



Drinking Water Costs & Federal Funding



SAFE DRINKING WATER ACT • 1974-2004 • PROTECT OUR HEALTH FROM SOURCE TO TAP

How Much Does It Cost to Treat and Deliver My Drinking Water?

We generally pay much less for our drinking water than we do for most other goods and services, such as cable television, telephone service, and electricity. On average, tap water costs are slightly more than \$2 per 1,000 gallons, although the costs tend to be lower for large water systems, and higher for small systems. Treatment accounts for about 15 percent of that cost. Other costs are for equipment (such as the treatment plants and distribution systems), and labor for operation and maintenance of the system. Yet think about how important water is to our daily lives. Each of us, on average, uses over 100 gallons of water per day for everything from drinking and bathing to watering our gardens. This equates to an average annual water bill of about \$300 per household, though costs vary considerably across the country.



Funding for Drinking Water Programs

Federal and state governments share responsibility for administering and funding drinking water programs. Under the Safe Drinking Water Act (SDWA), the U.S. Environmental Protection Agency (US EPA) is given the responsibility for developing national standards and regulations that apply to the nation's public drinking water systems and enforcing those standards. US EPA has a national headquarters and 10 regional offices that work together and with the states to administer drinking water programs.

SDWA also allows states to accept oversight of the drinking water program under an agreement with US EPA giving states primary enforcement (or primacy) responsibilities. All states currently have primacy (Wyoming and the District of Columbia do not have primacy so their drinking water programs are administered directly by US EPA Region VIII in Denver, and Region III in Philadelphia, respectively). US EPA also administers all tribal drinking water programs at this time. In addition to this delegation of federal authority to the states, states also have the power to create additional regulations and programs governing drinking water suppliers through their own legislative and regulatory processes.

These federal and state programs are separate from the activities performed by water systems. State and federal programs develop regulations and perform oversight and compliance activities, but do not actually treat or deliver water to customers. At the local level, public and private water

utilities collect, treat, and deliver drinking water to consumers. Funding for the construction, maintenance, and operations of these local utilities is usually derived from water bills and/or local taxes.

Funding for the federal drinking water program is determined by the President and Congress. Funding for state programs comes from the federal government, state general revenue funds, state fee programs, and other sources of state funding. Each year, Congress allocates Public Water System Supervision Grants to the 49 states with primacy as well as Indian Tribes. States are required to match their grants by 25 percent. State general

revenues and fees provide the majority of operational funding for state drinking water programs. Historically, states on average have contributed around 65 percent of the costs of running the federal drinking water program while the federal government has contributed 35 percent.

Beginning in 1976 US EPA began providing grants to states in order to assist in implementation of both the Underground Injection Control (UIC) and Public Water System Supervision (PWSS) programs. In 1976 the amounts set-aside for UIC and PWSS were \$2.5 million and \$7.5 million, respectively. In 2004, the amounts have grown to \$10.9 million and \$102 million.

Funding for Drinking Water Infrastructure and Maintenance

The cost of making water safe continues to rise. Much of the existing drinking water infrastructure (underground networks of pipes, treatment plants, and other facilities) was built many years ago. The US EPA Drinking Water Infrastructure Needs Survey, released in 2001, estimated that drinking water systems will need to invest \$150.9 billion over a 20-year period to ensure the continued source development, storage, treatment, and distribution of safe drinking water. Many agree this is a very conservative low estimate.

The federal government has a number of programs that support the construction and maintenance of drinking water systems. The largest program, the Drinking Water State Revolving Loan Fund (DWSRF), was created by the 1996 amendments to SDWA. This program provides federal grants from US EPA to states. They, in turn, loan money to drinking water systems to install, improve, or maintain treatment facilities. Tribes, U.S. territories, and the District of Columbia receive direct grants for drinking water infrastructure improvements from US EPA.

The first grants from the Drinking Water State Revolving Fund, DWSRF, were distributed to states, tribes, and territories from the 1997 appropriation and totaled \$1.275 billion. From 1997 through 2003, cumulative federal grants for the DWSRF program to states total over \$5 billion. In addition to the federal grants awarded, states are required to provide matching funds equal to 20% of the federal grant award received for the DWSRF program.

The majority of funds received by the state DWSRF programs are then loaned, at below market interest rates, to water systems for projects designed to help meet health-based standards for drinking water. Some of the funds from the federal grant awards can be directed into set-aside accounts by the states. Each year, a state may set-aside up to 31% of its federal grant award to fund certain specified components of the state's drinking water program activities. These set-aside funded activities can include administration of the DWSRF program, technical assistance to small drinking water systems, state drinking

water program management, and local assistance or other state drinking water programs. Each state decides what percentage of set-aside to use, and how to use the set-aside funds based on public input and participation. State set-asides have on average represented approximately 16% of federal DWSRF grants, cumulative from 1997 through 2003.

There are also national set-asides, which target funds from the overall DWSRF appropriation to address specific purposes. These national set-asides are used to fund drinking water projects for American Indian Tribes and Alaska Native Villages, to conduct monitoring of unregulated contaminants, and for reimbursement of drinking water operator certification training expenses. In FY 2004, national set-asides of \$12.7 million were taken for American Indian Tribes and Alaska Native Villages, and \$2 million were set-aside for unregulated contaminant monitoring.

Funding for drinking water systems is also available through the U.S. Department of Housing and Urban Development's Community Development Block Grants, bonds, and the Rural Utility Service of the U.S. Department of Agriculture which provides funds for rural drinking water and waste water systems.

For More Information

To learn more about drinking water costs and federal funding, call the Safe Drinking Water Hotline at 1-800-426-4791 or visit the safewater web site at www.epa.gov/safewater.