtained after sufficient time has elapsed, the Administrator shall be authorized to issue a separate NPDES permit to the collection system pursuant to Section 402 of the Act. In addition, a publicly owned treatment works may also at any time petition the Administrator for two separate permits, one for discharges from the treatment works and one for discharges from the collection system.

(3) COMPLIANCE DEADLINE.—Notwithstanding any compliance schedule under section 301(b), or any permit limitation under subsection (b)(l)(B), the Administrator or a State with a program approved under subsection (b) may issue a permit pursuant to this section for a discharge from a municipal separate sanitary sewer due to stormwater inflows or infiltration. The permit shall include at a minimum a schedule for compliance with a system-specific control plan under the regulations developed under paragraph (1), for a term not to exceed 15 years, with the exception that a compliance schedule of longer than 15 years may be granted by either the Administrator or the State (as the case may be) if compliance within 15 years is not within the economic capability of the owner or operator.

SECTION 5. MUNICIPAL STORMWATER DISCHARGES Section 402(p) (33 U.S. C. 1342(p)) is amended by adding at the following:

(7) SPECIAL RULES.—

(A) MAXIMUM EXTENT PRACTICABLE DEFINED.—For the purposes of subparagraph (B)(iii), the term maximum extent practicable' means the greatest degree of pollutant reduction achievable through the application of the best available, technically feasible, cost effective, and economically achievable storm water control practices, technologies, processes, siting criteria, operating methods, or other alternatives that do not require the construction of treatment works. This definition ap-

plies to any discharges covered under Section (2)(C), (2)(D), or (2)(E) of this section or as a result of regulations issued pursuant to subsection (6).

(B) COMPLIANCE WITH CERTAIN REQUIREMENTS.—Implementation of stormwater best management practices shall determine compliance with the water quality and technology based requirements of the Act. If continuing water quality impairments directly associated with municipal wet weather discharges continue to occur after the implementation of best management practices, adjustments to the plans and practices may be required in future permits to further reduce the impacts of these discharges. Neither the Administrator nor the State, in the case of a State with authority to issue permits under this section, may require, in a permit issued for discharges from municipal separate storm sewers, compliance with numeric effluent limitations, or fixed numeric pollutant load reductions.

SECTION 6. URBAN WET WEATHER GRANTS PROGRAM]. The Federal Water Pollution Control Act (33 U.S. C. 1251 et seq.) Is amended by adding at the end of the following new title:

TITLE VII—URBAN WET WEATHER GRANT PROGRAMS

SECTION 701. URBAN WET WEATHER WATERSHED DEMONSTRATION PROJECTS.

(a) IN GENERAL—.The Administrator shall conduct municipal demonstration projects relating to the following areas of wet weather discharge control:

(1) WATERSHED MANAGEMENT OF WET WEATHER DISCHARGES.—The management of urban wet weather flows, such as combined sewer overflows, sanitary sewer overflows, and urban stormwater runoff, on a watershed or subwatershed basis.

(2) STORMWATER BEST MANAGEMENT PRACTICES.—The control of pollutants from separate storm sewer systems for the purpose of demonstrating and determining controls that are cost-effective in reducing such pollutants from urban stormwater runoff.

(b) ADMINISTRATION.—The Administrator shall afford those participating municipalities the maximum flexibility possible to engage in innovative practices, including the ability to unify separate wet weather control efforts under one coordinated approach. Projects should utilize a watershed approach to control the cumulative wet weather flows from an urban area.

(c) FUNDING.—There is authorized to be appropriated to carry out this section $1O,000,000 for fiscal year 2000, $15,000,000 for fiscal year 2001, and $20,000,000 for fiscal year 2002.

SECTION 702. WET WEATHER GRANTS. (a) IN GENERAL—.The Administrator may make grants to any municipality or local government entity for the following:

(1) WET WEATHER FACILITIES—.Planning, design, construction of facilities to intercept, transport, or control flows from separate storm sewer systems, combined sewers, and sanitary sewers.

(2) WET WEATHER MANAGEMENT PRACTICES.—Planning and implementation of urban wet weather control measures and management practices.

(3) URBAN WATERSHED MANAGEMENT PLANS.—Development and implementation of urban watershed management plans.

(b) RECIPIENTS.—The grants may only be awarded to a municipality or local government, intermunicipal agency, regional sewer district, or interstate agency.

(c) FEDERAL SHARE.—The Federal share of the cost of activities carried out using amounts from a grant made under this section shall be at least 55 percent of the cost. The non-Federal share of the cost may include, in any amount, public and private funds and in-kind services.

(d) AUTHORIZED FUNDING.—There is authorized to be appropriated to carry out this section $1,000,000,000 for fiscal year 2000, $2,000,000,000 for fiscal year 2001, and $3,000,000,000 for fiscal year 2002. Such sums shall remain available until expended.

(e) REPORT TO CONGRESS.—On or before January 1, 2002, and once every 2 years thereafter, the Administrator shall transmit to Congress a report containing recommended funding levels for the 2 fiscal years following the date of the report for activities relating to the wet weather activities under subsection (a).

URBAN WET WEATHER PRIORITIES ACT OF 1999 COMPANION SUMMARY

Introduction

Urban wet weather pollution problems affect every community in the Nation. Discharges from urban areas and sewer systems during wet weather events which

occur in one or a combination of forms including combined sewer overflows (CSOs), sanitary sewer overflows (SSOs) or urban stormwater runoff. These discharges constitute the most pervasive and most costly municipal challenge to achieving the goals of the Clean Water Act. The problems are extremely evasive and vary broadly due to the intermittent and temporary nature of the storm events that cause them.

In order to respond effectively to these challenges, municipalities need and deserve nationally consistent requirements that define clear standards of compliance for all programs and the availability of sufficient funding sources to pay the enormous cost of remediation. Yet, among the different Environmental Protection Agency (EPA) Regions and States, the existing regulatory framework for approaching these problems is not consistent. And, the gaps between local funding needs for infrastructure, required control technology, and available Federal, State and local dollars continue to grow exponentially every year, jeopardizing hard-fought progress in water quality protection and slowing the overall municipal response.

In the interest of strengthening the Clean Water Act to address the highest priority municipal water quality issues, a coalition of municipal organizations has developed the Urban Wet Weather Priorities Act of 1999, a set of targeted reforms to redirect EPA's wet weather programs to ensure greater success. The bill amends the Clean Water Act to establish nationally consistent wet weather control standards for each of the three major areas of concern—CSOs, SSOs and urban stormwater. The bill also calls on EPA to conduct demonstration projects on the use of watershed management for wet weather control in urban areas and to determine the most cost-effective management practices for wet weather flows. Finally, the bill addresses the clean water funding gap head on by establishing a new urban wet weather grants program. As such, the Urban' Wet Weather Priorities Act of 1999 addresses the major remaining municipal problems in the Clean Water Act today.

The Urban Wet Weather Priorities Act of 1999 was developed by the following coalition of municipal and technical organizations:

Association of Metropolitan Sewerage Agencies (AMSA) National League of Cities (NLC) National Association of Counties (NACo) U.S. Conference of Mayors (USCM) American Public Works Association (APWA) National Association of Flood and Stormwater Management Agencies (NAFSMA) Water Environment Federation (WEE)

SUMMARY OF KEY SECTIONS—URBAN WET WEATHER PRIORITIES ACT OF 1999

Codification of EPA's 1994 CSO Policy (Section 3) The success of the U.S. Environmental Protection Agency's (EPA) National Combined Sewer Overflow (CSO) Control Policy is threatened by differing interpretations among Federal and State regulatory authorities. The regulated wastewater community has increasingly experienced a reluctance by Federal and State regulatory authorities to acknowledge and apply key provisions of the National CSO Control Policy, which was negotiated by stakeholders in 1992–93, and signed by EPA in 1994. Municipalities have dedicated billions of dollars toward the implementation of CSO control projects consistent with the Policy as negotiated. The need to formally codify the Policy is paramount.

The Urban Wet Weather Priorities Act of 1999 amends the Clean Water Act to hold all permits, orders and decrees to the control standards defined in the Policy. The bill also clarifies that municipalities shall be in compliance with the Policy within 15 years, with the possibility of applying for extensions based on economic capability.

Development of National SSO Regulations (Section 4J The lack of a national policy to address discharges from sanitary sewer collection systems has caused widespread inconsistency in the implementation and enforcement of sanitary sewer overflow (SSO) control requirements by State water quality programs and the U.S. Environmental Protection Agency (EPA). EPA has made efforts to develop a national SSO policy through the Federal Advisory Committee Act (FACA) process, but the existing Clean Water Act framework severely restricts the Agency from crafting solutions with the requisite flexibility. While a comprehensive policy and regulatory framework for SSOs is under development, State and EPA officials have increasingly focused attention on SSO enforcement actions, and are forcing some cities to comply with discretionary goals and objectives in lieu of national guidance. The Nation's municipalities cannot afford to wait for an enforcement action to guide their control efforts—the Clean Water Act should be modified now to require EPA to develop a nationally consistent SSO control policy.

The Urban Wet Weather Priorities Act of 1999 requires EPA to develop and issue, in consultation with State and local governments and wastewater authorities, national regulations which define control requirements for municipal SSOs. The national regulations must SSOs with the following components:

- establish a comprehensive program to control municipal
- Prohibition of SSOs generally with the exception of certain unavoidable overflows; Definition of minimum operational procedures for wastewater treatment system operators to identify and further minimize SSOs; Requirement to develop and implement system-specific control plans for short-term and long-term remediation of SSOs; Permit certain discharges from approved wet weather facilities; Development of mechanisms to assign responsibility for proper operation and maintenance to collection systems which are owned and operated by jurisdictions outside the service area of the permitted discharge; and Establish a 15-year compliance deadline with the possibility to extend for economic or other approved reasons.

The bill requires EPA to issue such regulations within 1 year of the date of enactment, but no later than May 29, 2001.

Clarification of Requirements for Municipal Stormwater Discharges (Section 5) In 1987, Congress amended the Clean Water Act to specify a new control standard for municipal stormwater discharges. The 1987 amendments clarified that municipal stormwater permitters are required to reduce the discharge of pollutants in urban runoff to the "maximum extent practicable" using best management practices and control technologies. Prior to 1987, all municipal stormwater permits were required to meet both the technology-based standards of the Act and any more stringent limitations necessary to achieve water quality standards, without regard to practicability.

Congress intended to create a partial exemption from the Act's normal permit requirements for municipal stormwater discharges, both in terms of the deadlines for issuing permits and in the nature of the controls to be required. The use of best management practices and other control technologies to gauge compliance, as opposed to numerical effluent limits, was chosen because of the impracticalities involved in tying inexact pollution control methods and widely fluctuating weather variables, outside the municipality's control, to a precise set of limits. Because of the unique nature of urban stormwater runoff, which varies tremendously in terms of the frequency, magnitude, duration of flows and the amount and types of pollutants it contains, EPA has attempted to regulate such discharges differently from other point sources. Congress recognized that such discharges were ill-suited to the traditional end-of-pipe controls that are applied to industrial point sources and publicly owned treatment works. Due to the intermittent, variable and unpredictable nature of municipal stormwater flows, the Agency believed that the problems caused by such discharges were better managed through local controls such as the imposition of specific management practices to prevent pollutants from entering the runoff. The maximum extent practicable standard has been widely accepted by municipalities and EPA and State regulators alike as an attainable, yet stringent expectation.

The Federal courts have upheld this interpretation that municipalities should be subject to a different standard for compliance with the Clean Water Act. Most recently, the Ninth Circuit Court of Appeals in Defenders of Wildlife v. Browner (98–71080) found that "the Water Quality Act [of 1987] unambiguously demonstrates that Congress did not require municipal storm sewer discharges to comply strictly with [water quality standards]." The court acknowledged that municipal stormwater programs are required to demonstrate compliance through the imposition of best management practices and other techniques that reduce pollutants in stormwater to the "maximum extent practicable". The significance of this court case cannot be overstated.

The Urban Wet Weather Priorities Act of 1999 amends the Clean Water Act to clarify that the original intent of Congress was to use the implementation of best management practices based on the "maximum extent practicable" standard to determine compliance with the municipal stormwater discharge regulations, and not to impose numerical discharge standards. For consistency purposes, a new provision is added to define the term "maximum extent practicable". In addition, the bill indicates that if continuing water quality impairments continue to occur after the implementation of best management practices, adjustments to the plans and practices may be required in future permits to further reduce such impacts.

Urban Watershed Demonstration Grants (Section 6)

Municipalities are spending billions of dollars on wet weather controls without the ability to allocate scarce resources in accordance with cost-effectiveness and actual watershed impact. A comprehensive approach to the management of wet weather discharges on an urban watershed basis will result in a systematic, incremental and more cost-effective achievement of water quality objectives. The Urban Wet Weather Priorities Act of 1999 directs EPA to conduct municipal demonstration projects relating to:

- The management of urban wet weather flows, such as combined sewer overflows, sanitary sewer overflows and urban stormwater runoff, on a watershed or subwatershed basis; and
- The determination of stormwater management controls that are cost-effective in reducing pollutants from urban stormwater runoff

The bill authorizes $45 million over the next 3 years for the purposes of implementing the demonstration projects. The bill also specifies that EPA should allow those municipalities participating in the projects to engage in innovative practices, including the ability to unify separate wet weather control efforts under one coordinated approach and to utilize a watershed approach to control the cumulative wet weather flows from an urban area.

Urban Wet Weather Grants Program (Section 6J Municipalities alone cannot keep up with skyrocketing infrastructure costs for clean water, not to mention the price tag for controlling wet weather discharges. A recent report released by AMSA and WEF, The Cost of Clean, documents that municipal clean water infrastructure needs over the next 20 years are at $330 billion. EPA puts the figure at $332 billion. It is estimated that at least $150 billion of the overall need is attributed to the cost to control CSOs, SSOs and stormwater discharges. To make matters worse, EPA recently found that unmet capital needs have risen to an astonishing $6 billion per year. In addition, the only consistent Federal funding source for clean water projects, the Clean Water State Revolving Fund (SRF), has been targeted for reduction by the Administration—EPA proposes a 40 percent cut (i.e., $550 million) in the SRF for the fiscal year 2000 budget. Clearly, the capital needs associated with CSOs, SSOs, stormwater and nonpoint source control now command and deserve our attention. A wet weather watershed grants program should be made available to municipalities to fund planning, design and construction of facilities or implementation of management measures to control wet weather discharges.

The Urban Wet Weather Priorities Act of 1999 establishes a new grants program to help fund various municipal wet weather control efforts, including:

- Planning, design, construction of facilities to intercept, transport, or control flows from separate storm sewer systems, combined sewers and sanitary sewers;
- Planning and implementation of urban wet weather control measures and management practices; and Development and implementation of urban watershed management plans.

The bill authorizes grant funding in an amount equal to $1,000,000,000 for fiscal year 2000, $2,000,000,000 for fiscal year 2001, and $3,000,000,000 for fiscal year 2002. Following the fiscal year 2002 allocation, EPA is required to report to Congress every 2 years on the recommended funding levels for the following 2 years. The grants may only be awarded to a municipality or local government, intermunicipal agency, regional sewer district, or interstate agency. The Federal share shall be at least 55 percent of the cost.

Please feel free to contact Ken Kirk, Executive Director of the Association of Metropolitan Sewerage Agencies (AMSA) at 202/833–4653 if you should have questions concerning this summary or any aspects of the Urban Wet Weather Priorities Act of 1999.

What Control? What Partnership? The Reality about the Combined Sewer Overflow and Partnership Act of 1999

In February 1999 Representative Barcia of Michigan introduced H.R. 828, the Combined Sewer Overflow Control and Partnership Act of 1999 (CSOCPA). The bill, which has 34 'co-sponsors was drafted by the CSO Partnership, a consortium of cities, with combined sewer systems A very similar bill, S. 914, was introduced in the Senate in April by Sen. Smith of New Hampshire, with eight co-sponsors (Sees. Snowe, Warner, Voinovich, Collins, Abraham, Robb, Hagel and Lugar). While the House bill tackles an important and difficult environmental issue. it has many highly objectionable provisions. The Senate bill, while somewhat less problematic, is similarly flawed. We urge members to oppose the legislation.

The Problem of Combined Sewer Overflows'(CSOs)

Combined sewers carry both domestic 'sanitary' sewage and industrial wastes, as well as runoff from city streets. In dry weather, combined systems generally carry sewage wastes to wastewater treatment plants. But when it rains, these systems become overloaded and overflow, with no treatment, directly into nearby waterways. CSO discharges contain raw sewage, floatable garbage. industrial waste, oil and grease pollution from autos and trucks, and many other pollutants. They are a principal cause of shellfish bed closures, beach advisories, odor and other aesthetic problems in many cities with combined sewer systems.

Combined sewers exist in approximately 1,000 communities, most in the Northeast, Midwest and Northwest (older cities), and many with populations under 10,000. EPA estimates the cost to address their pollution impacts is about $44.7 billion over 20 years. CSOs can be difficult to control because rainwater runoff introduces huge volumes of polluted water into combined sewer systems. Community solutions to the problem may include separation of storm and 'sanitary' sewers, construction of holding tarns, expansion of sewage treatment plant capacity, or other means to provide high rate treatment to the overflows. Solutions often also include repair of old, leaky sewer pipes and better maintenance of existing systems.

The CSO Policy of April 1994

Because so little progress was made on CSO discharges in the 1970's and 1980's, a negotiated solution was sought by EPA. The result was the CSO Policy, signed in April 1994. The environmental community supports that policy. It provides that all systems should implement "nine minimum controls (NMC)," which are control steps that do not require extensive engineering (maximizing use of the existing sewer system's capacity, eliminating dry weather overflows, proper operation and maintenance, etc.) by January l, 1997. It also requires systems to develop long term control plans (to take not more than 15 years) to attain water quality standards (WQS). Meeting WQS assures that waters are safe for fishing and swimming. Where meeting WQS is simply impossible, the CSO policy leaves room for WQS to be adjusted at the same time that CSO cleanup plans are written.

Despite the adoption of the CSO Policy, progress has still been slow. According to a recent memo issued by EPA, only 52 percent of CSO communities are implementing the NMC, despite the January 1997 deadline. Only 33 percent are implementing long term control plans. The States have been slow to impose enforceable obligations on CSO communities: approximately 23 percent are under no enforceable obligation to implement the NMC and almost 50 percent lack enforceable obligations for a long term plan.

In communities where progress has been made, often it is because enforcement action has been taken by either a State agency, a citizen organization or the Federal Government. Unfortunately, the CSOCPA would undermine the progress that these suits have spurred by overriding the deadlines contained in judicially approved consent decrees.

What the CSOCPA Bills Would Do

The bills have the following provisions:

1. Require all permits, orders and decrees to follow the CSO Policy;
2. Authorize compliance schedules of virtually any length so long as the community is making "reasonable further progress" (which is undefined) and either compliance within 15 years "is not within the economic capacity" of the community or delay "is otherwise appropriate" (also not defined or limited);
3. Allow any community unilaterally to extend the timeframes established in existing consent decrees or judicial decrees using the same vague standards as in section 2 (this is called a "savings clause" although it does the opposite) (note: this provision is not in the Senate bill);
4. Prohibit States from requiring a city to comply with WQS or long term CSO plans unless the State has completed a WQS review and adopted "any refinements needed to reflect site-specific wet weather impacts" of CSOs (note: this provision is not in the Senate bill); and
5. Authorize Federal grants for CSO controls, with at most a 45 percent non-Federal cost share, and authorizes $2.25 billion over the next 3 years.

Our Major Problems with the Bill

1. This is a recipe for delay. While we agree that States need to be more active in reviewing their WQS, this bill takes a "you-first" approach that simply delays CSO planning and progress until the States have completed their WQS review. It provides no incentive or mandate for the States to revise WQS. This is an open invitation to delay WQS reviews and thus delay cleanup of CSOs. Even if the States were to start WQS review now, the process often takes years. In the meantime, little progress would be made on one of the most significant causes of water pollution.
2. There are no deadlines. While the bill is phrased to look as if it supports the 15 year timeframe offered in the CSO Policy, it actually allows unlimited exceptions for almost any reason. It allows municipalities to re-open fully negotiated administrative or judicial decrees whether or not the additional time is really needed. (If the time really is needed, or if the original decree contained unrealistic schedules as many claim, a municipality can re-open its decree even without this provision.)

3. It isolates WQS review from CSO planning. The CSO Policy, which the bill claims to support, encouraged WQS review and CSO planning at the same time. This makes sense because one cannot decide that certain uses (e.g., swimming during rain storms) are unattainable without the full review of available technologies, costs, and needs that is conducted during long term CSO planning.

4. This is an invitation to litigation. The bill contains lots of vague terms and will almost certainly invite communities to litigate CSO obligations with the States. The result: more wasted money and time.

5. Where will the money come from? If a CSO bill revives the Federal sewage treatment grants program by up to $1 billion/year, as the bills do—and does so separately from an overall Clean Water Act reauthorization package—there is a real danger that the money for such a grants program will come at the expense of adequate funding for the CWA's State Revolving Loan Fund from which the States finance their entire array of sewage and stormwater treatment needs (including CSOs). The net result would be to limit States' flexibility to fund their highest overall wastewater priorities.

Conclusion

The heart of these bills for the CSO Partnership is delay and the undermining of existing CSO agreements. While we would welcome increased Federal grants and loans to address costly CSO problems, we cannot support legislation that will result in slower rather than faster cleanup of water pollution problems.

II

106TH CONGRESS
1ST SESSION

S. 968

To authorize the Administrator of the Environmental Protection Agency to make grants to State agencies with responsibility for water source development, for the purposes of maximizing the available water supply and protecting the environment through the development of alternative water sources, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 5, 1999

Mr. GRAHAM (for himself, Mr. MACK, Mr. CLELAND, Mrs. LINCOLN, and Mr. ROBB), introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

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A BILL

To authorize the Administrator of the Environmental Protection Agency to make grants to State agencies with responsibility for water source development, for the purposes of maximizing the available water supply and protecting the environment through the development of alternative water sources, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Alternative Water Sources Act of 1999".

SEC. 2. DEFINITIONS.

In this Act:

(1) ADMINISTRATOR.—The term "Administrator" means the Administrator of the Environmental Protection Agency.

(2) ALTERNATIVE WATER SOURCE PROJECT.—The term "alternative water source project" means a project designed to provide municipal, industrial, or agricultural water supplies in an environmentally sustainable manner by conserving, managing, treating, reclaiming, or reusing water or wastewater.

(3) CRITICAL WATER SUPPLY NEEDS.—The term "critical water supply needs" means water supply needs, including reasonably anticipated future water supply needs, that cannot be met by available water supplies—

(A) as projected over a planning period of at least 20 years; and

(B) as identified in a comprehensive Statewide or regional water supply plan or assessment.

SEC. 3. GRANTS FOR ALTERNATIVE WATER SOURCE PROJECTS.

(a) IN GENERAL.—The Administrator shall make grants to develop alternative water source projects to—

(1) State, interstate, and intrastate water resource development agencies (including water management districts and water supply authorities);

(2) local government agencies;

(3) nonprofit entities; and

(4) private utilities.

(b) ELIGIBILITY.—To be eligible to receive a grant under this section, an agency, entity, or utility described in subsection (a) shall have authority under State law to provide water or develop water resources for municipal, industrial, or agriculatural uses in an area of the State that is experiencing critical water supply needs.

(c) ELIGIBLE PROJECT.—

(1) IN GENERAL.—A grant under this section may only be used to carry out an alternative water source project that is designed to meet critical water supply needs.

(2) LIMITATION.—A grant under this section shall not be used to carry out an alternative water source project if the project is located in a State or area that—

(A) is referred to in Federal reclamation law (the Act of June 17, 1902 (32 Stat. 388, chapter 1093), and Acts supplemental to and

amendatory of that Act (43 U.S.C. 371 et seq.)); and

(B) is within the geographic scope of the reclamation and reuse program established under the Wastewater and Groundwater Study and Facilities Act (43 U.S.C. 390h et seq.).

(3) ELIGIBILITY FOR OTHER FEDERAL GRANTS.—An alternative water source project that is funded by a grant under this section shall be ineligible to receive funds under any other Federal program.

(d) USES OF GRANT.—

(1) IN GENERAL.—Amounts from grants received under this section may be used, with respect to alternative water source projects designed to meet critical water supply needs, for—

(A) engineering;

(B) design;

(C) construction; and

(D) final testing.

(2) PROHIBITED USES.—Amounts from grants received under this section shall not be used, with respect to alternative water source projects, for—

(A) planning;

(B) feasibility studies;

(C) operation;

(D) maintenance;

(E) replacement;

(F) repair; or

(G) rehabilitation.

(e) COST SHARING.—The Federal share of the eligible costs of an alternative water source project carried out using assistance made available under this section shall not exceed 50 percent.

SEC. 4. REPORTS.

(a) REPORTS TO ADMINISTRATOR.—Not later than 1 year and 180 days after the date of receipt of a grant under section 3, and every 2 years thereafter until completion of the project funded by the grant, the recipient of the grant shall submit to the Administrator a report on eligible activities carried out by the grant recipient using grant funds.

(b) REPORT TO CONGRESS.—Not later than September 30, 2005, the Administrator shall submit to Congress a report on the progress made toward meeting the critical water supply needs of the grant recipients under section 3.

SEC. 5. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out this Act $75,000,000 for each of fiscal years 2000 through 2004, to remain available until expended.

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II

106TH CONGRESS
1ST SESSION

S. 914

To amend the Federal Water Pollution Control Act to require that discharges from combined storm and sanitary sewers conform to the Combined Sewer Overflow Control Policy of the Environmental Protection Agency, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 29, 1999

Mr. SMITH of New Hampshire (for himself, Ms. SNOWE, Mr. WARNER, Mr. VOINOVICH, Ms. COLLINS, Mr. ABRAHAM, Mr. ROBB, Mr. HAGEL, and Mr. LUGAR), introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

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A BILL

To amend the Federal Water Pollution Control Act to require that discharges from combined storm and sanitary sewers conform to the Combined Sewer Overflow Control Policy of the Environmental Protection Agency, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Combined Sewer Overflow Control and Partnership Act of 1999".

SEC. 2. COMBINED SEWER OVERFLOWS.

Section 402 of the Federal Water Pollution Control Act (33 U.S.C. 1342) is amended by adding at the end the following:

"(q) COMBINED SEWER OVERFLOWS.—

"(1) REQUIREMENT FOR PERMITS, ORDERS, AND DECREES.—Each permit, order, or decree issued under this Act for a discharge from a combined storm and sanitary sewer shall conform to the Combined Sewer Overflow Control Policy signed by the Administrator on April 11, 1994.

"(2) TERM OF PERMIT, ORDER, OR DECREE.—

"(A) AUTHORITY TO ISSUE.—Notwithstanding any schedule for compliance authorized by section 301(b), or any permit limitation authorized by subsection (b)(1)(B) of this section, the Administrator or the State (in the case of a State with a program approved under subsection (b)) may issue or execute a permit, order, or decree consistent with this section for a discharge from a combined storm and sanitary sewer.

"(B) SCHEDULE FOR COMPLIANCE.—

"(i) IN GENERAL.—A permit, order, or decree issued under subparagraph (A) shall include a schedule for compliance,

within a period not to exceed 15 years, with a long-term control plan under the Control Policy referred to in paragraph (1).

"(ii) EXCEPTION.—Notwithstanding clause (i), a compliance schedule of longer than 15 years may be granted if the owner or operator demonstrates to the satisfaction of the Administrator or the State, as appropriate, reasonable further progress towards compliance with a long-term plan under the Control Policy and if the Administrator or the State, as appropriate, determines that—

"(I) compliance within 15 years is not within the economic capability of the owner or operator; or

"(II) a longer period is otherwise appropriate.

"(3) WATER QUALITY STANDARDS-DESIGNATED USE REVIEW.—

"(A) IN GENERAL.—No permit, order, or decree issued under this Act should require compliance with water quality-based requirements contained in a long-term control plan

under the Control Policy referred to in paragraph (1) unless the Administrator or the State, as appropriate, has completed the water quality standards-designated use review process called for in the Control Policy, including the adoption of any refinements needed—

"(i) to reflect the site-specific wet weather impact of combined sewer overflows; and

"(ii) to ensure that the long-term control plan provides for cost-effective compliance with water quality standards.

"(B) INCLUSION OF WATERSHED.—Consideration shall be given to conducting these reviews on a watershed basis where appropriate.

"(C) SAVINGS PROVISION.—Nothing in this subsection affects the authority to conduct or scheduling of water quality standard reviews required under section 303(c).

"(4) GUIDANCE.—Not later than March 15, 2000, the Administrator shall develop and publish for implementation by the States and by regions of the Environmental Protection Agency, the guidance document recommended by H. Rept. No. 105–769 at

280 (1998) (conference report on H.R. 4194), to facilitate water quality and designated use reviews.

"(5) GRANTS.—

"(A) IN GENERAL.—The Administrator may make grants to any municipality or municipal entity for planning, design, and construction of facilities to intercept, transport, control, or treat combined storm and sanitary sewer flows.

"(B) FEDERAL SHARE.—

"(i) IN GENERAL.—The Federal share of the cost of activities carried out using amounts from a grant made under subparagraph (A) shall be at least 55 percent of the cost as determined by the Administrator.

"(ii) NON-FEDERAL SHARE.—The non-Federal share of the cost may include, in any amount, public and private funds and in-kind services.

"(C) REPORTS.—Not later than January 1, 2004, and once every 2 years thereafter, the Administrator shall submit to Congress a report containing recommended funding levels for the 2 fiscal years following the date of the report

for activities relating to combined storm and sanitary sewer flows described in subparagraph (A).

"(D) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph, to remain available until expended—

"(i) $500,000,000 for fiscal year 2000;

"(ii) $750,000,000 for fiscal year 2001; and

"(iii) $1,000,000,000 for each of fiscal years 2002 through 2004.".

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II

106TH CONGRESS
1ST SESSION

S. 1699

To amend the Federal Water Pollution Control Act to authorize appropriations for State water pollution control revolving funds, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 6, 1999

Mr. VOINOVICH introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

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A BILL

To amend the Federal Water Pollution Control Act to authorize appropriations for State water pollution control revolving funds, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Clean Water Infrastructure Financing Act of 1999".

SEC. 2. GENERAL AUTHORITY FOR CAPITALIZATION GRANTS.

Section 601(a) of the Federal Water Pollution Control Act (33 U.S.C. 1381(a)) is amended by striking "(1)

for construction" and all that follows through the period at the end and inserting "to accomplish the purposes of this Act.".

SEC. 3. CAPITALIZATION GRANTS AGREEMENTS.

(a) REQUIREMENTS FOR CONSTRUCTION OF TREATMENT WORKS.—Section 602(b)(6) of the Federal Water Pollution Control Act (33 U.S.C. 1382(b)(6)) is amended—

(1) by striking "before fiscal year 1995"; and

(2) by striking "201(b)" and all that follows through "218," and inserting "211,".

(b) GUIDANCE FOR SMALL SYSTEMS.—Section 602 of the Federal Water Pollution Control Act (33 U.S.C. 1382) is amended by adding at the end the following:

"(c) GUIDANCE FOR SMALL SYSTEMS.—

"(1) SIMPLIFIED PROCEDURES.—Not later than 1 year after the date of enactment of this subsection, the Administrator shall assist the States in establishing simplified procedures for small systems to obtain assistance under this title.

"(2) PUBLICATION OF MANUAL.—Not later than 1 year after the date of enactment of this subsection, and after providing notice and opportunity for public comment, the Administrator shall publish a manual to assist small systems in obtaining assist-

ance under this title and publish in the Federal Register notice of the availability of the manual.

"(3) DEFINITION OF SMALL SYSTEM.—In this title, the term 'small system' means a system for which a municipality or intermunicipal, interstate, or State agency seeks assistance under this title and that serves a population of 20,000 or fewer inhabitants.".

SEC. 4. WATER POLLUTION CONTROL REVOLVING FUNDS.

(a) ACTIVITIES ELIGIBLE FOR ASSISTANCE.—Section 603 of the Federal Water Pollution Control Act (33 U.S.C. 1383) is amended by striking subsection (c) and inserting the following:

"(c) ACTIVITIES ELIGIBLE FOR ASSISTANCE.—

"(1) IN GENERAL.—The water pollution control revolving fund of a State shall be used only for providing financial assistance for activities that have, as a principal benefit, the improvement or protection of the water quality of navigable waters to a municipality, intermunicipal, interstate, or State agency, or other person, including activities such as—

"(A) construction of a publicly owned treatment works;

"(B) implementation of lake protection programs and projects under section 314;

"(C) implementation of a nonpoint source management program under section 319;

"(D) implementation of a estuary conservation and management plan under section 320;

"(E) restoration or protection of publicly or privately owned riparian areas, including acquisition of property rights;

"(F) implementation of measures to improve the efficiency of public water use;

"(G) development and implementation of plans by a public recipient to prevent water pollution; and

"(H) acquisition of land necessary to meet any mitigation requirements related to construction of a publicly owned treatment works.

"(2) FUND AMOUNTS.—

"(A) REPAYMENTS.—The water pollution control revolving fund of a State shall be established, maintained, and credited with repayments.

"(B) AVAILABILITY.—The balance in the fund shall be available in perpetuity for providing financial assistance described in paragraph (1).

"(C) FEES.—Fees charged by a State to recipients of the assistance may be deposited in the fund and may be used only to pay the cost of administering this title.".

(b) EXTENDED REPAYMENT PERIOD FOR DISADVANTAGED COMMUNITIES.—Section 603(d)(1) of the Federal Water Pollution Control Act (33 U.S.C. 1383(d)(1)) is amended—

(1) in subparagraph (A), by inserting after "20 years" the following: "or, in the case of a disadvantaged community, the lesser of 40 years or the expected life of the project to be financed with the proceeds of the loan"; and

(2) in subparagraph (B), by striking "not later than 20 years after project completion" and inserting "on the expiration of the term of the loan".

(c) LOAN GUARANTEES FOR INNOVATIVE TECHNOLOGY.—Section 603(d) of the Federal Water Pollution Control Act (33 U.S.C. 1383(d)) is amended by striking paragraph (5) and inserting the following:

"(5) to provide loan guarantees for—

"(A) similar revolving funds established by municipalities or intermunicipal agencies; and

"(B) developing and implementing innovative technologies;".

(d) ADMINISTRATIVE EXPENSES.—Section 603(d)(7) of the Federal Water Pollution Control Act (33 U.S.C. 1383(d)(7)) is amended by inserting before the period at the end the following: "or the greater of $400,000 per year or an amount equal to ½ percent per year of the current valuation of the fund, plus the amount of any fees collected by the State under subsection (c)(2)(C)".

(e) TECHNICAL AND PLANNING ASSISTANCE FOR SMALL SYSTEMS.—Section 603(d) of the Federal Water Pollution Control Act (33 U.S.C. 1383(d)) is amended—

(1) in paragraph (6), by striking "and" at the end;

(2) in paragraph (7), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(8) to provide to small systems technical and planning assistance and assistance in financial management, user fee analysis, budgeting, capital improvement planning, facility operation and maintenance, repair schedules, and other activities to improve wastewater treatment plant operations, except that the amounts used under this paragraph for a fiscal year shall not exceed 2 percent of all grants provided to the fund for the fiscal year under this title.".

(f) CONSISTENCY WITH PLANNING REQUIREMENTS.—Section 603(f) of the Federal Water Pollution Control Act (33 U.S.C. 1383(f)) is amended by striking "is consistent" and inserting "is not inconsistent".

(g) CONSTRUCTION ASSISTANCE.—Section 603 of the Federal Water Pollution Control Act (33 U.S.C. 1383) is amended by striking subsection (g) and inserting the following:

"(g) CONSTRUCTION ASSISTANCE.—

"(1) PRIORITY LIST REQUIREMENT.—The State may provide financial assistance from the water pollution control revolving fund of the State for a project for construction of a publicly owned treatment works only if the project is on the priority list of the State under section 216, without regard to the rank of the project on the list.

"(2) ELIGIBILITY OF CERTAIN TREATMENT WORKS.—A treatment works shall be treated as a publicly owned treatment works for purposes of subsection (c) if the treatment works, without regard to ownership, would be considered a publicly owned treatment works and is principally treating municipal waste water or domestic sewage.".

(h) INTEREST RATES.—Section 603 of the Federal Water Pollution Control Act (33 U.S.C. 1383) is amended by adding at the end the following:

"(i) INTEREST RATES.—

"(1) IN GENERAL.—In any case in which a State makes a loan under subsection (d)(1) to a disadvantaged community, the State may charge a negative interest rate of not to exceed 2 percent to reduce the unpaid principal of the loan.

"(2) LIMITATION.—The aggregate amount of all negative interest rate loans the State makes for a fiscal year under paragraph (1) shall not exceed 20 percent of the aggregate amount of all loans made by the State from the water pollution control revolving fund for the fiscal year.

"(j) DEFINITION OF DISADVANTAGED COMMUNITY.—In this section, the term 'disadvantaged community' means the service area of a publicly owned treatment works with respect to which the average annual residential sewage treatment charges for a user of the treatment works meet affordability criteria established by the State in which the treatment works is located (after providing for public review and comment) in accordance with guidelines established by the Administrator in cooperation with the States.".

SEC. 5. AUTHORIZATION OF APPROPRIATIONS.

Section 607 of the Federal Water Pollution Control Act (33 U.S.C. 1387) is amended by striking "the following sums:" and all that follows through the period at the end of paragraph (5) and inserting "$3,000,000,000 for each of fiscal years 2001 through 2005.".

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