



**July 6, 2023**

## **FY24 Funding**

While the debt limit extension capped discretionary funding at FY23 levels, House Republicans decided that funding will be capped at FY22 levels. While it's not clear how this will be resolved, the following is the impact on the SRFs:

For FY24, the general fund appropriation for the Clean Water SRF base allotment is expected to be \$1.639 billion, plus another \$2.628 billion from the Bipartisan Infrastructure Law (BIL), for a total of \$4.267 billion. The general fund appropriation for the Safe Drinking Water SRF base allotment is expected to be \$1.126 billion, plus another \$3 billion from the BIL, for a total of \$4.126 billion. However, these amounts can be altered by earmarks and the aforementioned spending caps.

## **FY24 Appropriations Bills, Earmarks**

Funding bills advancing through Committees would increase U.S. Bureau of Reclamation (USBR) funding by \$392.4 million over the President's Budget request, with \$132.8 million for rural water projects, \$134 million for water storage projects, and overall priority given to water supply and drought response projects. Title XVI funding levels are not yet available.

The CWCC continues to express concern about any takedowns from the SRF base allotments which has happened in the last two years and is contrary to the goals of the BIL to increase funding for SRFs.

## **Issues/Bills of Interest**

The CWCC is continuing to pursue funding for the Alternative Water Source Program (AWSP) authorized at \$125 million in the BIL but was not funded. The Coalition is also continuing to pursue funding for mega recycled water projects in addition to those funded by BIL.

CWCC has expressed our support for Sen. Feinstein's STREAM Act which is expected to be introduced soon. The bill includes \$300 million over five years for water recycling, \$750 million for surface and groundwater storage and conveyance projects, \$150 million for desalination projects, \$100 million for projects to provide drinking water for disadvantaged communities, and \$250 million for environmental restoration projects.

## **Key Advocates Report**

Included with this notice is Key Advocates' recent report from June 29 which provides more detail on these and other issues.

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## *July 2023 Insights*

### **FY24 Funding**

The debt limit extension agreement – now a law – specifies that discretionary funding – not entitlements – for FY24 will be at the FY23 levels. Notwithstanding this, the House Republicans recently decided that FY24 funding will be at the FY22 levels. Accordingly, it is not clear what will ultimately happen. The Senate has been silent on the issue, not indicating any other position other than what was agreed to in the debt limit extension. The following is the impact on the SRF's:

#### 1) Clean Water SRF: FY24 Versus FY23 and FY22 Funding

For FY24, the general fund appropriation for the CWSRF base allotment (does not include takedowns like emerging containments) is expected to be \$1.639B plus another \$2.628B from the Bipartisan Infrastructure Law (BIF) for a total of \$4.267B. However, three factors could alter these – earmarks as a takedown as was done in FY22 and FY23 and/or capping funding at the FY23 level which is the debt limit extension agreement or an effort by House Republicans to cap FY24 levels at FY22 amounts.

The President's FY24 budget also proposes \$4.267B and rejects earmarks as a takedown from the basic SRF funding.

For FY23, the CWSRF base allotment general fund appropriation before the earmark takedown of \$863M was \$1.639B plus another \$2.202B from the BIF for a total of \$3.841B. So that's \$3.841B in FY23 versus potentially \$4.267B in FY24.

For FY22, the CWSRF base allotment general fund appropriation before the earmark takedown of \$443M was \$1.639B plus another \$1.902B from the BIF for a total of \$3.541B. So that's \$3.541B in FY22 versus potentially \$4.267B in FY24.

#### 2) Safe Drinking Water SRF: FY24 Versus FY23 and FY22 Funding

For FY 24, the general fund appropriation for the SDWSRF base allotment (does not include takedowns for emerging components, lead line replacement, etc.) is expected to be \$1.126B plus another \$3B from the BIF for a total of \$4.126B, again subject to a possible earmark takedown and/or or capping funding at the FY23 level which is the debt limit extension agreement or an effort by House Republicans to cap FY24 levels at FY22 amounts.

The President's FY24 budget proposes \$4.200B and rejects earmarks as a takedown from the basic SRF funding.

For FY23, the SDWSRF base allotment general fund appropriation before the earmark takedown of \$610M was \$1.126B plus another \$2.202B from the BIF for a total of \$3.328B. So that's \$3.328B in FY23 versus potentially \$4.267B in FY24.

For FY22, the SDWSRF base allotment general fund appropriation before the earmark takedown of \$398M was \$1.126B plus another \$1.902B from the BIF for a total of \$3.028BB. So that's \$3.028B in FY22 versus potentially \$4.126B in FY24.

### **FY24 Appropriations Bills**

Some action in the House Appropriations Committee. Two bills have been approved by the Full Committee – Agriculture and Military Construction. Four bills have been approved by various subcommittees – Defense, Energy and Water, Homeland Security, and Legislative Branch. Funding for the USBR and Title XVI is included in the Energy and Water bill. Overall, USBR funding in that bill is increased by \$392.4M over the President's Budget request, with \$132.8M for rural water projects, \$134M for water storage projects, and overall priority given to water supply and drought response projects. Funding for Title XVI is always included in the report accompanying the bill and not in the legislative text. To date, the report has not been written. No action at all in the Senate. Notwithstanding House Appropriations Committee action to date, a Continuing Resolution is likely.

### **House Republican 10-Year Balanced Budget**

Still a work in progress. Initial report is a 1% annual increase in discretionary spending starting with the FY24 level. No details on specific programs – dollars and policy impact.

### **Earmarks**

The Coalition continues to express concern about the FY24 appropriations process regarding funding of the SRF's and related earmarks. For FY 22 and 23, earmark funding was a takedown from the SRF base allotments and not from a separate earmark funding account. As a result, the base allotments were adversely impacted. The Coalition's position is that continuance of that approach for FY24 and beyond is a real problem and counter to the goal of the Bipartisan Infrastructure Law which was to increase SRF spending over and above increases in the traditional appropriations process and not in lieu of reductions by that process.

### **President's FY24 Budget**

For the CWSRF, \$1.638B and for the Safe Drinking Water SRF, \$1.2B. The President's Budget rejects earmarks as a takedown from the basic SRF funding. For Title XVI, \$4M, the same as the FY23 Biden Budget but increased by the appropriators to \$60M, of which \$20M was for WIIN grants.

### **Review of Debt Limit Extension Agreement: the "Fiscal Responsibility Act of 2023"**

- Raises the debt ceiling: Increases the debt limit for two years until January 1, 2025.
- Caps non-defense spending: Rolls back to FY23 levels, described as "remaining essentially flat," with a 1% annual growth for the next six years.

- Defense spending: Would be protected, rising about 3% for FY24.
- Protects veterans' medical care: Maintains full funding for veterans' health care and increases support for the PACT Act's toxic exposure fund by nearly \$15B for FY24.
- Expands work requirements: Temporarily broadens work requirements for certain adults receiving food stamps. Currently, childless, able-bodied adults ages 18 to 49 are only able to get food stamps for three months out of every three years unless they are employed at least 20 hours a week or meet other criteria. Raises the age to 54. Also expands exemptions for veterans, people who are homeless and others in the Supplemental Nutrition Assistance Program, or SNAP, as food stamps are formally known. All changes would end in 2030. No work requirements for Medicaid.
- Recovers unspent Covid-19 relief funds: Rescinds approximately \$30B in unspent funds from the Covid-19 relief packages but state and local government funds not included.
- Cuts Internal Revenue Service funding: Cancels the FY23 staffing funding for new IRS agents.
- Restarts student loan repayments: Requires borrowers to pay back their student loans starting at the end of August.
- Appropriations incentives: Requires all the appropriations bills be passed by year's end and, if not, a 1% spending cut would be enforced evenly to defense and nondefense programs.
- Environmental permitting: Limits Federal environmental reviews to one or two years.
- Reduces the deficit: By \$1.5T over a decade, according to the Congressional Budget Office.
- Non-defense Spending Caps

The agreement does NOT specify or include specific program cuts. What it includes is an overall total cap on spending (for FY24, \$703.7B), leaving it to the appropriations process to decide how to "live" within the cap. Therefore, the agreement does not necessarily mean that each nondefense program will be cut by 1%. Some could be cut more; some not at all. Some could even get an increase as long as funding for other programs is offset. Of concern is what impact the nondefense spending caps will have on FY24 CWSRF funding.

## **2023 WIIN Grants**

The latest from USBR on the 2023 WIIN grant schedule is that they are currently focused on getting the large scale water recycling NOFO through reviews and released, with the others – including WIIN grants – to follow several weeks after that. They are targeting the end of July now. The WIIN grant program is of particular interest to the Coalition's California and Arizona members.

## **Issues/Bills of Interest**

Alternative Water Source Program Funding – authorized at \$125M in the Bipartisan Infrastructure Law but not funded. Included the language the Coalition requested that makes USBR recycled water projects that have not received construction funds eligible to apply for AWSP grants. Continue to pursue funding for the Program.

Mega Recycled Water Project Funding – continue to pursue funding for mega recycled water projects over and above the \$450M provided in the Bipartisan Infrastructure Law.

STREAM Act – we received word from Senator Feinstein's office that the goal was to introduce the bill the week of June 19. That did not happen. We expect introduction any day now and will

monitor the situation. On May 24, at the request of staff of Senator Feinstein, the Coalition sent a letter of support for the the bill regarding its plan introduction. The bill is basically the same bill the Senator introduced last Congress and includes the following: \$300M over five years for water recycling, \$750M for surface and groundwater storage and conveyance projects, \$150M for desalination projects, \$100M for projects to provide drinking water for disadvantaged communities, and \$250M for environmental restoration projects.

Napolitano WIIN Grant Reform Bill - waiting on her office and the Natural Resources Committee Democrats for next steps. Her staffer said that the major features of the bill - increased funding, federal share increase, and repeal of prior approval appropriations requirement - were all included in the Bipartisan Infrastructure Law, and that now they are focusing on smaller items, if any, that were not included. This is an issue that the Coalition needs to research further because the Coalition's view is that the Napolitano bill, which authorizes the WIIN grant program, is different than the Bipartisan Infrastructure Law which appropriated WIIN grant funding, and thus, is still needed to support funding beyond the life of the Bipartisan Infrastructure Law, to codify the Federal share increase which was done this year by the USBR administratively and not by law and thus, could be undone as well, etc. Also, if the Napolitano bill of last Congress is not needed because it was overtaken by the Bipartisan Infrastructure Law, then why is Feinstein pursuing the STREAM Act which addresses the same issues as the Napolitano bill bill?

If there is an effort to pursue non-controversial infrastructure items, advocate for programs of interest such as those included in the House-passed "Build Back Better" bill:

- \$30B for Safe Drinking Water SRF lead service line replacement projects;
- \$100M for state public water systems;
- \$700M to reduce lead in school drinking water;
- \$100M for large scale water recycling projects;
- \$1.15B for emergency drought relief;
- \$125M for Alternative Water Source Program grants;
- \$2B for sewer overflow and storm water reuse grants;
- \$4B for reduction of carbon in the surface transportation sector;
- \$4B for affordable and safe transportation access; and,
- \$6B for local surface transportation projects.

No funding for the Clean Water SRF is included in the House BBB. It does include new taxes.

## **Bill Tracking**

Many bills are introduced. Most of them for political reasons. Most do not advance beyond introduction – committee hearing, markup, Floor action. Accordingly, we will only note bills of interest that are advancing through the legislative process and/or come to our attention.