



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Revised July 27, 2010

H.R. 5320 **Assistance, Quality, and Affordability Act of 2010**

*As ordered reported by the House Committee on Energy and Commerce
on May 26, 2010*

SUMMARY

H.R. 5320 would authorize the appropriation of nearly \$5 billion for the Environmental Protection Agency (EPA) to provide grants to states and nonprofit organizations to support a wide range of water quality projects and programs over the 2011-2015 period. This legislation also would authorize the appropriation of \$5 million annually over the next five years to support EPA's Endocrine Disruptor Screening program. CBO estimates that implementing this legislation would cost about \$3.5 billion over the next five years, assuming appropriation of the authorized amounts. Remaining amounts would be spent after 2015.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting the bill would increase the use of tax-exempt bonds by states, thus reducing revenues by \$35 million over the next 10 years. Pay-as-you-go procedures apply because enacting the legislation would affect revenues.

H.R. 5320 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost of the intergovernmental mandates would fall below the annual threshold established in UMRA (\$70 million in 2010, adjusted annually for inflation). Based on information from industry sources, CBO estimates that the aggregate cost of private-sector mandates would probably exceed the annual threshold established in UMRA for the private sector (\$141 million in 2010, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate, CBO assumes that the bill will be enacted near the beginning of fiscal year 2011, that the full amounts authorized will be appropriated for each year, and that outlays will follow the historical patterns of spending for existing programs. Components of the estimated costs are described below.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 5320

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Authorization Level	1,425	1,625	1,825	25	25	0	0	0	0	0	4,925	4,925
Estimated Outlays	66	392	867	1,209	1,057	627	277	120	61	33	3,591	4,709
CHANGES IN REVENUES												
Estimated Revenues ^{a b}	*	*	*	-1	-2	-4	-6	-7	-7	-7	-3	-35

Note: Components may not sum to totals because of rounding.
* = revenue loss of less than \$500,000.

a. Estimate provided by the Joint Committee on Taxation.

b. Negative numbers indicate a reduction in revenues and an increase in the deficit.

BASIS OF ESTIMATE

Revenues

JCT expects that some of the funds authorized in H.R. 5320 would be used by states to leverage additional funds by issuing tax-exempt bonds. JCT estimates that issuing additional tax-exempt bonds would reduce federal revenues by about \$35 million over the 2011-2020 period.¹

Spending Subject to Appropriation

This legislation would authorize appropriations totaling nearly \$5 billion over the next five years for EPA's water infrastructure and grant programs and to support EPA's Endocrine Disruptor Screening program. Amounts authorized to be appropriated for individual programs are shown in Table 2.

1. JCT estimates that federal revenues would be reduced by \$1 million over the 2010-2014 period and by \$28 million over the 2010-2019 period.

TABLE 2. AMOUNTS AUTHORIZED TO BE APPROPRIATED FOR EPA PROGRAMS UNDER H.R. 5320

	By Fiscal Year, in Millions of Dollars					2011-2015
	2011	2012	2013	2014	2015	
Safe Drinking Water SRF Grants	1,400	1,600	1,800	0	0	4,800
Grants for Small Public Water Systems	20	20	20	20	20	100
Endocrine Disruptor Screening Program	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>25</u>
Total Authorization Level	1,425	1,625	1,825	25	25	4,925

Note: SRF = state revolving fund; EPA = Environmental Protection Agency.

The bill would authorize the appropriation of \$4.8 billion over the 2011-2015 period for EPA to provide capitalization grants for the State Revolving Fund program for safe drinking water. In 2010, this program received an appropriation of about \$1.4 billion. (In addition, the American Recovery and Reinvestment Act of 2009 provided \$2 billion for this program.) States use such grants along with their own funds to make low-interest loans to communities to build or improve drinking water facilities. Indian tribes also use such grants to fund projects that would improve the quality of drinking water. This bill would make several revisions to those grant programs, including expanding the types of projects eligible for assistance and changing the formulas used to allocate grant money among the states and tribes.

This bill also would authorize the appropriation of about \$100 million over the 2011-2015 period for EPA to make grants to small public water systems to address the cost of complying with drinking water regulations and \$5 million annually over the same period to support EPA's Endocrine Disruptor Screening program, which tests for certain substances in drinking water.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The changes in revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You Go Effects for H.R. 5320 as ordered reported by the House Committee on Energy and Commerce on May 26, 2010

By Fiscal Year, in Millions of Dollars												
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	0	0	1	2	4	6	7	7	7	35

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5320 would impose intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the aggregate cost of the intergovernmental mandates would fall below the annual threshold established in UMRA (\$70 million in 2010, adjusted annually for inflation). Based on information from industry sources, CBO estimates that the aggregate cost of private-sector mandates would probably exceed the annual threshold established in UMRA for the private sector (\$141 million in 2010, adjusted annually for inflation).

Mandates

Lead-Free Plumbing. The bill would modify the definition of “lead free” under the Safe Drinking Water Act to reduce the amount of lead allowed in plumbing products. The new definition would apply to pipes, fittings, or fixtures used to provide drinking water that are sold after the bill’s enactment. Plumbing products used and sold in the United States would have to meet the new standard within three years of enactment.

The cost of the mandate would be the additional costs to manufacturers, importers, or users associated with producing or acquiring compliant products. Based on information from industry sources, CBO expects that some manufacturers would already be in compliance with the new standard because of existing standards in some states. However, information from those sources suggests that the incremental cost of manufacturing or importing such products would total hundreds of millions of dollars to the private sector in at least some of the first five years the mandate is in effect. Some of those costs could be passed through to end users, including public entities. While the additional costs to state, local, and tribal entities could be significant, CBO estimates that those costs would total less than the annual threshold established in UMRA for intergovernmental mandates.

Reporting Requirements. The bill would require public water systems (including both public and private entities) to submit monitoring data electronically. CBO estimates that the cost to submit such information electronically would be minimal.

Other Impacts

The bill would provide capitalization grants to states to make loans to public water systems for infrastructure improvements relating to drinking water. Any costs to those entities related to the capitalization grants would result from complying with conditions of assistance.

PREVIOUS CBO ESTIMATE

On June 11, 2010, CBO transmitted a cost estimate for H.R. 5320, the Assistance, Quality, and Affordability Act of 2010, as ordered reported by the House Committee on Energy and Commerce on May 26, 2010. That cost estimate included an incorrect estimate of the loss in revenue from implementing the legislation. JCT has corrected that error; the revenue loss is now estimated to be \$35 million over the next 10 years. This estimate reflects that correction and supersedes the earlier cost estimate.

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