

**CBO's Estimate of Effects on Revenues and Direct Spending of S. 914, the Drinking Water and Wastewater Infrastructure Act of 2021, as Ordered Reported by the Senate Committee on Environment and Public Works on March 24, 2021**

	By Fiscal Year, Millions of Dollars											2021-2026	2021-2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
<b>Decreases in Revenues</b>													
Estimated Revenues	0	*	-3	-15	-38	-73	-118	-164	-196	-211	-215	-130	-1,035
<b>Increases in Direct Spending</b>													
Estimated Budget Authority	100	0	0	0	0	0	0	0	0	0	0	100	100
Estimated Outlays	0	2	8	20	20	30	15	5	0	0	0	80	100
<b>Net Increases in the Deficit From Changes in Direct Spending</b>													
Effect on the Deficit	0	2	11	35	58	103	133	169	196	211	215	210	1,135

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.  
Components may not sum to totals because of rounding; \* = between -\$500,000 and zero.  
For more information see the notes below.

**Revenues.** The staff of the Joint Committee on Taxation (JCT) expects that some of the funds authorized to be appropriated under S. 914 for grants to state revolving funds would be used by state and local governments to leverage additional funds. Those governments would issue tax-exempt bonds that JCT estimates would reduce federal revenues by about \$1 billion over the 2021-2031 period.

**Direct Spending.** S. 914 would limit the criteria used to determine the budgetary treatment of loans or loan guarantees made by the Environmental Protection Agency (EPA) and the Army Corps of Engineers under their Water Infrastructure Finance and Innovation Act (WIFIA) programs. The bill would direct any budgetary effects to be recorded on an accrual basis if the borrower is a nonfederal entity that would repay the obligation with nonfederal funds. That provision would allow the costs or savings of loans for projects that meet those criteria to be recorded on an accrual basis even if the federal government is a counterparty to a project through its ownership, control, or financial contributions.

Recording such federal transactions on an accrual basis is inconsistent with current law and practice, especially if the completion of a project is contingent on future legislative action. Under the proposed direction, EPA and the Corps could make loans and loan guarantees for federal projects or assets and record the costs on an accrual basis rather than on a cash basis. On a cash basis, the full loan amount is recorded at the time an obligation is made; thus, the bill's enactment would result in an understatement of the initial funding amounts required for those commitments when the federal government is a counterparty.



The subsidy costs of loans and loan guarantees for the WIFIA program are funded through annual appropriations. For EPA's loans and loan guarantees under WIFIA, some available balances from previously appropriated budget authority could be used for projects covered by the direction in S. 914. CBO estimates that recording those loans and loan guarantees on an accrual basis would increase the upfront costs of those commitments by \$100 million over the 2021-2031 period.

**Other Spending.** In directing a different budgetary treatment for certain WIFIA loans, the bill would cause future loans or loan guarantees to be recorded in the budget at a lower cost than is required under the recording statute, the Federal Credit Reform Act, and current practice. CBO believes that the difference between the costs on a cash basis and on an accrual basis should be recorded as an increase in spending in addition to amounts appropriated in the future for the programs.

Using information about the costs of qualifying projects for which the federal government may be a counterparty, CBO estimates that the change in budgetary treatment could allow the costs of those projects that receive WIFIA loans through EPA and the Corps to be understated by hundreds of millions of dollars in a given year. CBO has not yet determined whether the estimated costs that result from the bill's changes to those programs should be recorded as direct spending and attributed to S. 914, attributed to future appropriation bills that provide the obligational authority required to make such loans, or to some combination of both.

**Uncertainty.** The estimated budgetary effects of S. 914 are subject to uncertainty. For instance, the size and nature of future appropriations for the subsidy costs of EPA and Corps WIFIA loan programs, the projects that apply for those programs, and the projects approved for loans all could increase or decrease the pool of projects that would, in CBO's estimation, be eligible for a different budgetary treatment than they would receive under current law.

**Spending Subject to Appropriation.** S. 914 would authorize the appropriation of specific amounts for EPA to provide grants and loans to state and local governments, public water systems, nonprofit organizations, and other entities to support various water infrastructure projects and programs to improve water quality. Those authorizations would total about \$35 billion over the 2021-2026 period.

In addition, S. 914 would, among other things, authorize EPA to create a pilot program to provide grants to certain qualifying community water systems or treatment works with high amounts of debt attributable to customer nonpayment. The amounts for the pilot program and certain administrative costs are not specified in the bill but that spending would be subject to the availability of appropriated funds. CBO has not completed an analysis of the costs of those provisions.



**Increase in Long-Term Deficits.** JCT and CBO estimate that enacting the bill would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2032.

**Mandates:** None.