

# Drinking Water Costs & Federal Funding

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## 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 1000 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 (USEPA) is given the responsibility for developing national standards and regulations that apply to the nation's public drinking water systems and enforcing those standards. USEPA 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 USEPA 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 USEPA Region VIII in Denver, and Region III in Philadelphia, respectively). USEPA 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 (PWSS) 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 the 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 USEPA began providing grants to states in order to assist in implementation of both the Underground Injection Control (UIC) and PWSS programs. In 1976 the amounts set-aside for UIC and PWSS were \$2.5 million and \$7.5 million, respectively. In 1999, the amounts grew to \$10.5 million and \$90 million (however the UIC grants have been essentially flat since 1988).

### **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 USEPA Drinking Water Infrastructure Needs Survey, released in 1997, estimated that drinking water systems will need to invest \$138.4 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 numbers 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 of the SDWA. This program provides federal grants from USEPA 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 USEPA.

The first grants from the DWSRF were distributed to states, tribes, and territories from the 1997 appropriation and totaled \$1.275 billion. States are required to provide a 20 percent match for these funds. The majority of funds received by state DWSRF programs are loaned to water systems to fund projects to improve the quality of water they deliver to their customers. Each year, a state may “set-aside” a percentage of the funding (up to 31 percent in fiscal year 1997) to fund components of the state’s drinking water program. These set-asides can include administration of the fund, technical assistance to small systems, and other state programs such as source water protection and operator certification. Each state decides what percentage of set-asides can include administration of the fund, technical assistance to small systems, and other state programs such as source water protection and operator certification. Each state decides what percentage or set-asides to use and how to use them based on public input and participation. State set-asides comprised \$243 million out of a total \$1.255 billion provided to states from the fiscal year 1997 appropriation.

There are also national set-asides, which target funds from the overall DWSRF appropriation to address specific purposes. These set-asides will fund projects for Indian Tribes and Alaska Native Villages, unregulated contaminant monitoring, and reimbursement of operator certification training expenses.

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 that provides funds for rural drinking water and waste water systems.

### **For More Information**

For more information, contact the Safe Drinking Water Hotline at 1-800-426-4791, or visit USEPA's web site at: <http://www.epa.gov/safewater/>