



Highlights of [GAO-09-657](#), a report to congressional requesters

Why GAO Did This Study

The Environmental Protection Agency (EPA) has estimated that a potential gap between future needs and current spending for wastewater infrastructure of \$150 billion to \$400 billion could occur over the next decade. A number of entities are involved in planning, financing, building, and operating this infrastructure. Some of these stakeholders have suggested a variety of approaches to bridge this potential gap. One such proposal is to establish a clean water trust fund. In this context, GAO was asked to (1) obtain stakeholders' views on the issues that would need to be addressed in designing and establishing a clean water trust fund and (2) identify and describe potential options that could generate about \$10 billion in revenue to support a clean water trust fund. In conducting this review, GAO administered a questionnaire to 28 national organizations representing the wastewater and drinking water industries, state and local governments, engineers, and environmental groups and received 22 responses; reviewed proposals and industry papers; interviewed federal, state, local, and industry officials; and used the most current data available to estimate the revenue that could potentially be raised by various taxes on a range of products and activities.

GAO is not making any recommendations. While this report identifies a number of funding options, GAO is not endorsing any option and does not have a position on whether or not a trust fund should be established.

View [GAO-09-657](#) or key components. For more information, contact Anu Mittal at (202) 512-3841 or mittala@gao.gov.

CLEAN WATER INFRASTRUCTURE

A Variety of Issues Need to Be Considered When Designing a Clean Water Trust Fund

What GAO Found

In designing and establishing a clean water trust fund, stakeholders identified three main issues that would need to be addressed: how a trust fund should be administered and used; what type of financial assistance should be provided; and what activities should be eligible to receive funding from a trust fund. While a majority of stakeholders said that a trust fund should be administered through an EPA partnership with the states, they differed in their views on how a trust fund should be used. About a third of stakeholders responded that a trust fund should be used only to fund the existing Clean Water State Revolving Fund (CWSRF), which is currently funded primarily through federal appropriations, while a few said it should support only a new and separate wastewater program. A few stakeholders supported using a trust fund to support both the CWSRF and a separate program, while others did not support the establishment of a trust fund at all. In addition, more than half of the stakeholders responded that financial assistance should be distributed using a combination of loans and grants to address the needs of different localities. Finally, although a variety of activities could be funded, most stakeholders identified capital projects as the primary activity that should receive funding from a clean water trust fund.

A number of options have been proposed in the past to generate revenue for a clean water trust fund, but several obstacles will have to be overcome in implementing these options, and it may be difficult to generate \$10 billion from any one option by itself. Funding options include a variety of excise taxes as shown in the table below.

Estimated Revenue from Excise Taxes on Products That May Contribute to the Wastewater Stream (in millions of 2009 Dollars)

Product groups	Tax base	1% tax	5% tax	10% tax	Tax rate to generate \$10 billion
Beverages	\$95,551	\$956	\$4,778	\$9,555	10.5%
Fertilizers and pesticides	26,088	261	1,304	2,609	38.3%
Flushable products, including soaps, detergents, cooking oils, and toiletries	63,241	632	3,162	6,324	15.8%
Pharmaceuticals	156,069	1,561	7,803	15,607	6.4%
Water appliances and plumbing fixtures	25,517	255	1,276	2,552	39.2%

Source: GAO analysis of U.S. Census Bureau data from the 2006 Annual Survey of Manufactures and Foreign Trade Division.

In addition, Congress could levy a tax on corporate income. An additional 0.1 percent corporate income tax could raise about \$1.4 billion annually. Congress also could levy a water use tax. A tax of 0.01 cent per gallon could raise about \$1.3 billion annually. Regardless of the options selected, certain implementation obstacles will have to be overcome. These include defining the products or activities to be taxed, establishing a collection and enforcement framework, and obtaining stakeholder support for a particular option or mix of options.