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HOUSE OF REPRESENTATIVES

REPORT
110–30

WATER QUALITY FINANCING ACT OF 2007

MARCH 5, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. OBERSTAR, from the Committee on Transportation and Infrastructure, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 720]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 720) to amend the Federal Water Pollution Control Act to authorize appropriations for State water pollution control revolving funds, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) IN GENERAL.—This Act may be cited as the "Water Quality Financing Act of 2007".

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.
Sec. 2. Amendment of Federal Water Pollution Control Act.

TITLE I—TECHNICAL AND MANAGEMENT ASSISTANCE

Sec. 101. Technical assistance.
Sec. 102. State management assistance.
Sec. 103. Watershed pilot projects.

TITLE II—CONSTRUCTION OF TREATMENT WORKS

Sec. 201. Sewage collection systems.
Sec. 202. Treatment works defined.
Sec. 203. Policy on cost effectiveness.

TITLE III—STATE WATER POLLUTION CONTROL REVOLVING FUNDS

Sec. 301. General authority for capitalization grants.

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Sec. 302. Capitalization grant agreements.
Sec. 303. Water pollution control revolving loan funds.
Sec. 304. Allotment of funds.
Sec. 305. Intended use plan.
Sec. 306. Annual reports.
Sec. 307. Technical assistance.
Sec. 308. Authorization of appropriations.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Definition of treatment works.
Sec. 402. Funding for Indian programs.

TITLE V—STUDIES

Sec. 501. Study of long-term, sustainable, clean water funding.
Sec. 502. Feasibility study of supplemental and alternative clean water funding mechanisms.

TITLE VI—TONNAGE DUTIES

Sec. 601. Tonnage duties.

SEC. 2. AMENDMENT OF FEDERAL WATER POLLUTION CONTROL ACT.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.).

TITLE I—TECHNICAL AND MANAGEMENT ASSISTANCE

SEC. 101. TECHNICAL ASSISTANCE.

(a) TECHNICAL ASSISTANCE FOR RURAL AND SMALL TREATMENT WORKS.—Section 104(b) (33 U.S.C. 1254(b)) is amended—

(1) by striking "and" at the end of paragraph (6);

(2) by striking the period at the end of paragraph (7) and inserting "; and"; and

(3) by adding at the end the following:

"(8) make grants to nonprofit organizations—

"(A) to provide technical assistance to rural and small municipalities for the purpose of assisting, in consultation with the State in which the assistance is provided, such municipalities in the planning, developing, and acquisition of financing for wastewater infrastructure assistance;

"(B) to provide technical assistance and training for rural and small publicly owned treatment works and decentralized wastewater treatment systems to enable such treatment works and systems to protect water quality and achieve and maintain compliance with the requirements of this Act; and

"(C) to disseminate information to rural and small municipalities and municipalities that meet the affordability criteria established under section 603(i)(2) by the State in which the municipality is located with respect to planning, design, construction, and operation of publicly owned treatment works and decentralized wastewater treatment systems.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 104(u) (33 U.S.C. 1254(u)) is amended—

(1) by striking "and (6)" and inserting "(6)"; and

(2) by inserting before the period at the end the following: "; and (7) not to exceed $75,000,000 for each of fiscal years 2008 through 2012 for carrying out subsections (b)(3) and (b)(8), except that not less than 20 percent of the amounts appropriated pursuant to this paragraph in a fiscal year shall be used for carrying out subsection (b)(8)".

(c) COMPETITIVE PROCEDURES FOR AWARDING GRANTS.—Section 104 (33 U.S.C. 1254(b)) is amended by adding at the end the following:

"(w) COMPETITIVE PROCEDURES FOR AWARDING GRANTS.—The Administrator shall establish procedures that, to the maximum extent practicable, promote competition and openness in the award of grants to nonprofit private agencies, institutions, and organizations under this section.".

SEC. 102. STATE MANAGEMENT ASSISTANCE.

Section 106(a) (33 U.S.C. 1256(a)) is amended—

(1) by striking "and" at the end of paragraph (1);

(2) by striking the semicolon at the end of paragraph (2) and inserting "; and"; and

(3) by inserting after paragraph (2) the following:

"(3) such sums as may be necessary for each of fiscal years 1991 through 2007, and $300,000,000 for each of fiscal years 2008 through 2012;".

SEC. 103. WATERSHED PILOT PROJECTS.

(a) PILOT PROJECTS.—Section 122 (33 U.S.C. 1274) is amended—

(1) in the section heading by striking "wet weather"; and

(2) in subsection (a)—

(A) in the matter preceding paragraph (1) by striking "wet weather discharge";

(B) in paragraph (2) by inserting ", including low-impact development technologies" before the period at the end; and

(C) by adding at the end the following:

"(3) WATERSHED PARTNERSHIPS.—Efforts of municipalities and property owners to demonstrate cooperative ways to address nonpoint sources of pollution to reduce adverse impacts on water quality.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 122(c)(1) is amended by striking "for fiscal year 2004" and inserting "for each of fiscal years 2004 through 2012".

(c) REPORT TO CONGRESS.—Section 122(d) is amended by striking "5 years" and inserting "10 years".

TITLE II—CONSTRUCTION OF TREATMENT WORKS

SEC. 201. SEWAGE COLLECTION SYSTEMS.

Section 211 (33 U.S.C. 1291) is amended—

(1) by striking the section designation and all that follows through "(a) No" and inserting the following:

"SEC. 211. SEWAGE COLLECTION SYSTEMS.

"(a) IN GENERAL.—No";

(2) in subsection (b) by inserting "POPULATION DENSITY.—" after "(b)"; and

(3) by striking subsection (c) and inserting the following:

"(c) EXCEPTIONS.—

"(1) REPLACEMENT AND MAJOR REHABILITATION.—Notwithstanding the requirement of subsection (a)(1) concerning the existence of a collection system as a condition of eligibility, a project for replacement or major rehabilitation of a collection system existing on January 1, 2007, shall be eligible for a grant under this title if the project otherwise meets the requirements of subsection (a)(1) and meets the requirement of paragraph (3).

"(2) NEW SYSTEMS.—Notwithstanding the requirement of subsection (a)(2) concerning the existence of a community as a condition of eligibility, a project for a new collection system to serve a community existing on January 1, 2007, shall be eligible for a grant under this title if the project otherwise meets the requirements of subsection (a)(2) and meets the requirement of paragraph (3).

"(3) REQUIREMENT.—A project meets the requirement of this paragraph if the purpose of the project is to accomplish the objectives, goals, and policies of this Act by addressing an adverse environmental condition existing on the date of enactment of this paragraph.".

SEC. 202. TREATMENT WORKS DEFINED.

Section 212(2)(A) (33 U.S.C. 1292(2)(A)) is amended—

(1) by striking "any works, including site";

(2) by striking "is used for ultimate" and inserting "will be used for ultimate"; and

(3) by inserting before the period at the end the following: "and acquisition of other lands, and interests in lands, which are necessary for construction".

SEC. 203. POLICY ON COST EFFECTIVENESS.

Section 218(a) (33 U.S.C. 1298(a)) is amended by striking "combination of devices and systems" and all that follows through the period at the end and inserting "treatment works that meets the requirements of this Act. The system may include water efficiency measures and devices.".

TITLE III—STATE WATER POLLUTION CONTROL REVOLVING FUNDS

SEC. 301. GENERAL AUTHORITY FOR CAPITALIZATION GRANTS.

Section 601(a) (33 U.S.C. 1381(a)) is amended by striking "for providing assistance" and all that follows through the period at the end and inserting the following: "to accomplish the objectives, goals, and policies of this Act by providing assistance for projects and activities identified in section 603(c).".

SEC. 302. CAPITALIZATION GRANT AGREEMENTS.

(a) REPORTING INFRASTRUCTURE ASSETS.—Section 602(b)(9) (33 U.S.C. 1382(b)(9)) is amended by striking "standards" and inserting "standards, including standards relating to the reporting of infrastructure assets".

(b) ADDITIONAL REQUIREMENTS.—Section 602(b) (33 U.S.C. 1382(b)) is amended—

(1) by striking "and" at the end of paragraph (9);

(2) by striking the period at the end of paragraph (10) and inserting a semicolon; and

(3) by adding at the end the following:

"(11) the State will establish, maintain, invest, and credit the fund with repayments, such that the fund balance will be available in perpetuity for providing financial assistance in accordance with this title;

"(12) any fees charged by the State to recipients of assistance will be used for the purpose of financing the cost of administering the fund or financing projects or activities eligible for assistance from the fund;

"(13) beginning in fiscal year 2009, the State will include as a condition of providing assistance to a municipality or intermunicipal, interstate, or State agency that the recipient of such assistance certify, in a manner determined by the Governor of the State, that the recipient—

"(A) has studied and evaluated the cost and effectiveness of innovative and alternative processes, materials, techniques, and technologies for carrying out the proposed project or activity for which assistance is sought under this title, and has selected, to the extent practicable, a project or activity that may result in greater environmental benefits or equivalent environmental benefits when compared to standard processes, materials, techniques, and technologies and more efficiently uses energy and natural and financial resources; and

"(B) has considered the cost and effectiveness of alternative management and financing approaches for carrying out a project or activity for which assistance is sought under this title, taking into account the cost of operating and maintaining the project or activity over its life, as well as the cost of constructing the project or activity;

"(14) the State will use at least 15 percent of the amount of each capitalization grant received by the State under this title after September 30, 2007, to provide assistance to municipalities of fewer than 10,000 individuals that meet the affordability criteria established by the State under section 603(i)(2) for activities included on the State's priority list established under section 603(g), to the extent that there are sufficient applications for such assistance;

"(15) treatment works eligible under section 603(c)(1) which will be constructed in whole or in part with funds made available under section 205(m) or by a State water pollution control revolving fund under this title, or both, will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 204(b)(1), 211, 218, and 511(c)(1) in the same manner as treatment works constructed with assistance under title II of this Act;

"(16) a contract to be carried out using funds directly made available by a capitalization grant under this title for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or architectural related services shall be negotiated in the same manner as a contract for architectural and engineering services is negotiated under chapter 11 of title 40, United States Code, or an equivalent State qualifications-based requirement (as determined by the Governor of the State); and

"(17) the requirements of section 513 will apply to the construction of treatment works carried out in whole or in part with assistance made available by a State water pollution control revolving fund as authorized under this title, or with assistance made available under section 205(m), or both, in the same manner as treatment works for which grants are made under this Act.".

SEC. 303. WATER POLLUTION CONTROL REVOLVING LOAN FUNDS.

(a) PROJECTS AND ACTIVITIES ELIGIBLE FOR ASSISTANCE.—Section 603(c) (33 U.S.C. 1383(c)) is amended to read as follows:

"(c) PROJECTS AND ACTIVITIES ELIGIBLE FOR ASSISTANCE.—The amounts of funds available to each State water pollution control revolving fund shall be used only for providing financial assistance—

"(1) to any municipality or intermunicipal, interstate, or State agency for construction of publicly owned treatment works;

"(2) for the implementation of a management program established under section 319;

"(3) for development and implementation of a conservation and management plan under section 320;

"(4) for the implementation of lake protection programs and projects under section 314;

"(5) for repair or replacement of decentralized wastewater treatment systems that treat domestic sewage;

"(6) for measures to manage or reduce municipal stormwater runoff;

"(7) to any municipality or intermunicipal, interstate, or State agency for measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse;

"(8) for measures to increase the security of publicly owned treatment works; and

"(9) for the development and implementation of watershed projects meeting the criteria set forth in section 122.".

(b) EXTENDED REPAYMENT PERIOD.—Section 603(d)(1) (33 U.S.C. 1383(d)(1)) is amended—

(1) in subparagraph (A) by striking "20 years" and inserting "the lesser of 30 years or the design life of the project to be financed with the proceeds of the loan"; and

(2) in subparagraph (B) by striking "not later than 20 years after project completion" and inserting "upon the expiration of the term of the loan".

(c) FISCAL SUSTAINABILITY PLAN.—Section 603(d)(1) (33 U.S.C. 1383(d)(1)) is further amended—

(1) by striking "and" at the end of subparagraph (C);

(2) by inserting "and" at the end of subparagraph (D); and

(3) by adding at the end the following:

"(E) for any portion of a treatment works proposed for repair, replacement, or expansion, and eligible for assistance under section 603(c)(1), the recipient of a loan will develop and implement a fiscal sustainability plan that includes—

"(i) an inventory of critical assets that are a part of that portion of the treatment works;

"(ii) an evaluation of the condition and performance of inventoried assets or asset groupings; and

"(iii) a plan for maintaining, repairing, and, as necessary, replacing that portion of the treatment works and a plan for funding such activities;".

(d) ADMINISTRATIVE EXPENSES.—Section 603(d)(7) (33 U.S.C. 1383(d)(7)) is amended by inserting before the period at the end the following: ", $400,000 per year, or ⅕ percent per year of the current valuation of the fund, whichever amount is greatest, plus the amount of any fees collected by the State for such purpose regardless of the source".

(e) TECHNICAL AND PLANNING ASSISTANCE FOR SMALL SYSTEMS.—Section 603(d) (33 U.S.C. 1383(d)) is amended—

(1) by striking "and" at the end of paragraph (6);

(2) by striking the period at the end of paragraph (7) and inserting "; and"; and

(3) by adding at the end the following:

"(8) to provide owners and operators of treatment works that serve a population of 10,000 or fewer with technical and planning assistance and assistance in financial management, user fee analysis, budgeting, capital improvement planning, facility operation and maintenance, equipment replacement, repair schedules, and other activities to improve wastewater treatment plant management and operations; except that such amounts shall not exceed 2 percent of grant awards to such fund under this title.".

(f) ADDITIONAL SUBSIDIZATION.—Section 603 (33 U.S.C. 1383) is amended by adding at the end the following:

"(i) ADDITIONAL SUBSIDIZATION.—

"(1) IN GENERAL.—In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans—

"(A) to benefit a municipality that—

"(i) meets the State's affordability criteria established under paragraph (2); or

"(ii) does not meet the State's affordability criteria if the recipient—

"(I) seeks additional subsidization to benefit individual ratepayers in the residential user rate class;

"(II) demonstrates to the State that such ratepayers will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought; and

"(III) ensures, as part of an assistance agreement between the State and the recipient, that the additional subsidization provided under this paragraph is directed through a user charge rate system (or other appropriate method) to such ratepayers; or

"(B) to implement an innovative or alternative process, material, technique, or technology (including nonstructural protection of surface waters, a new or improved method of waste treatment, and pollutant trading) that may result in greater environmental benefits, or equivalent environmental benefits at reduced cost, when compared to a standard process, material, technique, or technology.

"(2) AFFORDABILITY CRITERIA.—

"(A) ESTABLISHMENT.—On or before September 30, 2008, and after providing notice and an opportunity for public comment, a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project or activity eligible for assistance under section 603(c)(1) if additional subsidization is not provided. Such criteria shall be based on income data, population trends, and other data determined relevant by the State.

"(B) EXISTING CRITERIA.—If a State has previously established, after providing notice and an opportunity for public comment, affordability criteria that meet the requirements of subparagraph (A), the State may use the criteria for the purposes of this subsection. For purposes of this Act, any such criteria shall be treated as affordability criteria established under this paragraph.

"(C) INFORMATION TO ASSIST STATES.—The Administrator may publish information to assist States in establishing affordability criteria under subparagraph (A).

"(3) PRIORITY.—A State may give priority to a recipient for a project or activity eligible for funding under section 603(c)(1) if the recipient meets the State's affordability criteria.

"(4) SET-ASIDE.—

"(A) IN GENERAL.—In any fiscal year in which the Administrator has available for obligation more than $1,000,000,000 for the purposes of this title, a State shall provide additional subsidization under this subsection in the amount specified in subparagraph (B) to eligible entities described in paragraph (1) for projects and activities identified in the State's intended use plan prepared under section 606(c) to the extent that there are sufficient applications for such assistance.

"(B) AMOUNT.—In a fiscal year described in subparagraph (A), a State shall set aside for purposes of subparagraph (A) an amount not less than 25 percent of the difference between—

"(i) the total amount that would have been allotted to the State under section 604 for such fiscal year if the amount available to the Administrator for obligation under this title for such fiscal year had been equal to $1,000,000,000; and

"(ii) the total amount allotted to the State under section 604 for such fiscal year.

"(5) LIMITATION.—The total amount of additional subsidization provided under this subsection by a State may not exceed 30 percent of the total amount of capitalization grants received by the State under this title in fiscal years beginning after September 30, 2007.".

SEC. 304. ALLOTMENT OF FUNDS.

(a) IN GENERAL.—Section 604(a) (33 U.S.C. 1384(a)) is amended to read as follows:

"(a) ALLOTMENTS.—

"(1) FISCAL YEARS 2008 AND 2009.—Sums appropriated to carry out this title for each of fiscal years 2008 and 2009 shall be allotted by the Administrator in accordance with the formula used to allot sums appropriated to carry out this title for fiscal year 2007.

"(2) FISCAL YEAR 2010 AND THEREAFTER.—Sums appropriated to carry out this title for fiscal year 2010 and each fiscal year thereafter shall be allotted by the Administrator as follows:

"(A) Amounts that do not exceed $1,350,000,000 shall be allotted in accordance with the formula described in paragraph (1).

"(B) Amounts that exceed $1,350,000,000 shall be allotted in accordance with the formula developed by the Administrator under subsection (d).".

(b) PLANNING ASSISTANCE.—Section 604(b) (33 U.S.C. 1384(b)) is amended by striking "1 percent" and inserting "2 percent".

(c) FORMULA.—Section 604 (33 U.S.C. 1384) is amended by adding at the end the following:

"(d) FORMULA BASED ON WATER QUALITY NEEDS.—Not later than September 30, 2009, and after providing notice and an opportunity for public comment, the Administrator shall publish an allotment formula based on water quality needs in accordance with the most recent survey of needs developed by the Administrator under section 516(b).".

SEC. 305. INTENDED USE PLAN.

(a) INTEGRATED PRIORITY LIST.—Section 603(g) (33 U.S.C. 1383(g)) is amended to read as follows:

"(g) PRIORITY LIST.—

"(1) IN GENERAL.—For fiscal year 2009 and each fiscal year thereafter, a State shall establish or update a list of projects and activities for which assistance is sought from the State's water pollution control revolving fund. Such projects and activities shall be listed in priority order based on the methodology established under paragraph (2). The State may provide financial assistance from the State's water pollution control revolving fund only with respect to a project or activity included on such list. In the case of projects and activities eligible for assistance under section 603(c)(2), the State may include a category or subcategory of nonpoint sources of pollution on such list in lieu of a specific project or activity.

"(2) METHODOLOGY.—

"(A) IN GENERAL.—Not later than 1 year after the date of enactment of this paragraph, and after providing notice and opportunity for public comment, each State (acting through the State's water quality management agency and other appropriate agencies of the State) shall establish a methodology for developing a priority list under paragraph (1).

"(B) PRIORITY FOR PROJECTS AND ACTIVITIES THAT ACHIEVE GREATEST WATER QUALITY IMPROVEMENT.—In developing the methodology, the State shall seek to achieve the greatest degree of water quality improvement, taking into consideration the requirements of section 602(b)(5) and section 603(i)(3) and whether such water quality improvements would be realized without assistance under this title.

"(C) CONSIDERATIONS IN SELECTING PROJECTS AND ACTIVITIES.—In determining which projects and activities will achieve the greatest degree of water quality improvement, the State shall consider—

"(i) information developed by the State under sections 303(d) and 305(b);

"(ii) the State's continuing planning process developed under section 303(e);

"(iii) the State's management program developed under section 319; and

"(iv) conservation and management plans developed under section 320.

"(D) NONPOINT SOURCES.—For categories or subcategories of nonpoint sources of pollution that a State may include on its priority list under paragraph (1), the State may consider the cumulative water quality improvements associated with projects or activities in such categories or subcategories.

"(E) EXISTING METHODOLOGIES.—If a State has previously developed, after providing notice and an opportunity for public comment, a methodology that meets the requirements of this paragraph, the State may use the methodology for the purposes of this subsection.".

(b) INTENDED USE PLAN.—Section 606(c) (33 U.S.C. 1386(c)) is amended—

(1) in the matter preceding paragraph (1) by striking "each State shall annually prepare" and inserting "each State (acting through the State's water quality management agency and other appropriate agencies of the State) shall annually prepare and publish";

(2) by striking paragraph (1) and inserting the following:

"(1) the State's priority list developed under section 603(g);";

(3) in paragraph (4)—

(A) by striking "and (6)" and inserting "(6), (15), and (17)"; and

(B) by striking "and" at the end;

(4) by striking the period at the end of paragraph (5) and inserting "; and"; and

(5) by adding at the end the following:

"(6) if the State does not fund projects and activities in the order of the priority established under section 603(g), an explanation of why such a change in order is appropriate.".

(c) TRANSITIONAL PROVISION.—Before completion of a priority list based on a methodology established under section 603(g) of the Federal Water Pollution Control Act (as amended by this section), a State shall continue to comply with the requirements of sections 603(g) and 606(c) of such Act, as in effect on the day before the date of enactment of this Act.

SEC. 306. ANNUAL REPORTS.

Section 606(d) (33 U.S.C. 1386(d)) is amended by inserting "the eligible purpose under section 603(c) for which the assistance is provided," after "loan amounts,".

SEC. 307. TECHNICAL ASSISTANCE.

Title VI (33 U.S.C. 1381 et seq.) is amended—

(1) by redesignating section 607 as section 608; and

(2) by inserting after section 606 the following:

"SEC. 607. TECHNICAL ASSISTANCE.

"(a) SIMPLIFIED PROCEDURES.—Not later than 1 year after the date of enactment of this section, the Administrator shall assist the States in establishing simplified procedures for treatment works to obtain assistance under this title.

"(b) PUBLICATION OF MANUAL.—Not later than 2 years after the date of the enactment of this section, and after providing notice and opportunity for public comment, the Administrator shall publish a manual to assist treatment works in obtaining assistance under this title and publish in the Federal Register notice of the availability of the manual.

"(c) COMPLIANCE CRITERIA.—At the request of any State, the Administrator, after providing notice and an opportunity for public comment, shall assist in the development of criteria for a State to determine compliance with the conditions of funding assistance established under sections 602(b)(13) and 603(d)(1)(E).".

SEC. 308. AUTHORIZATION OF APPROPRIATIONS.

Section 608 (as redesignated by section 307 of this Act) is amended by striking paragraphs (1) through (5) and inserting the following:

"(1) $2,000,000,000 for fiscal year 2008;

"(2) $3,000,000,000 for fiscal year 2009;

"(3) $4,000,000,000 for fiscal year 2010; and

"(4) $5,000,000,000 for fiscal year 2011.".

TITLE IV—GENERAL PROVISIONS

SEC. 401. DEFINITION OF TREATMENT WORKS.

Section 502 (33 U.S.C. 1362) is amended by adding at the end the following:

"(25) TREATMENT WORKS.—The term 'treatment works' has the meaning given that term in section 212.".

SEC. 402. FUNDING FOR INDIAN PROGRAMS.

Section 518(c) (33 U.S.C. 1377) is amended—

(1) by striking "The Administrator" and inserting the following:

"(1) FISCAL YEARS 1987–2006.—The Administrator";

(2) in paragraph (1) (as so designated)—

(A) by inserting "and ending before October 1, 2006," after "1986,"; and

(B) by striking the second sentence; and

(3) by adding at the end the following:

"(2) FISCAL YEAR 2007 AND THEREAFTER.—For fiscal year 2007 and each fiscal year thereafter, the Administrator shall reserve, before allotments to the States

under section 604(a), not less than 0.5 percent and not more than 1.5 percent of the funds made available to carry out title VI.

"(3) USE OF FUNDS.—Funds reserved under this subsection shall be available only for grants for projects and activities eligible for assistance under section 603(c) to serve—

"(A) Indian tribes;

"(B) former Indian reservations in Oklahoma (as determined by the Secretary of the Interior); and

"(C) Native villages (as defined in section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602)).".

TITLE V—STUDIES

SEC. 501. STUDY OF LONG-TERM, SUSTAINABLE, CLEAN WATER FUNDING.

(a) STUDY.—Not later than 30 days after the date of enactment of this Act, the Comptroller General shall commence a study of the funding mechanisms and funding sources available to establish a Clean Water Trust Fund.

(b) CONTENTS.—The study shall include an analysis of potential revenue sources that can be efficiently collected, are broad based, are related to water quality, and that support the annual funding levels authorized by the amendments made by this Act.

(c) CONSULTATION.—In conducting the study, the Comptroller General, at a minimum, shall consult with Federal, State, and local agencies, representatives of business and industry, representatives of entities operating publicly owned treatment works, and other interested groups.

(d) REPORT.—Not later than January 1, 2008, the Comptroller General shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the results of the study.

SEC. 502. FEASIBILITY STUDY OF SUPPLEMENTAL AND ALTERNATIVE CLEAN WATER FUNDING MECHANISMS.

(a) STUDY.—Not later than 30 days after the date of enactment of this Act, the Comptroller General shall commence a study of funding mechanisms and funding sources potentially available for wastewater infrastructure and other water pollution control activities under the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.).

(b) CONTENTS.—The study shall include an analysis of funding and investment mechanisms and revenue sources from other potential supplemental or alternative public or private sources that could be used to fund wastewater infrastructure and other water pollution control activities under the Federal Water Pollution Control Act.

(c) CONSULTATION.—In conducting the study, the Comptroller General, at a minimum, shall consult with Federal, State, and local agencies, representatives of business, industry, and financial investment entities, representatives of entities operating treatment works, and other interested groups.

(d) REPORT.—Not later than January 1, 2008, the Comptroller General shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the results of the study.

TITLE VI—TONNAGE DUTIES

SEC. 601. TONNAGE DUTIES.

(a) IN GENERAL.—Section 60301 of title 46, United State Code, is amended—

(1) in the section heading by striking "**taxes**" and inserting "**duties**";

(2) by amending subsections (a) and (b) to read as follows:

"(a) LOWER RATE.—

"(1) IMPOSITION OF DUTY.—A duty is imposed at the rate described in paragraph (2) at each entry in a port of the United States of—

"(A) a vessel entering from a foreign port or place in North America, Central America, the West Indies Islands, the Bahama Islands, the Bermuda Islands, or the coast of South America bordering the Caribbean Sea; or

"(B) a vessel returning to the same port or place in the United States from which it departed, and not entering the United States from another port or place, except—

"(i) a vessel of the United States;

"(ii) a recreational vessel (as defined in section 2101 of this title); or
"(iii) a barge.

"(2) RATE.—The rate referred to in paragraph (1) shall be—

"(A) 4.5 cents per ton (but not more than a total of 22.5 cents per ton per year) for fiscal years 2006 through 2007;

"(B) 9.0 cents per ton (but not more than a total of 45 cents per ton per year) for fiscal years 2008 through 2017; and

"(C) 2 cents per ton (but not more than a total of 10 cents per ton per year) for each fiscal year thereafter.

"(b) HIGHER RATE.—

"(1) IMPOSITION OF DUTY.—A duty is imposed at the rate described in paragraph (2) on a vessel at each entry in a port of the United States from a foreign port or place not named in subsection (a)(1).

"(2) RATE.—The rate referred to in paragraph (1) shall be—

"(A) 13.5 cents per ton (but not more than a total of 67.5 cents per ton per year) for fiscal years 2006 through 2007;

"(B) 27 cents per ton (but not more than a total of $1.35 per ton per year) for fiscal years 2008 through 2017, and

"(C) 6 cents per ton (but not more than a total of 30 cents per ton per year) for each fiscal year thereafter."; and

(3) in subsection (c) by striking "taxes" and inserting "duties".

(b) CONFORMING AMENDMENTS.—Such title is further amended—

(1) by striking the heading for subtitle VI and inserting the following:

"Subtitle VI—Clearance and Tonnage Duties";

(2) in the headings of sections in chapter 603, by striking "**taxes**" and inserting "**duties**";

(3) in the heading for subsection (a) of section 60303, by striking "TAX" and inserting "DUTY";

(4) in the text of sections in chapter 603, by striking "taxes" each place it appears and inserting "duties"; and

(5) in the text of sections in chapter 603, by striking "tax" each place it appears and inserting "duty".

(c) CLERICAL AMENDMENTS.—Such title is further amended—

(1) in the title analysis by striking the item relating to subtitle VI and inserting the following:

"VI. CLEARANCE AND TONNAGE DUTIES .....60101"; and

(2) in the analysis for chapter 603—

(A) by striking the items relating to sections 60301 and 60302 and inserting the following:

"60301. Regular tonnage duties.
"60302. Special tonnage duties."; and

(B) by striking the item relating to section 60304 and inserting the following:

"60304. Presidential suspension of tonnage duties and light money.".

PURPOSE OF THE LEGISLATION

H.R. 720 amends the Federal Water Pollution Control Act ("Clean Water Act" or "Act") to reauthorize appropriations for capitalization grants to states for state water pollution control revolving funds.

BACKGROUND AND NEED FOR LEGISLATION

The Subcommittee on Water Resources and Environment of the Committee on Transportation and Infrastructure has jurisdiction over water quality and wastewater infrastructure programs administered by the Environmental Protection Agency ("EPA") under the Federal Water Pollution Control Act, commonly known as the Clean Water Act.

The importance of investment in wastewater infrastructure

To a great extent, improvements in water quality since the passage of the 1972 Clean Water Act have resulted from a significant investment in wastewater infrastructure improvements throughout the country. Since 1972, the Federal government has provided more than $82 billion for wastewater infrastructure and other assistance, which has dramatically improved water quality and the health of the economy and the environment. During the same time period, overall investment in the nation's wastewater infrastructure, from Federal, State, and local sources, has been over $250 billion. Today, the nationwide system of wastewater infrastructure includes 16,000 publicly owned wastewater treatment plants, 100,000 major pumping stations, 600,000 miles of sanitary sewers, and 200,000 miles of storm sewers.

Investment in wastewater infrastructure has provided significant environmental, public health, and economic benefits to the nation. First through the Federal construction grants program, and now the Clean Water State Revolving Fund ("Clean Water SRF") program, the investment in water infrastructure has been integral to improving the quality of the nation's waters. The improvements to water quality realized through Federal, State, and local investment in wastewater infrastructure have been significant, helping to increase the number of fishable and swimmable waters throughout the nation. As a result of dramatic improvements in wastewater infrastructure, effluent discharges have decreased by one-half since 1970, despite the fact that waste loads grew by more than one-third due to population growth and an expanded economy. Today, the nation's farmers, fishermen, and manufacturing and tourism industries rely on clean water to carry out activities that contribute more than $300 billion to our economy each year.

However, these achievements are now at risk. According to a 2000 EPA report, entitled Progress in Water Quality, "without continued improvements in wastewater treatment infrastructure, future population growth will erode away many of the Clean Water Act achievements in effluent loading reduction."

Given the expansion of the U.S. population forecast over the next 20 years, EPA projects that by 2016, wastewater treatment plants nationwide may discharge pollutants into U.S. waters at levels similar to those that existed in the mid-1970s, only a few years after the enactment of the Clean Water Act. In addition, if these population forecasts are projected further to the year 2025, without significant investment in additional treatment capacity, the level of pollution being discharged into the nation's waters would reach rates not seen since 1968, four years before the enactment of the Act, when they reached the maximum level ever recorded.

Without increased investment in wastewater infrastructure, in less than a generation, the U.S. could lose much of the gains it has made thus far in improving water quality as a result of the 1972 Clean Water Act.

An additional concern is that much of the wastewater infrastructure in this country is rapidly approaching or has already exceeded its projected useful life. Many cities and communities throughout the United States are currently facing a critical juncture in the age and reliability of their water infrastructure. For example, several major U.S. cities still rely on sewer pipes that were installed more

than 100 years ago to collect and treat domestic sewage. In addition, many of the wastewater treatment facilities constructed soon after enactment of the Act are now reaching the end of their expected useful life and are in need of repair or replacement.

Another looming need centers on upgrading aging infrastructure to control and eliminate combined sewer overflows. Combined sewer systems were among the earliest sewers built in the United States and continued to be built into the middle of the 20th century. These systems were designed to carry both domestic sewage and industrial wastewater, along with stormwater, to treatment facilities before being discharged downstream. However, during heavy rainfall or snowmelt, the volume of wastewater entering the combined sewer system often exceeds its conveying capacity. To prevent damage to the infrastructure, combined sewer systems were designed to flow directly to surface waters when their capacity is exceeded, discharging large volumes of untreated or partially treated sewage wastes, directly into local waters. An estimated 850 billion gallons of untreated or partially treated sewage is discharged annually from combined sewer systems. Because combined sewer overflows contain raw or partially-treated sewage and contribute pathogens, solids, debris, and toxic pollutants to receiving waters, they create serious public health and water quality concerns. In addition, combined sewer overflows are often the direct cause of (or significantly contribute to) beach closures, shellfish bed closures, contamination of drinking water supplies, and other environmental and public health problems.

Combined sewers are found in 33 States across the U.S. and the District of Columbia. The majority of combined sewers are located in communities in the Northeast or Great Lakes regions, where much of the oldest water infrastructure in the nation is found. However, combined sewer overflows have also occurred in the West, including the States of Washington, Oregon, and California. To eliminate combined sewer overflows, communities must redesign their sewer systems to separate sewage flows from stormwater flows or provide significant additional capacity to eliminate the possibility that combined flows will exceed the limits of the infrastructure. Either way, this will be a massive undertaking, estimated by EPA to cost more than $50 billion.

In the near future, many communities will need to repair or replace large portions of their wastewater infrastructure or face the likelihood of increased failures in their ability to treat wastewater, posing a significant threat to the country's quality of life, economic prosperity, and the health and safety of both human populations and environmental quality.

Moreover, following the terrorist attacks of September 11, 2001, the identification and protection of critical infrastructure has become a national priority, and protection of critical wastewater infrastructure has become important to homeland security. Utilities need to increase security and implement measures to protect their wastewater treatment and collection systems, which is placing a further demand for resources on utilities.

The Clean Water Act requires EPA to report to Congress every two years with a detailed estimate of the costs of needed water infrastructure in each State. This report, which is compiled through a survey of the States, includes estimates of needed projects to

achieve the improvements in water quality necessary to meet the goals of the Clean Water Act, including publicly owned municipal wastewater collection and treatment facilities, facilities for the control of combined sewer overflows, activities to control stormwater runoff and nonpoint source pollution, and programs designed to protect the nation's estuaries.

These state surveys show that the financial resources necessary for wastewater infrastructure improvements are substantial. According to EPA's most recent assessment of wastewater infrastructure needs, the Clean Watersheds Needs Survey 2000: Report to Congress, the existing documented needs for the nation are $181.2 billion. In addition, according to EPA's Clean Water and Drinking Water Infrastructure Gap Analysis, between $300 billion and $400 billion in capital investment is needed over the next 20 years for restoration and replacement of the nation's aging wastewater infrastructure. Considering that the average annual investment to the SRFs by EPA over the past few years has trended downward from the recent long-term average of $1.35 billion, the level of investment necessary to address these needs and close the current funding gap requires a renewed and expanded commitment from all levels of government, including the Federal Government.

Other organizations, including the Congressional Budget Office ("CBO") and a coalition of industry and other stakeholders, all have estimated that significant increases in investments are needed to address wastewater needs over the next 20 years—as much as twice the current level of investment by all levels of government. These estimates fall between CBO's low-cost estimate of a $3.2 billion annual gap, and CBO's high-cost estimate of an $11.1 billion annual gap. The needs are especially urgent for areas trying to remedy the problem of combined sewer overflows and sanitary sewer overflows, and for small communities lacking sufficient independent financing ability.

EPA is also examining how improved technologies and innovative financing options might help close the gap between projected needs and current expenditures. However, even if wastewater systems are able to implement cost savings and improved efficiencies, significant increases in investment from all levels of government will be needed to meet projected needs.

In addition, a significant number of small, rural, and disadvantaged communities throughout the nation face challenges financing wastewater infrastructure, either because of a lack of sufficient financial resources or a declining ratepayer base to address stranded infrastructure needs. In many of these communities, even with the assistance of below-market rate loans from the state revolving fund, communities still face difficulties affording the increase in local wastewater rates that would otherwise be necessary to finance wastewater infrastructure needs. In many cases, addressing these affordability issues may require an increased level of Federal assistance through additional technical assistance, financial flexibility, or subsidization to targeted communities or ratepayers.

The Clean Water Act program

Titles II and VI of the Clean Water Act provide authority for grants to States and municipalities and the establishment of Clean Water SRFs, respectively, for the construction of treatment works.

The Construction Grants program, contained in Title II of the Act, funded approximately $60 billion in wastewater improvements over the life of the program. This program was phased out in favor of state revolving loan funds in the Water Quality Act of 1987 (P.L. 100–4).

Title VI of the Clean Water Act provides for the establishment and capitalization of Clean Water SRFs to aid in funding the construction of wastewater infrastructure for the improvement of water quality throughout the nation.

Since 1987, the majority of Federal assistance for wastewater infrastructure improvements has been through the Clean Water SRF program. Through this program, individual states and territories maintain revolving loan funds to provide low-cost financing for approved infrastructure projects. Funds to capitalize the Clean Water SRF programs are provided through Federal capitalization grants and state matching funds (equal to 20 percent of Federal Government grants). Since 1987, Congress has appropriated more than $24 billion in capitalization grants funded through general taxpayer revenues. Clean Water SRF revenues also include receipts from the sale of bonds, loan repayments, and interest earnings. From all sources, more than $55 billion has been deposited into the state revolving funds.

EPA has approved 57 states and territories for funding under the Clean Water SRF program. Clean Water SRFs are available to make low interest loans, buy or refinance local debt, subsidize or insure local bonds, make loan guarantees, act as security or guarantee of state debt, earn interest, and pay administrative expenses. Clean Water SRF monies also may be used to implement certain other water pollution control programs such as nonpoint source pollution management and national estuary programs. All projects must be those that will assure maintenance of progress toward the goals of the Clean Water Act and meet the standards and enforceable requirements of the Act.

Through fiscal year 2005, the Clean Water SRFs have provided $52.7 billion in loans for wastewater projects, including $4.9 billion in loans in FY 2005 alone. Yet, the demand for financial assistance from the Clean Water SRFs continues to exceed available funds, forcing communities to look elsewhere for the additional capital necessary for wastewater infrastructure, or to defer wastewater infrastructure improvements.

Communities raise the rest of the capital they may require from other sources, primarily from banks and issuing municipal bonds. Communities use revenues collected from rate-payers to fund both operation and maintenance and repayment of the debt they have incurred. Very few communities have sufficient capital resources to fund infrastructure improvements without incurring debt. Small, rural, and disadvantaged communities face a shrinking pool of financing resources, and are especially at a disadvantage in financing water and wastewater infrastructure.

SUMMARY OF THE LEGISLATION

Section 1. Short title; table of contents

This section designates the title of the bill as the "Water Quality Financing Act of 2007".

Section 2. Amendment of Federal Water Pollution Control Act

This section provides that, unless otherwise expressly provided, an amendment made by this legislation shall be considered to be made to the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.).

Title I. Technical and Management Assistance

Section 101. Technical assistance for rural and small treatment works

This section amends section 104 of the Clean Water Act to authorize appropriations of $75 million annually through 2012 for an existing program within the Environmental Protection Agency to fund research, demonstrations, and studies relating to the causes, effects, extent, prevention, reduction, and elimination of pollution; authorize appropriations of $15 million annually for a new program to provide financial and technical assistance to rural and small communities; and require EPA to develop procedures for competition and openness in awarding grants to nonprofit agencies, institutions, and organizations under section 104 of the Act.

Subsection (a) amends section 104(b) of the Act to authorize EPA to make grants to nonprofit organizations to assist rural and small municipalities in planning, developing, and obtaining financing for projects and activities eligible for assistance under this Act; provide technical assistance and training for rural and small publicly owned treatment works and decentralized wastewater treatment systems to enable them to protect water quality and achieve and maintain compliance with the requirements of the Act; and disseminate information to rural and small municipalities and municipalities that meet a state's affordability criteria with respect to planning, design, construction, and operation of publicly owned treatment works and decentralized wastewater treatment systems. The Administrator of EPA ("Administrator") is to ensure that, to the maximum extent practicable, grants are made available to each state, and to prioritize grants to rural and small municipalities of 10,000 users or fewer. This subsection seeks to address the concern that certain rural and small municipalities may require additional technical assistance or resources to apply for wastewater infrastructure assistance under this Act.

Subsection (b) reauthorizes appropriations of $75 million through 2012 for carrying out existing section 104(b)(3) and new section 104(b)(8) of the Act, and requires that at least 20 percent of amounts appropriated pursuant to this paragraph are used to carry out subsection 104(b)(8).

Subsection (c) amends section 104 of the Act to require EPA to develop procedures for competition and openness in awarding grants to nonprofit agencies, institutions, and organizations under section 104 of the Act.

Section 102. State management assistance

This section amends section 106 of the Act to authorize appropriations of $300 million annually through 2012 for an existing EPA program that provides financial assistance to state water quality management programs.

Section 103. Watershed pilot projects

This section authorizes appropriations of $20 million annually through 2012 for an existing EPA pilot project program that provides technical assistance and grants for treatment works to carry out projects related to the management of combined sewer overflows, sanitary sewer overflows, and stormwater discharges, on a watershed or subwatershed basis. Section 103 broadens the existing authority (section 122 of the Act) to ensure that the Administrator considers the use of low-impact development technologies in evaluating pilot projects carried out under this section to demonstrate stormwater best management practices, and to authorize pilot projects that demonstrate cooperative ways to address nonpoint sources of pollution and reduce adverse impacts on water quality, on a watershed basis.

Section 103(c) amends section 122(d) of the Act to extend the date for the submission of a report by the Administrator to Congress on the results of pilot projects carried out under this section until December 21, 2010.

Title II. Construction of Treatment Works

Section 201. Sewage collection systems

This section amends section 211 of the Act to clarify that a community seeking financial assistance from the state revolving fund for the replacement and rehabilitation of a collection system in existence on January 1, 2007, or for the construction of a new collection system for a community in existence on January 1, 2007, that is otherwise eligible for such assistance under section 211, shall be eligible for such assistance, provided that the replacement and rehabilitation of the existing collection system, or the new collection system is to address an adverse environmental condition that exists as of the date of enactment of this paragraph.

The Committee intends the pre-existing adverse environmental condition language to provide a balance between the need to address existing water quality concerns resulting from population growth through increased collection system capacity and the concern that collection system expansion could result in increased sprawl. The Committee is aware of efforts by several states to address similar water quality concerns through the expanded use of decentralized wastewater treatment systems, without the need to construct new collection systems or expand existing collection systems. The Committee does not intend the amendments made by section 201 to affect these efforts, and encourages states to address ongoing water quality concerns in a manner that does not rely solely on collection systems or promote sprawl.

Section 202. Treatment works defined

This section amends the definition of treatment works in section 212 of the Act to include, as an eligible cost, the acquisition of lands and interests in land, necessary for construction of the treatment works.

Section 203. Policy on cost effectiveness

This section amends section 218 of the Act to eliminate the redundant restatement of the definition of treatment works. The

Committee does not intend to alter the underlying meaning of section 218, and this amendment is viewed merely as a technical amendment.

Title III. State Water Pollution Control Revolving Funds

Section 301. General authority for capitalization grants

This section amends section 601(a) of the Act to expand the general statement of authority for use of a state water pollution control revolving fund.

Section 302. Capitalization grant agreements

(a) REPORTING INFRASTRUCTURE ASSETS.—

Subsection (a) requires loan recipients to comply with Federal accounting standards governing the reporting of infrastructure assets.

(b) ADDITIONAL REQUIREMENTS.—

Subsection (b) amends section 602(b) of the Act to add or renew several requirements as a condition of eligibility for a state to receive a capitalization grant for its revolving fund.

New section 602(b)(11) requires a state to establish and maintain its revolving fund in perpetuity. This requirement exists in current law as the second sentence of existing section 603(c), but is added to section 602(b) to consolidate the list of conditions for state eligibility to receive a capitalization grant.

New section 602(b)(12) requires states to use any fees charged to loan applicants only for the purpose of financing administrative costs or financing projects or activities eligible for assistance from the fund.

New section 602(b)(13) directs states, beginning in fiscal year 2009, to require loan applicants to evaluate innovative and alternative processes, materials, techniques, and technologies for carrying out the purposes of the Act, and alternative ways to finance and manage water infrastructure projects.

The Committee is aware that communities are feeling considerable pressure to improve the management of their wastewater systems to reduce costs and maintain sustainable systems. Some communities are looking at innovative ways of integrating decentralized, distributed, and nonstructural wastewater management approaches, including the use of trees or vegetation in urban areas ("green infrastructure"), to reduce the need for expanded publicly owned treatment works infrastructure, and to better manage, reduce, or reuse stormwater. Other communities are exploring alternative ways to design, finance, or manage wastewater infrastructure projects to reduce their overall capital and operation and maintenance costs, while providing the same or potentially greater water quality improvement benefits. Yet, communities may be reluctant to implement these innovative approaches or methods for various reasons.

The Committee has received testimony on the importance of encouraging communities to explore alternative means to address wastewater treatment needs, including alternative approaches to respond to local water quality needs, such as the use of decentralized, distributed, and nonstructural wastewater management approaches, addressing wastewater infrastructure needs on a regional

basis, or the consolidation of smaller systems into larger treatment works. The Committee also has received testimony on the importance of addressing the need for additional funding for wastewater infrastructure projects, including through alternative financing approaches, such as increased leveraging of state revolving funds, rate structures, or encouraging additional capital investment, both public and private, to close the overall funding gap in wastewater infrastructure needs.

New section 602(b)(13) seeks to encourage loan recipients to explore additional options for processes, materials, techniques, and technologies for improving water quality, and, where possible, achieving greater environmental benefits and more efficiently using energy and natural and financial resources. This paragraph also seeks to encourage loan recipients to consider alternative approaches for designing, financing, and managing projects (including, where appropriate, rate structure, issuance of bonds, restructuring, regional alternatives, consolidation, and cooperation between the public and private sectors) for which assistance is sought under the Clean Water SRF program. This paragraph does not require that any particular option be selected or that every option need be analyzed, but encourages loan recipients to consider an array of options that are appropriate to meet their local needs and improve local water quality.

New section 602(b)(14) directs states to use at least 15 percent of its annual capitalization grant to assist small municipalities serving fewer than 10,000 individuals that meet a state's affordability criteria, to the extent that there are sufficient applications for such assistance.

New section 602(b)(15) reinstates several Title II requirements that were applied to projects for the construction of publicly owned treatment works prior to October 1, 1994, under existing 602(b)(6). New section 602(b)(15) reinstates requirements related to the assurance that recipients of financing under this Act for publicly owned treatment works will adopt a system of charges, including ad valorem taxes or user charges, to ensure adequate construction, operation, and maintenance of the treatment works; a limitation on the replacement of existing sewage collection systems or the construction of new sewage collection systems; the policy of Congress that treatment work systems constructed with funding under this Act constitute the most economic and cost-effective means of meeting the requirements of this Act; and the application of the National Environmental Policy Act of 1969.

New section 602(b)(16) requires a state to utilize a Federal or equivalent state qualifications-based selection process for the negotiation of architectural and engineering services on the basis of demonstrated performance and qualification for the type of professional services required at a fair and reasonable price. A qualifications-based selection process is a competitive procedure that takes into account qualifications and experience, as well as cost, in relation to the work performed.

New section 602(b)(17) establishes the Davis-Bacon prevailing wage requirement for the construction of treatment works carried out with assistance made available by the state revolving fund, section 205(m), or both. Section 513 of the Act provides that "all laborers and mechanics employed by contractors or subcontractors on

treatment works for which grants are made under this Act shall be paid wages at rates not less than those prevailing for the same type of work on similar construction in the immediate locality." New section 602(b)(17) requires the application of the Davis-Bacon requirements for the construction of treatment works carried out in whole or in part with assistance made available from state revolving loan funds under Title VI, funds from section 205(m) of the Act, or both. This amendment authorizes the application of the prevailing wage requirements to construction projects carried out with any financial assistance from the state revolving fund, whether the source of assistance originates from Federal capitalization grant funds, state matching funds, repayments to the fund, interest payments, or other sources of income to the state revolving fund, and whether the character of the assistance is through loans, loan guarantees, or other types of assistance authorized by section 603(d).

By establishing the Davis-Bacon prevailing wage requirement for the construction of treatment works, the Committee continues its long-standing practice of ensuring the application of Davis-Bacon where Federal funds are provided for construction, such as the State Infrastructure Banks (SIBs) established under the Transportation Equity Act for the 21st Century, and reauthorized in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. For the Clean Water SRFs, the most significant source of revenue in the state revolving funds is the Federal capitalization grant. As Congress has done in 63 separate instances for Federally-funded construction, the Davis-Bacon Act should apply to the reauthorization of the Clean Water SRFs.

Prevailing wage laws are intended to provide a fair wage for publicly funded construction. By requiring prevailing wages, lower cost, out-of-state contractors are prevented from having an unfair ability to compete for local publicly funded construction. Local interests are better able to compete when on equal footing with out-of-state competitors, and local construction workers are protected.

In addition, the Committee believes that the Davis-Bacon Act protects communities by ensuring that prevailing wage determinations for individual counties are based solely on the local workforce costs where the construction projects are to be undertaken. In 1981, the U.S. Department of Labor specifically amended the implementing regulations for the Davis-Bacon Act to prohibit the Department from including any wage data collected from urban areas, and applying the data in a wage determination for a nearby rural county.

As noted in the Code of Federal Regulations, "In making a wage determination . . . projects in metropolitan counties may not be used as a source of data for a wage determination in a rural county, and projects in rural counties may not be used as a source of data for a wage determination for a metropolitan county." (29 CFR Subtitle A 1.7 (a) and (b)).

Also, studies have shown that the application of the prevailing wage requirements of the Davis-Bacon Act attract more experienced and better trained workers who are often more productive than workers with less training and experience. This increase in productivity often results in the completion of construction project ahead of schedule, reducing the overall cost of the project, and offsetting any increased costs dues to higher hourly wage rates. Labor

costs, traditionally speaking, account for less than one-third of total construction costs, with the costs of land and materials having a much larger impact on the total costs of projects.

Section 303. Water pollution control revolving loan funds

(a) PROJECTS AND ACTIVITIES ELIGIBLE FOR ASSISTANCE.—

Subsection (a) amends section 603(c) of the Act to expand the types of projects and activities eligible for assistance through each state revolving fund. Current law authorizes funds from the state revolving fund to be used for providing financial assistance (1) to any municipality or intermunicipal, interstate, or state agency for construction of publicly owned treatment works; (2) for the implementation of a nonpoint source management program under section 319 of the Act; and (3) for the development and implementation of a conservation and management plan under the National Estuary Program (section 320 of the Act). Subsection (a) expands the types of projects and activities eligible for assistance to include: (1) the implementation of lake protection programs and projects under section 314 of the Act; (2) the repair and replacement of decentralized wastewater treatment systems that treat domestic sewage; (3) measures to manage or reduce municipal stormwater runoff; (4) projects for water conservation, efficiency, or reuse; (5) increased security measures at publicly owned treatment works; and (6) the development and implementation of watershed pilot projects under section 122 of the Act (as amended by this legislation).

(b) EXTENDED REPAYMENT PERIOD.—

Subsection (b) amends section 603(d)(1) of the Act to authorize states to extend the repayment period for a loan from the state revolving fund from the current statutory limit of 20 years to 30 years or the expected design life of the project financed with the proceeds of the loan, whichever period is shorter. A longer repayment period should assist in increasing the affordability of wastewater infrastructure projects.

(c) FISCAL SUSTAINABILITY PLAN.—

Subsection (c) amends section 603(d)(1) of the Act to require, as a condition of eligibility for a loan from the state revolving fund, that the loan recipient develop and implement, for any portion of the treatment works proposed for repair, replacement, or expansion, a fiscal sustainability plan for that portion. The fiscal sustainability plan shall include: an inventory of the critical assets for that portion of the treatment works proposed for repair, replacement, or expansion; an evaluation of the condition and performance of the inventory; and a plan for maintaining, repairing, and, as necessary, replacing that portion, including a plan for funding such activities. Implementation of a fiscal sustainability plan should encourage communities to more efficiently manage and maintain their wastewater infrastructure.

(d) ADMINISTRATIVE EXPENSES.—

Subsection (d) amends section 603(d)(7) of the Act to authorize states to utilize either four percent of the capitalization grant (current law), $400,000 a year, or up to one-fifth of one percent of the total valuation of the state revolving fund, whichever amount is greatest, for administrative expenses, plus any fees collected for such purposes.

(e) TECHNICAL, PLANNING, AND EQUIPMENT REPLACEMENT EXPENSES FOR SMALL SYSTEMS.—

Subsection (e) amends section 603(d) of the Act to authorize states to use up to two percent of the annual capitalization grant for the state revolving fund to provide technical, planning, and equipment replacement assistance to treatment works servicing communities of fewer than 10,000 individuals. This subsection should assist communities of fewer than 10,000 individuals plan, manage, and maintain their wastewater infrastructure.

(f) ADDITIONAL SUBSIDIZATION.—

Subsection (f) amends section 603 of the Act to authorize states to provide increased financial flexibility in the form of additional subsidization, including forgiveness of principal and negative interest loans to municipalities: (1) that are economically disadvantaged based on affordability criteria established by the state; (2) that do not meet a state's affordability criteria as a whole, but have discrete, definable subpopulations or neighborhoods that will experience a significant hardship from increased rates, provided that any additional subsidization will directly benefit those ratepayers; or (3) that implement an innovative or alternative process, material, technique, or technology (including the use of nonstructural protection of surface waters, a new or improved method of waste treatment, and pollutant trading) that may result in greater environmental benefits, or equivalent environmental benefits at a reduced cost.

The Committee has received testimony on the existence of disadvantaged communities throughout the nation that are experiencing significant challenges financing the wastewater infrastructure improvements necessary to achieve improvements in water quality, even with the advantage of below-market rates offered by the Clean Water SRF. Subsection 303(f) authorizes a state revolving fund to provide certain disadvantaged communities, and targeted populations within communities, with additional financial subsidizations to assist them in meeting their wastewater infrastructure needs.

As noted in the discussion on section 302(b), the Committee has also received testimony on the efforts of communities to reduce the need for expanded publicly owned treatment works infrastructure through the use of innovative and alternative means to respond to local water quality needs. Subsection 303(f) also authorizes a state revolving fund to provide increased financial flexibility to implement these innovative and alternative processes, materials, techniques, and technologies, including the use of decentralized, distributed, and nonstructural wastewater management approaches, innovative pipe replacement technologies, and pollutant trading of nutrients, to encourage communities to pursue other options to address local water quality concerns.

Moreover, subsection (f) requires states to establish affordability criteria on or before September 30, 2008, to assist in identifying municipalities that would experience significant hardship from rate increases necessary to finance the construction of publicly owned treatment works. Subsection (f) allows states to use existing criteria that meet the requirements of this subsection.

New section 603(i)(3) of the Act, as amended by this legislation, authorizes states to give priority to a project by a municipality, or

an intermunicipal, interstate, or state agency for the construction of a publicly owned treatment work if the recipient of the funds meets a state's affordability criteria.

New section 603(i)(4) of the Act, as amended by this subsection, requires states to use 25 percent of any increases in a Federal capitalization grant allotted to a state in fiscal years where the Administrator has available for obligation funds of more than $1 billion to provide additional subsidization, provided that eligible projects are identified for funding on a state's priority list. This subsection places an overall cap of 30 percent of the total amount of capitalization grants received by the state on the amount of additional subsidization that a state may provide.

Section 304. Allotment of funds

Subsection (a)(1) preserves the current statutory state revolving fund allotment formula for capitalization grants (section 205 of the Act, as modified) for the first $1.35 billion of any future fiscal year appropriation. Subsection (c) directs the Administrator, after notice and public comment, to publish a new allotment formula based on water quality needs in accordance with the most recent state survey of needs. For fiscal year 2010 and thereafter, subsection (a)(2) directs the Administrator to allocate any appropriated funds for the state revolving fund in excess of $1.35 billion in accordance with the revised formula.

Subsection (b) amends section 604(b) of the Act to increase the amount a state may reserve for water quality management planning (section 205(j) of the Act) and state continuing planning processes (section 303(e) of the Act) from the current statutory limit of one percent of the annual state capitalization grant to two percent.

Section 305. Intended use plan

(a) INTEGRATED PRIORITY LIST.—

Section 305(a) requires states to develop, after notice and comment and within one year, a methodology for prioritizing wastewater infrastructure projects and activities based on the greatest degree of water quality improvement, while taking into consideration whether funds will be used toward compliance with the enforceable deadlines, goals, and requirements of the Act, and the affordability of projects and activities to individual communities. This subsection requires states to use this methodology to develop, for each future fiscal year beginning in fiscal year 2009, an integrated priority list for all projects and activities for which financial assistance is sought from the state revolving fund.

To address the potential that smaller, individual projects or activities to address nonpoint sources of pollution may not rank sufficiently high on a state's priority list, this subsection authorizes a state to group categories or subcategories of projects or activities to address nonpoint sources of pollution on the state's priority list in lieu of specific projects or activities.

(b) INTENDED USE PLAN.—

Section 305(b) amends section 606(c) of the Act to require a state to annually prepare and publish its intended use plan, to provide notice and comment on the state's priority list, as part of the state's intended use plan, and to provide an explanation if the state does not fund projects on its intended use plan in priority order.

(c) TRANSITIONAL PROVISION.—

Section 305(c) allows states to use existing statutory provisions governing priority lists and intended use plans until the methodology required under this legislation is developed.

Section 306. Annual reports

This section amends section 606(d) of the Act to require that a state include, as part of its existing reporting requirements to EPA, a list of the eligible purposes for which state revolving funds are provided.

Section 307. Technical assistance

This section directs the Administrator to assist states in establishing simplified procedures for obtaining financial assistance from the state revolving fund. This section requires the Administrator, after notice and comment, to publish a manual to assist eligible recipients in obtaining financial assistance from the state revolving fund. This section directs the Administrator, at the request of a state and after notice and comment, to assist in the development of criteria for a state to determine compliance with the conditions of funding assistance under sections 602(b)(13) and 603(d)(1)(E) of the Act.

Section 308. Authorization of appropriations

This section authorizes appropriations of $14 billion over four years for the capitalization of state revolving funds, as follows: $2 billion in fiscal year 2008, $3 billion in fiscal year 2009, $4 billion in fiscal year 2010, and $5 billion in fiscal year 2011.

Title IV. General Provisions

Section 401. Definition of treatment works

This section amends the definitions section of the Act (section 502) to make the definition of "treatment works" found in section 212 of the Act applicable to the entire Act.

Section 402. Funding for Indian programs

This section increases the authorized set-aside from state revolving loan funding for Indian Programs from the current law amount of one-half of one percent to not more than 1.5 percent of the total Federal appropriation for the capitalization of state revolving funds.

Title V. Studies

Section 501. Study of long-term, sustainable, clean water funding

This section directs the Comptroller General of the Government Accountability Office to conduct a study of potential funding mechanisms and revenue sources for the establishment and financing of a Clean Water Trust Fund. Section 501 directs the Comptroller General to report to Congress by January 1, 2008, on the results of the study.

Section 502. Feasibility study of supplemental and alternative clean water funding mechanisms

This section directs the Comptroller General of the Government Accountability Office to conduct a study of potential funding and investment mechanisms and revenue sources from other potential public or private sources that could be used to fund wastewater infrastructure and other water pollution control activities. Section 502 directs the Comptroller General to report to Congress by January 1, 2008, on the results of the study.

Title VI. Tonnage Duties

Section 601. Tonnage duties

This section restores the Vessel Tonnage Duties to the rates that were in effect from 1990 to 2002. Vessel Tonnage Duties are imposed on the cargo-carrying capacity of vessels that enter the United States from any foreign port or place, or depart from and return to a United States Port or place on a "voyage to nowhere". The Duties are assessed regardless of whether the vessel is empty or carrying cargo. These fees are intended to offset the cost of activities performed by the U.S. Coast Guard that benefit these vessels, such as marine safety, search and rescue, and aids to navigation. The Coast Guard spends far more on these activities than is currently being collected by this fee.

Beginning in 1909, a tonnage duty of two cents per ton, not to exceed ten cents per ton in a single year, was imposed on vessels arriving in the United States from a foreign port in North America, Central America, the West Indian Islands, the Bahaman Islands, and Newfoundland. A duty of six cents per ton, not to exceed 30 cents per ton in a single year, was imposed for vessels arriving in the United States from foreign ports anywhere else in the world.

In 1990, Congress adjusted the tonnage duties to reflect the inflation increase from 1915 to 1990. Congress extended the fees at the 1990-adjusted rates in 1993 and 1997. These tonnage duties remained in effect from fiscal years 1990 through 2002. In 2005, Congress partially reinstated the 1990-adjusted tonnage duties through fiscal year 2010.

Specifically, section 601 increases the 4.5-cent-per-ton duty to nine cents per ton, not to exceed in the aggregate 45 cents per ton in any year, and the 13.5-cent-per-ton duty to 27 cents per ton, not to exceed $1.35 per ton in a year. The tonnage duty applies to the first five entries into the United States each year by a vessel. These rates would be in effect for fiscal years 2008 through 2017.

Legislative History and Committee Consideration

The Subcommittee on Water Resources and Environment has held numerous hearings on the nation's wastewater infrastructure needs and the importance of a renewed commitment to addressing these needs. On March 28, 2001, the Subcommittee held a hearing entitled "Water Infrastructure Needs". On March 19, 2003, the Subcommittee held a hearing entitled "Meeting the Nation's Wastewater Infrastructure Needs". On April 28, 2004, the Subcommittee held a hearing entitled "Aging Water Supply Infrastructure". On June 8 and 14, 2005, the Subcommittee held a series of hearings

entitled "Financing Water Infrastructure Projects". On January 19, 2007, the Subcommittee held a hearing entitled "The Need for Renewed Investment in Clean Water Infrastructure".

In prior Congresses, the Subcommittee has also developed and considered numerous bills to reauthorize increasing appropriations for the Clean Water State Revolving Fund.

In the 107th Congress, the bipartisan leadership of the Subcommittee introduced H.R. 3930, the Water Quality Financing Act of 2002. On March 13, 2002, the Subcommittee held a legislative hearing on H.R. 3930. On March 20, 2002, the Committee on Transportation and Infrastructure met in open session, and ordered H.R. 3930 reported, as amended, to the House by voice vote. No further action was taken on this bill.

In the 108th Congress, the then-Chairman of the Subcommittee introduced H.R. 1560, the Water Quality Financing Act of 2003. This bill was largely based on H.R. 3930 from the 107th Congress. On July 17, 2003, the Subcommittee on Water Resources and Environment met in open session, and ordered H.R. 1560 reported, as amended, to the Committee on Transportation and Infrastructure by voice vote. No further action was taken on this bill.

In the 109th Congress, the then-Chairman of the Subcommittee introduced H.R. 4560, the Clean Water Trust Act of 2005, to create a national clean water trust fund as a means for financing wastewater infrastructure needs. No further action was taken on this legislation.

On January 30, 2007, Chairman James L. Oberstar, Representative Don Young, Chairwoman Eddie Bernice Johnson, and Representative Ellen O. Tauscher introduced H.R. 720, the Water Quality Financing Act of 2007. On January 31, 2007, the Subcommittee on Water Resources and Environment met in open session to markup several bills related to renewing the Federal commitment to repairing and replacing the nation's wastewater infrastructure, including H.R. 720. The Subcommittee adopted, by voice vote, an amendment to authorize a study of additional potential revenue sources, including public and private sources, to address wastewater infrastructure needs. The Subcommittee recommended the bill, as amended, favorably to the Committee on Transportation and Infrastructure, by voice vote. On February 7, 2007, the Committee on Transportation and Infrastructure met in open session, and ordered the bill, as amended by the Subcommittee, reported favorably to the House by recorded vote of 55–13.

On March 1, 2007, the Committee on Transportation and Infrastructure met in open session, to reconsider H.R. 720, as ordered reported on February 7, 2007, to address a budget scoring issue with the bill. The Committee agreed by voice vote to a motion to reconsider the vote on ordering H.R. 720 reported favorably to the House as adopted by the Committee on February 7, 2007. By unanimous consent, the Committee vacated the question of ordering the bill reported and considered the bill for amendment. The Committee approved, by voice vote, an amendment in the nature of a substitute that made two changes to the bill ordered reported on February 7, 2007. First, the amendment reduced the authorization of appropriations for the Clean Water SRF program from $20 billion over five years to $14 billion over four years, as follows: $2 billion in fiscal year 2008, $3 billion in fiscal year 2009, $4 billion in

fiscal year 2010, and $5 billion in fiscal year 2011. Second, the amendment restored the United States Coast Guard Vessel Tonnage Duties to the levels that were in effect in the 1990s to offset the cost of H.R. 720, as amended. The Committee ordered the bill, as amended by the Committee, reported favorably to the House by voice vote.

RECORD VOTES

Clause 3(b) of rule XIII of the House of Representatives requires each committee report to include the total number of votes cast for and against on each record vote on a motion to report and on any amendment offered to the measure or matter, and the names of those members voting for and against. On February 7, 2007, the Committee on Transportation and Infrastructure met in open session, and ordered the bill, as amended by the Subcommittee, reported favorably to the House by record vote of 55–13.

ORDERING H.R. 720, AS AMENDED, REPORTED FAVORABLY TO THE HOUSE (55–13) FEBRUARY 7, 2007

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FULL COMMITTEE – ROLL CALL
U.S. HOUSE OF REPRESENTATIVES – 110th CONGRESS

Number of Members: 75 (41/34) Quorum: 38 Working Quorum: 25
Date: 2/7/2007 Presiding: Mr. Oberstar Convened: 10:14 Adjourned: 1:13
Clerk: tgm
Amendment or matter voted on: A vote to order H.R. 720 reported.

	Yeas	Nays	Present		Yeas	Nays	Present
Mr. Altmire	x			Mr. Kagen	x		
Mr. Arcuri	x			*Mr. Kuhl*	x		
Mr. Baird	x			Mr. Lampson			
Mr. Baker		x		Mr. Larsen	x		
Mr. Bishop	x			*Mr. LaTourette*	x		
Mr. Boozman		x		Mr. Lipinski	x		
Mr. Boswell	x			*Mr. LoBiondo*	x		
Mr. Boustany		x		*Mr. Mack*		x	
Mr. Braley	x			*Mr. Marchant*		x	
Ms. Brown (FL)	x			Mrs. Matsui	x		
Mr. Brown (SC)		x		Mr. McNerney	x		
Mr. Buchanan				*Mr. Mica*		x	
Mr. Capuano	x			Mr. Michaud	x		
Mr. Carnahan	x			Ms. Millender-McDonald	x		
Mr. Carney	x			*Ms. Miller (MI)*	x		
Ms. Carson	x			*Mr. Miller (CA)*		x	
Mr. Coble		x		Mr. Mitchell	x		
Mr. Cohen	x			*Mr. Moran*		x	
Mr. Costello	x			Mr. Nadler	x		
Mr. Cummings	x			Mrs. Napolitano	x		
Mr. DeFazio	x			Ms. Norton	x		
Mr. Dent	x			*Mr. Petri*	x		
Mr. Diaz-Balart	x			*Mr. Platts*	x		
Ms. Drake	x			*Mr. Poe*			
Mr. Duncan				Mr. Rahall	x		
Mr. Ehlers		x		*Mr. Reichert*	x		
Ms. Fallin		x		Mr. Salazar	x		
Mr. Filner	x			*Ms. Schmidt*	x		
Mr. Gerlach	x			Mr. Shuler	x		
Mr. Gilchrest				*Mr. Shuster*	x		
Mr. Graves				Mr. Space	x		
Mr. Hall	x			Mrs. Tauscher	x		
Mr. Hayes		x		Mr. Taylor	x		
Mr. Higgins	x			Mr. Walz	x		
Ms. Hirono	x			*Mr. Westmoreland*			
Mr. Holden	x			*Mr. Young*	x		
Ms. Johnson (TX)	x			Mr. Oberstar, Chairman	x		
Mr. Johnson (IL)	x						

On March 1, 2007, the Committee on Transportation and Infrastructure met in open session, to reconsider H.R. 720, as ordered reported on February 7, 2007, to address a budget scoring issue with the bill. The Committee agreed by voice vote to a motion to reconsider the vote on ordering H.R. 720 reported favorably to the House as adopted by the Committee on February 7, 2007. By unanimous consent, the Committee vacated the question of ordering the bill reported and considered the bill for amendment. The Committee approved, by voice vote, an amendment in the nature of a substitute that made two changes to the bill ordered reported on February 7, 2007. The Committee ordered the bill, as amended by the Committee, reported favorably to the House by voice vote.

COMMITTEE OVERSIGHT FINDINGS

With respect to the requirements of clause 3(c)(I) of rule XIII of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in this report.

COST OF LEGISLATION

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such a cost estimate is included in this report.

COMPLIANCE WITH HOUSE RULE XIII

1. With respect to the requirement of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, and 308(a) of the Congressional Budget Act of 1974, the Committee references the report of the Congressional Budget Office included below.

2. With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objective of this legislation are to accomplish the objectives, goals, and policies of the Federal Water Pollution Control Act by providing assistance: for the construction of publicly owned treatment works; for the implementation of a nonpoint source management program under section 319 of the Act; for the development and implementation of a conservation and management plan under the National Estuary Program; for the implementation of lake protection programs and projects under section 314 of the Act; for the repair and replacement of decentralized wastewater treatment systems that treat domestic sewage; for measures to manage or reduce municipal stormwater runoff; for water conservation projects; for increased security measures at publicly owned treatment works; and for the development and implementation of watershed pilot projects under section 122, as amended by this legislation.

3. With respect to the requirement of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 720 from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 5, 2007.

Hon. JAMES L. OBERSTAR,
Chairman, Committee on Transportation and Infrastructure,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 720, the Water Quality Financing Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Susanne S. Mehlman and Deborah Reis.

Sincerely,

PETER R. ORSZAG,
Director.

Enclosure.

H.R. 720—Water Quality Financing Act of 2007

Summary: CBO estimates that implementing this legislation would cost about $9.2 billion over the next five years, assuming the appropriation of the necessary amounts, for the Environmental Protection Agency (EPA) to provide various types of grants to states and nonprofit organizations to support water quality projects and programs. The Joint Committee on Taxation (JCT) estimates that enacting H.R. 720 would reduce revenues by $50 million over the 2008–2012 period and by $541 million over the next 10 years. CBO estimates that enacting title VI would increase vessel tonnage charges on vessels entering the United States from any foreign port or place, effective for fiscal years 2008–2017. Those charges would increase offsetting receipts, which are credits against direct spending, by $615 million over the 2008–2017 period.

H.R. 720 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 720 contains private-sector mandates, as defined in UMRA on operators of vessels entering the United States from any foreign port or place by increasing certain vessel tonnage duties over the 2008–2017 period. CBO estimates that the incremental direct costs of complying with those mandates would fall below the annual threshold established by UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 720 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

TABLE 1.—BUDGETARY EFFECTS OF H.R. 720

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
CHANGES IN REVENUES						
Changes to Tax-Exempt Financing:						
Estimated Revenues [1]	0	*	−1	−4	−13	−31

TABLE 1.—BUDGETARY EFFECTS OF H.R. 720—Continued

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
CHANGES IN SPENDING DIRECT SPENDING						
Vessel Tonnage Charges:						
Estimated Budget Authority	0	−40	−41	−41	−67	−68
Estimated Outlays	0	−40	−41	−41	−67	−68
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law:						
Budget Authority [2]	1,300	0	0	0	0	0
Estimated Outlays	1,412	1,211	781	562	430	409
Proposed Changes:						
Clean Water SRF Grants:						
Authorization Level	0	2,000	3,000	4,000	5,000	0
Estimated Outlays	0	100	450	1250	2,350	3,150
Technical Assistance and Research Grants:						
Estimated Authorization Level	0	75	75	75	75	75
Estimated Outlays	0	38	60	71	75	75
State Management Assistance Grants:						
Authorization Level	0	300	300	300	300	300
Estimated Outlays	0	285	300	300	300	300
Watershed Pilot Projects:						
Authorization Level	0	20	20	20	20	20
Estimated Outlays	0	10	16	19	20	20
Total Proposed Changes [3]:						
Estimated Authorization Level	0	2,396	3,395	4,395	5,395	395
Estimated Outlays	0	434	826	1,640	2,745	3,545
Spending Under H.R. 720:						
Estimated Authorization Level	1,300,	2,396,	3,395,	4,395,	5,395,	395
Estimated Outlays	1,412	1,645	1,607	2,202	3,175	3,954

Note.—*= revenue loss of less than $500,000.
[1] Estimate provided by JCT.
[2] The 2007 level is the amount appropriated for that year to EPA to support its grant programs related to waste water.
[3] H.R. 720 also would require the Government Accountability Office to prepare two studies required under the bill. CBO estimates that those studies would cost about $1 million.

Basis of estimate: For this estimate, CBO assumes that H.R. 720 will be enacted in fiscal year 2007, that the full amounts authorized will be appropriated, and that outlays will follow the historical patterns of similar EPA programs. Components of the estimated costs are described below.

Revenues

This bill would increase the funds available under the clean water State Revolving Fund (SRF) program, which could result in some states leveraging their funds by issuing additional tax-exempt bonds. The JCT estimates that consequent reductions in revenue would total $50 million over the 2008–2012 period, and $541 million over the next 10 years (see Table 2).

Direct spending

Title VI would increase, through fiscal year 2017, per-ton duties on vessels arriving at U.S. ports from foreign ports. On vessels arriving from such ports in the Western Hemisphere, vessels arriving from other foreign ports, the rate would rise to 27 cents (with a maximum of $1.35 per year). Under existing law (as amended by Public Law 109–171 on February 8, 2006), the rates for vessels from Western Hemisphere ports are 4.5 cents per ton (with a maximum of 22.5 cents per ton per year) through fiscal year 2010 and 2 cents per ton (with a maximum of 10 cents per ton per year) each year thereafter. Per-ton rates for vessels from other foreign ports

are 13.5 cents (with a maximum of 67.5 cents per ton per year) through fiscal 2010 and 6 cents (with a maximum of 30 cents per ton per year) each year thereafter.

CBO estimates that enacting this legislation would increase offsetting receipts from tonnage duties by about $40 million a year between 2008 and 2012 and by about $70 million each year thereafter through 2017. Total estimated collections over the 2008–2017 period would be $615 million (see Table 2). This estimate is based on receipts collected from tonnage duties before fiscal year 2002 (when those rates were temporarily increased), adjusted for changes in shipping traffic experienced since that time. For this estimate, CBO assumes that shipping traffic at U.S. ports continues to grow at the rates experienced in recent years. Like collections from the existing duties, amounts received as a result of the proposed increases would be deposited in the general fund of the U.S. Treasury as offsetting receipts.

TABLE 2.—H.R. 720's CHANGES IN REVENUES AND DIRECT SPENDING

	By fiscal year in millions of dollars—										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CHANGES IN REVENUES											
Estimated Revenues	0	*	−1	−4	−13	−31	−57	−86	−108	−119	−121
CHANGES IN DIRECT SPENDING											
Vessel Tonnage Charges Under Current Law:											
Estimated Budget Authority	−34	−40	−41	−42	−18	−19	−19	−19	−20	−20	−20
Estimated Outlays	−34	−40	−41	−42	−18	−19	−19	−19	−20	−20	−20
Proposed Changes:											
Estimated Budget Authority	0	−40	−41	−41	−67	−67	−69	−71	−71	−73	−75
Estimated Outlays	0	−40	−41	−41	−67	−67	−69	−71	−71	−73	−75
Vessel Tonnage Charges Under H.R. 720:											
Estimated Budget Authority	−34	−80	−82	−83	−85	−86	−88	−90	−91	−93	−95
Estimated Outlays	−34	−80	−82	−83	−85	−86	−88	−90	−91	−93	−95

Note.—* = revenue loss of less than $500,000.

Spending subject to appropriation

H.R. 720 would authorize the appropriation of $14 billion over the 2008–2012 period for EPA to provide capitalization grants for the clean water (SRF) program. States would use such grants along with their own funds to make low-interest loans to communities and grants to Indian tribes to construct wastewater treatment facilities and to fund other related projects. This bill would make several revisions to this grant program, including extending loan repayment terms and expanding the types of projects eligible for assistance.

This legislation also would authorize the appropriation of up to $375 million over the next five years for EPA to make grants to nonprofit organizations to provide technical assistance, such as training, to rural and small communities, and to support research on the technologies and practices used to treat wastewater. In addition, H.R. 720 would authorize the appropriation of $1.5 billion over the 2008–2012 period for EPA to make grants to states to support various activities associated with implementing state clean water programs; this would include paying the salaries of personnel working on water quality issues and establishing regulations and enforcing clean water laws.

Enacting this legislation also would authorize the appropriation of $100 million over the 2008–2012 period for EPA to provide technical assistance and grants for treatment facilities to carry out pilot projects related to watershed management.

H.R. 720 also would require the Government Accountability Office to conduct two studies. One study would address the funding sources available to establish a Clean Water Trust Fund, and the other study would address alternative financing for water infrastructure projects. CBO estimates that completing the two studies would cost about $1 million over the next two years, assuming the availability of appropriated funds.

Estimated impact on state, local, and tribal governments: H.R. 720 contains no intergovernmental mandates as defined in UMRA. The bill would authorize grants and loans to assist state, local, and tribal governments in protecting water quality and enhancing water systems. Any costs that they might incur, including matching funds, would result from complying with conditions of federal assistance.

Estimated impact on the private sector: H.R. 720 would impose private-sector mandates on operators of vessels entering the United States from any foreign port or place by increasing certain vessel tonnage duties over the 2008–2017 period. The direct costs of complying with those mandates would be the incremental amounts collected by the federal government as a result of the higher rates. CBO estimates that the annual incremental cost of those mandates would reach $68 million in 2012 and thus would fall below the annual threshold established by UMRA ($131 million in 2007, adjusted annually for inflation) in the first five years the mandates are in effect.

Estimate prepared by: Federal Spending: Susanne S. Mehlman and Deborah Reis. Federal Revenues: Thomas Holtmann, Joint Committee on Taxation. Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum. Impact on the Private Sector: Amy Petz.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

COMPLIANCE WITH HOUSE RULE XXI

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 720, the Water Quality Financing Act of 2007, does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of rule XXI of the Rules of the House of Representatives.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause (3)(d)(1) of rule XIII of the Rules of the House of Representatives, committee reports on a bill or joint resolution of a public character shall include a statement citing the specific powers granted to the Congress in the Constitution to enact the measure. The Committee on Transportation and Infrastructure finds that Congress has the authority to enact this measure pursuant to its powers granted under Article I, section 8 of the Constitution.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104–4).

PREEMPTION CLARIFICATION

Section 423 of the Congressional Budget Act of 1974 requires the report of any Committee on a bill or joint resolution to include a statement on the extent to which the bill or joint resolution is intended to preempt state, local, or tribal law. The Committee states that H.R. 720 does not preempt any state, local, or tribal law.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act are created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104–1).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

FEDERAL WATER POLLUTION CONTROL ACT

TITLE I—RESEARCH AND RELATED PROGRAMS

* * * * * * *

RESEARCH, INVESTIGATIONS, TRAINING, AND INFORMATION

SEC. 104. (a) * * *

(b) In carrying out the provisions of subsection (a) of this section the Administrator is authorized to—

(1) * * *

* * * * * * *

(6) collect and disseminate, in cooperation with other Federal departments and agencies, and with other public or private agencies, institutions, and organizations having related responsibilities, basic data on chemical, physical, and biological effects of varying water quality and other information pertaining to pollution and the prevention, reduction, and elimination thereof; **[**and**]**

(7) develop effective and practical processes, methods, and prototype devices for the prevention, reduction, and elimination of pollution**[**.**]***; and*

(8) make grants to nonprofit organizations—

(A) to provide technical assistance to rural and small municipalities for the purpose of assisting, in consultation with the State in which the assistance is provided, such municipalities in the planning, developing, and acquisition of financing for wastewater infrastructure assistance;

(B) to provide technical assistance and training for rural and small publicly owned treatment works and decentralized wastewater treatment systems to enable such treatment works and systems to protect water quality and achieve and maintain compliance with the requirements of this Act; and

(C) to disseminate information to rural and small municipalities and municipalities that meet the affordability criteria established under section 603(i)(2) by the State in which the municipality is located with respect to planning, design, construction, and operation of publicly owned treatment works and decentralized wastewater treatment systems.

* * * * * * *

(u) There is authorized to be appropriated (1) not to exceed $100,000,000 per fiscal year for the fiscal year ending June 30, 1973, the fiscal year ending June 30, 1974, and the fiscal year ending June 30, 1975, not to exceed $14,039,000 for the fiscal year ending September 30, 1980, not to exceed $20,697,000 for the fiscal year ending September 30, 1981, not to exceed $22,770,000 for the fiscal year ending September 30, 1982, such sums as may be necessary for fiscal years 1983 through 1985, and not to exceed $22,770,000 per fiscal year for each of the fiscal years 1986 through 1990, for carrying out the provisions of this section, other than subsections (g)(1) and (2), (p), (r), and (t), except that such authorizations are not for any research, development, or demonstration activity pursuant to such provisions; (2) not to exceed $7,500,000 for

fiscal years 1973, 1974, and 1975, $2,000,000 for fiscal year 1977, $3,000,000 for fiscal year 1978, $3,000,000 for fiscal year 1979, $3,000,000 for fiscal year 1980, $3,000,000 for fiscal year 1981, $3,000,000 for fiscal year 1982, such sums as may be necessary for fiscal years 1983 through 1985, and $3,000,000 per fiscal year for each of the fiscal years 1986 through 1990, for carrying out the provisions of subsection (g)(1); (3) not to exceed $2,500,000 for fiscal years 1973, 1974, and 1975, $1,000,000 for fiscal year 1977, $1,500,000 for fiscal year 1978, $1,500,000 for fiscal year 1979, $1,500,000 for fiscal year 1980, $1,500,000 for fiscal year 1981, $1,500,000 for fiscal year 1982, such sums as may be necessary for fiscal years 1983 through 1985, and $1,500,000 per fiscal year for each of the fiscal years 1986 through 1990, for carrying out the provisions of subsection (g)(2); (4) not to exceed $10,000,000 for each of the fiscal years ending June 30, 1973, June 30, 1974, and June 30, 1975, for carrying out the provisions of subsection (p); (5) not to exceed $15,000,000 per fiscal year for the fiscal years ending June 30, 1973, June 30, 1974, and June 30, 1975, for carrying out the provisions of subsection (r); **[**and (6)**]** *(6)* not to exceed $10,000,000 per fiscal year for the fiscal years ending June 30, 1973, June 30, 1974, and June 30, 1975, for carrying out the provisions of subsection (t)*; and (7) not to exceed $75,000,000 for each of fiscal years 2008 through 2012 for carrying out subsections (b)(3) and (b)(8), except that not less than 20 percent of the amounts appropriated pursuant to this paragraph in a fiscal year shall be used for carrying out subsection (b)(8).*

* * * * * * *

(w) COMPETITIVE PROCEDURES FOR AWARDING GRANTS.—The Administrator shall establish procedures that, to the maximum extent practicable, promote competition and openness in the award of grants to nonprofit private agencies, institutions, and organizations under this section.

* * * * * * *

GRANTS FOR POLLUTION CONTROL PROGRAMS

SEC. 106. (a) There are hereby authorized to be appropriated the following sums, to remain available until expended, to carry out the purposes of this section—

(1) $60,000,000 for the fiscal year ending June 30, 1973; **[**and**]**

(2) $75,000,000 for the fiscal year ending June 30, 1974, and the fiscal year ending June 30, 1975, $100,000,000 per fiscal year for the fiscal years 1977, 1978, 1979, and 1980, $75,000,000 per fiscal year for the fiscal years 1981 and 1982, such sums as may be necessary for fiscal years 1983 through 1985, and $75,000,000 per fiscal year for each of the fiscal years 1986 through 1990; *and*

(3) such sums as may be necessary for each of fiscal years 1991 through 2007, and $300,000,000 for each of fiscal years 2008 through 2012;

for grants to States and to interstate agencies to assist them in administering programs for the prevention, reduction, and elimi-

nation of pollution, including enforcement directly or through appropriate State law enforcement officers or agencies.

* * * * * * *

SEC. 122. [WET WEATHER] WATERSHED PILOT PROJECTS.

(a) IN GENERAL.—The Administrator, in coordination with the States, may provide technical assistance and grants for treatment works to carry out pilot projects relating to the following areas of [wet weather discharge] control:

(1) * * *

(2) STORMWATER BEST MANAGEMENT PRACTICES.—The control of pollutants from municipal separate storm sewer systems for the purpose of demonstrating and determining controls that are cost-effective and that use innovative technologies in reducing such pollutants from stormwater discharges*, including low-impact development technologies*.

(3) WATERSHED PARTNERSHIPS.—Efforts of municipalities and property owners to demonstrate cooperative ways to address nonpoint sources of pollution to reduce adverse impacts on water quality.

* * * * * * *

(c) FUNDING.—

(1) IN GENERAL.—There is authorized to be appropriated to carry out this section $10,000,000 for fiscal year 2002, $15,000,000 for fiscal year 2003, and $20,000,000 [for fiscal year 2004] *for each of fiscal years 2004 through 2012*. Such funds shall remain available until expended.

* * * * * * *

(d) REPORT TO CONGRESS.—Not later than [5] *10* years after the date of enactment of this section, the Administrator shall transmit to Congress a report on the results of the pilot projects conducted under this section and their possible application nationwide.

TITLE II—GRANTS FOR CONSTRUCTION OF TREATMENT WORKS

* * * * * * *

[SEWAGE COLLECTION SYSTEMS

[SEC. 211. (a) NO]

SEC. 211. SEWAGE COLLECTION SYSTEMS.

(a) IN GENERAL.—No grant shall be made for a sewage collection system under this title unless such grant (1) is for replacement or major rehabilitation of an existing collection system and is necessary to the total integrity and performance of the waste treatment works serving such community, or (2) is for a new collection system in an existing community with sufficient existing or planned capacity adequately to treat such collected sewage and is consistent with section 201 of this Act.

(b) *POPULATION DENSITY.*—If the Administrator uses population density as a test for determining the eligibility of a collector sewer for assistance it shall be only for the purpose of evaluating alternatives and determining the needs for such system in relation to ground or surface water quality impact.

[(c) No grant shall be made under this title from funds authorized for any fiscal year during the period beginning October 1, 1977, and ending September 30, 1990, for treatment works for control of pollutant discharges from separate storm sewer systems.]

(c) EXCEPTIONS.—

(1) REPLACEMENT AND MAJOR REHABILITATION.—Notwithstanding the requirement of subsection (a)(1) concerning the existence of a collection system as a condition of eligibility, a project for replacement or major rehabilitation of a collection system existing on January 1, 2007, shall be eligible for a grant under this title if the project otherwise meets the requirements of subsection (a)(1) and meets the requirement of paragraph (3).

(2) NEW SYSTEMS.—Notwithstanding the requirement of subsection (a)(2) concerning the existence of a community as a condition of eligibility, a project for a new collection system to serve a community existing on January 1, 2007, shall be eligible for a grant under this title if the project otherwise meets the requirements of subsection (a)(2) and meets the requirement of paragraph (3).

(3) REQUIREMENT.—A project meets the requirement of this paragraph if the purpose of the project is to accomplish the objectives, goals, and policies of this Act by addressing an adverse environmental condition existing on the date of enactment of this paragraph.

DEFINITIONS

SEC. 212. As used in this title—

(1) * * *

(2)(A) The term "treatment works" means any devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature to implement section 201 of this act, or necessary to recycle or reuse water at the most economical cost over the estimated life of the works, including intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment, and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and [any works, including site] acquisition of the land that will be an integral part of the treatment process (including land use for the storage of treated wastewater in land treatment systems prior to land application) or [is used for ultimate] *will be used for ultimate* disposal of residues resulting from such treatment *and acquisition of other lands, and interests in lands, which are necessary for construction*.

* * * * * * *

COST EFFECTIVENESS

SEC. 218. (a) It is the policy of Congress that a project for waste treatment and management undertaken with Federal financial assistance under this Act by any State, municipality, or intermunicipal or interstate agency shall be considered as an overall waste treatment system for waste treatment and management, and shall be that system which constitutes the most economical and cost-ef-

fective [combination of devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature to implement section 201 of this Act, or necessary to recycle or reuse water at the most economical cost over the estimated life of the works, including intercepting sewers, outfall sewers, sewage collection systems, pumping power, and other equipment, and their appurtenances; extension, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process (including land use for the storage of treated wastewater in land treatment systems prior to land application) or which is used for ultimate disposal of residues resulting from such treatment; water efficiency measures and devices; and any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste, including storm water runoff, or industrial waste, including waste in combined storm water and sanitary sewer systems; to meet the requirements of this Act.] *treatment works that meets the requirements of this Act. The system may include water efficiency measures and devices.*

* * * * * * *

TITLE V—GENERAL PROVISIONS

* * * * * * *

GENERAL DEFINITIONS

SEC. 502. Except as otherwise specifically provided, when used in this Act:

(1) * * *

* * * * * * *

(25) TREATMENT WORKS.—The term "treatment works" has the meaning given that term in section 212.

* * * * * * *

SEC. 518. INDIAN TRIBES.

(a) * * *

* * * * * * *

(c) RESERVATION OF FUNDS.—[The Administrator]

(1) FISCAL YEARS 1987–2006.—The Administrator shall reserve each fiscal year beginning after September 30, 1986, *and ending before October 1, 2006,* before allotments to the States under section 205(e), one-half of one percent of the sums appropriated under section 207. [Sums reserved under this subsection shall be available only for grants for the develoment of waste treatment management plans and for the construction of sewage treatment works to serve Indian tribes, as defined in subsection (h) and former Indian reservations in Oklahoma (as determined by the Secretary of the Interior) and Alaska Native Villages as defined in Public Law 92–203.]

(2) FISCAL YEAR 2007 AND THEREAFTER.—For fiscal year 2007 and each fiscal year thereafter, the Administrator shall reserve, before allotments to the States under section 604(a), not less

than 0.5 percent and not more than 1.5 percent of the funds made available to carry out title VI.

(3) USE OF FUNDS.—Funds reserved under this subsection shall be available only for grants for projects and activities eligible for assistance under section 603(c) to serve—

(A) Indian tribes;

(B) former Indian reservations in Oklahoma (as determined by the Secretary of the Interior); and

(C) Native villages (as defined in section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602)).

* * * * * * *

TITLE VI—STATE WATER POLLUTION CONTROL REVOLVING FUNDS

SEC. 601. GRANTS TO STATES FOR ESTABLISHMENT OF REVOLVING FUNDS.

(a) GENERAL AUTHORITY.—Subject to the provisions of this title, the Administrator shall make capitalization grants to each State for the purpose of establishing a water pollution control revolving fund **[**for providing assistance (1) for construction of treatment works (as defined in section 212 of this Act) which are publicly owned, (2) for implementing a management program under section 319, and (3) for developing and implementing a conservation and management plan under section 320.**]** *to accomplish the objectives, goals, and policies of this Act by providing assistance for projects and activities identified in section 603(c).*

* * * * * * *

SEC. 602. CAPITALIZATION GRANT AGREEMENTS.

(a) * * *

(b) SPECIFIC REQUIREMENTS.—The Administrator shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administrator that—

(1) * * *

* * * * * * *

(9) the State will require as a condition of making a loan or providing other assistance, as described in section 603(d) of this Act, from the fund that the recipient of such assistance will maintain project accounts in accordance with generally accepted government accounting **[**standards; and**]** *standards, including standards relating to the reporting of infrastructure assets;*

(10) the State will make annual reports to the Administrator on the actual use of funds in accordance with section 606(d) of this Act**[**.**]***;*

(11) the State will establish, maintain, invest, and credit the fund with repayments, such that the fund balance will be available in perpetuity for providing financial assistance in accordance with this title;

(12) any fees charged by the State to recipients of assistance will be used for the purpose of financing the cost of administering the fund or financing projects or activities eligible for assistance from the fund;

(13) beginning in fiscal year 2009, the State will include as a condition of providing assistance to a municipality or intermunicipal, interstate, or State agency that the recipient of such assistance certify, in a manner determined by the Governor of the State, that the recipient—

(A) has studied and evaluated the cost and effectiveness of innovative and alternative processes, materials, techniques, and technologies for carrying out the proposed project or activity for which assistance is sought under this title, and has selected, to the extent practicable, a project or activity that may result in greater environmental benefits or equivalent environmental benefits when compared to standard processes, materials, techniques, and technologies and more efficiently uses energy and natural and financial resources; and

(B) has considered the cost and effectiveness of alternative management and financing approaches for carrying out a project or activity for which assistance is sought under this title, taking into account the cost of operating and maintaining the project or activity over its life, as well as the cost of constructing the project or activity;

(14) the State will use at least 15 percent of the amount of each capitalization grant received by the State under this title after September 30, 2007, to provide assistance to municipalities of fewer than 10,000 individuals that meet the affordability criteria established by the State under section 603(i)(2) for activities included on the State's priority list established under section 603(g), to the extent that there are sufficient applications for such assistance;

(15) treatment works eligible under section 603(c)(1) which will be constructed in whole or in part with funds made available under section 205(m) or by a State water pollution control revolving fund under this title, or both, will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 204(b)(1), 211, 218, and 511(c)(1) in the same manner as treatment works constructed with assistance under title II of this Act;

(16) a contract to be carried out using funds directly made available by a capitalization grant under this title for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or architectural related services shall be negotiated in the same manner as a contract for architectural and engineering services is negotiated under chapter 11 of title 40, United States Code, or an equivalent State qualifications-based requirement (as determined by the Governor of the State); and

(17) the requirements of section 513 will apply to the construction of treatment works carried out in whole or in part with assistance made available by a State water pollution control revolving fund as authorized under this title, or with assistance made available under section 205(m), or both, in the same manner as treatment works for which grants are made under this Act.

SEC. 603. WATER POLLUTION CONTROL REVOLVING LOAN FUNDS.

(a) * * *

* * * * * * *

[(c) PROJECTS ELIGIBLE FOR ASSISTANCE.—The amounts of funds available to each State water pollution control revolving fund shall be used only for providing financial assistance (1) to any municipality, intermunicipal, interstate, or State agency for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and implementation of a conservation and management plan under section 320 of this Act. The fund shall be established, maintained, and credited with repayments, and the fund balance shall be available in perpetuity for providing such financial assistance.]

(c) PROJECTS AND ACTIVITIES ELIGIBLE FOR ASSISTANCE.—The amounts of funds available to each State water pollution control revolving fund shall be used only for providing financial assistance—

(1) to any municipality or intermunicipal, interstate, or State agency for construction of publicly owned treatment works;

(2) for the implementation of a management program established under section 319;

(3) for development and implementation of a conservation and management plan under section 320;

(4) for the implementation of lake protection programs and projects under section 314;

(5) for repair or replacement of decentralized wastewater treatment systems that treat domestic sewage;

(6) for measures to manage or reduce municipal stormwater runoff;

(7) to any municipality or intermunicipal, interstate, or State agency for measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse;

(8) for measures to increase the security of publicly owned treatment works; and

(9) for the development and implementation of watershed projects meeting the criteria set forth in section 122.

(d) TYPES OF ASSISTANCE.—Except as otherwise limited by State law, a water pollution control revolving fund of a State under this section may be used only—

(1) to make loans, on the condition that—

(A) such loans are made at or below market interest rates, including interest free loans, at terms not to exceed [20 years] *the lesser of 30 years or the design life of the project to be financed with the proceeds of the loan*;

(B) annual principal and interest payments will commence not later than 1 year after completion of any project and all loans will be fully amortized [not later than 20 years after project completion] *upon the expiration of the term of the loan*;

(C) the recipient of a loan will establish a dedicated source of revenue for repayment of loans; [and]

(D) the fund will be credited with all payments of principal and interest on all loans; *and*

(E) for any portion of a treatment works proposed for repair, replacement, or expansion, and eligible for assistance under section 603(c)(1), the recipient of a loan will develop and implement a fiscal sustainability plan that includes—

(i) an inventory of critical assets that are a part of that portion of the treatment works;

(ii) an evaluation of the condition and performance of inventoried assets or asset groupings; and

(iii) a plan for maintaining, repairing, and, as necessary, replacing that portion of the treatment works and a plan for funding such activities;

(6) to earn interest on fund accounts; **[**and**]**

(7) for the reasonable costs of administering the fund and conducting activities under this title, except that such amounts shall not exceed 4 percent of all grant awards to such fund under this title**[**.**]***, $400,000 per year, or 1/5 percent per year of the current valuation of the fund, whichever amount is greatest, plus the amount of any fees collected by the State for such purpose regardless of the source; and*

(8) to provide owners and operators of treatment works that serve a population of 10,000 or fewer with technical and planning assistance and assistance in financial management, user fee analysis, budgeting, capital improvement planning, facility operation and maintenance, equipment replacement, repair schedules, and other activities to improve wastewater treatment plant management and operations; except that such amounts shall not exceed 2 percent of grant awards to such fund under this title.

* * * * * * *

[(g) PRIORITY LIST REQUIREMENT.—The State may provide financial assistance from its water pollution control revolving fund only with respect to a project for construction of a treatment works described in subsection (c)(1) if such project is on the State's priority list under section 216 of this Act. Such assistance may be provided regardless of the rank of such project on such list.**]**

(g) PRIORITY LIST.—

(1) IN GENERAL.—For fiscal year 2009 and each fiscal year thereafter, a State shall establish or update a list of projects and activities for which assistance is sought from the State's water pollution control revolving fund. Such projects and activities shall be listed in priority order based on the methodology established under paragraph (2). The State may provide financial assistance from the State's water pollution control revolving fund only with respect to a project or activity included on such list. In the case of projects and activities eligible for assistance under section 603(c)(2), the State may include a category or subcategory of nonpoint sources of pollution on such list in lieu of a specific project or activity.

(2) METHODOLOGY.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this paragraph, and after providing notice and opportunity for public comment, each State (acting through the State's water quality management agency and other appropriate agencies of the State) shall establish a

methodology for developing a priority list under paragraph (1).

(B) PRIORITY FOR PROJECTS AND ACTIVITIES THAT ACHIEVE GREATEST WATER QUALITY IMPROVEMENT.—In developing the methodology, the State shall seek to achieve the greatest degree of water quality improvement, taking into consideration the requirements of section 602(b)(5) and section 603(i)(3) and whether such water quality improvements would be realized without assistance under this title.

(C) CONSIDERATIONS IN SELECTING PROJECTS AND ACTIVITIES.—In determining which projects and activities will achieve the greatest degree of water quality improvement, the State shall consider—

(i) information developed by the State under sections 303(d) and 305(b);

(ii) the State's continuing planning process developed under section 303(e);

(iii) the State's management program developed under section 319; and

(iv) conservation and management plans developed under section 320.

(D) NONPOINT SOURCES.—For categories or subcategories of nonpoint sources of pollution that a State may include on its priority list under paragraph (1), the State may consider the cumulative water quality improvements associated with projects or activities in such categories or subcategories.

(E) EXISTING METHODOLOGIES.—If a State has previously developed, after providing notice and an opportunity for public comment, a methodology that meets the requirements of this paragraph, the State may use the methodology for the purposes of this subsection.

* * * * * * *

(i) ADDITIONAL SUBSIDIZATION.—

(1) IN GENERAL.—In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans—

(A) to benefit a municipality that—

(i) meets the State's affordability criteria established under paragraph (2); or

(ii) does not meet the State's affordability criteria if the recipient—

(I) seeks additional subsidization to benefit individual ratepayers in the residential user rate class;

(II) demonstrates to the State that such ratepayers will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought; and

(III) ensures, as part of an assistance agreement between the State and the recipient, that the additional subsidization provided under this paragraph is directed through a user charge rate sys-

tem (or other appropriate method) to such ratepayers; or

(B) to implement an innovative or alternative process, material, technique, or technology (including nonstructural protection of surface waters, a new or improved method of waste treatment, and pollutant trading) that may result in greater environmental benefits, or equivalent environmental benefits at reduced cost, when compared to a standard process, material, technique, or technology.

(2) AFFORDABILITY CRITERIA.—

(A) ESTABLISHMENT.—On or before September 30, 2008, and after providing notice and an opportunity for public comment, a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project or activity eligible for assistance under section 603(c)(1) if additional subsidization is not provided. Such criteria shall be based on income data, population trends, and other data determined relevant by the State.

(B) EXISTING CRITERIA.—If a State has previously established, after providing notice and an opportunity for public comment, affordability criteria that meet the requirements of subparagraph (A), the State may use the criteria for the purposes of this subsection. For purposes of this Act, any such criteria shall be treated as affordability criteria established under this paragraph.

(C) INFORMATION TO ASSIST STATES.—The Administrator may publish information to assist States in establishing affordability criteria under subparagraph (A).

(3) PRIORITY.—A State may give priority to a recipient for a project or activity eligible for funding under section 603(c)(1) if the recipient meets the State's affordability criteria.

(4) SET-ASIDE.—

(A) IN GENERAL.—In any fiscal year in which the Administrator has available for obligation more than $1,000,000,000 for the purposes of this title, a State shall provide additional subsidization under this subsection in the amount specified in subparagraph (B) to eligible entities described in paragraph (1) for projects and activities identified in the State's intended use plan prepared under section 606(c) to the extent that there are sufficient applications for such assistance.

(B) AMOUNT.—In a fiscal year described in subparagraph (A), a State shall set aside for purposes of subparagraph (A) an amount not less than 25 percent of the difference between—

(i) the total amount that would have been allotted to the State under section 604 for such fiscal year if the amount available to the Administrator for obligation under this title for such fiscal year had been equal to $1,000,000,000; and

(ii) the total amount allotted to the State under section 604 for such fiscal year.

(5) LIMITATION.—The total amount of additional subsidization provided under this subsection by a State may not exceed

30 percent of the total amount of capitalization grants received by the State under this title in fiscal years beginning after September 30, 2007.

SEC. 604. ALLOTMENT OF FUNDS.

[(a) FORMULA.—Sums authorized to be appropriated to carry out this section for each of fiscal years 1989 and 1990 shall be allotted by the Administrator in accordance with section 205(c) of this Act.]

(a) ALLOTMENTS.—

(1) FISCAL YEARS 2008 AND 2009.—Sums appropriated to carry out this title for each of fiscal years 2008 and 2009 shall be allotted by the Administrator in accordance with the formula used to allot sums appropriated to carry out this title for fiscal year 2007.

(2) FISCAL YEAR 2010 AND THEREAFTER.—Sums appropriated to carry out this title for fiscal year 2010 and each fiscal year thereafter shall be allotted by the Administrator as follows:

(A) Amounts that do not exceed $1,350,000,000 shall be allotted in accordance with the formula described in paragraph (1).

(B) Amounts that exceed $1,350,000,000 shall be allotted in accordance with the formula developed by the Administrator under subsection (d).

(b) RESERVATION OF FUNDS FOR PLANNING.—Each State shall reserve each fiscal year [1 percent] *2 percent* of the sums allotted to such State under this section for such fiscal year, or $100,000, whichever amount is greater, to carry out planning under sections 205(j) and 303(e) of this Act.

* * * * * * *

(d) FORMULA BASED ON WATER QUALITY NEEDS.—Not later than September 30, 2009, and after providing notice and an opportunity for public comment, the Administrator shall publish an allotment formula based on water quality needs in accordance with the most recent survey of needs developed by the Administrator under section 516(b).

* * * * * * *

SEC. 606. AUDITS, REPORTS, AND FISCAL CONTROLS; INTENDED USE PLAN.

(a) * * *

* * * * * * *

(c) INTENDED USE PLAN.—After providing for public comment and review, [each State shall annually prepare] *each State (acting through the State's water quality management agency and other appropriate agencies of the State) shall annually prepare and publish* a plan identifying the intended uses of the amounts available to its water pollution control revolving fund. Such intended use plan shall include, but not be limited to—

[(1) a list of those projects for construction of publicly owned treatment works on the State's priority list developed pursuant to section 216 of this Act and a list of activities eligible for assistance under sections 319 and 320 of this Act;]

(1) the State's priority list developed under section 603(g);

* * * * * * *_

(4) assurances and specific proposals for meeting the requirements of paragraphs (3), (4), (5), [and (6)] *(6), (15), and (17)* of section 602(b) of this Act; [and]

(5) the criteria and method established for the distribution of funds[.]*; and*

(6) if the State does not fund projects and activities in the order of the priority established under section 603(g), an explanation of why such a change in order is appropriate.–

(d) ANNUAL REPORT.—Beginning the first fiscal year after the receipt of payments under this title, the State shall provide an annual report to the Administrator describing how the State has met the goals and objectives for the previous fiscal year as identified in the plan prepared for the previous fiscal year pursuant to subsection (c), including identification of loan recipients, loan amounts, *the eligible purpose under section 603(c) for which the assistance is provided,* and loan terms and similar details on other forms of financial assistance provided from the water pollution control revolving fund.

* * * * * * *_

SEC. 607. TECHNICAL ASSISTANCE.

(a) SIMPLIFIED PROCEDURES.—Not later than 1 year after the date of enactment of this section, the Administrator shall assist the States in establishing simplified procedures for treatment works to obtain assistance under this title.

(b) PUBLICATION OF MANUAL.—Not later than 2 years after the date of the enactment of this section, and after providing notice and opportunity for public comment, the Administrator shall publish a manual to assist treatment works in obtaining assistance under this title and publish in the Federal Register notice of the availability of the manual.

(c) COMPLIANCE CRITERIA.—At the request of any State, the Administrator, after providing notice and an opportunity for public comment, shall assist in the development of criteria for a State to determine compliance with the conditions of funding assistance established under sections 602(b)(13) and 603(d)(1)(E).

SEC. [607.] *608.* AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out the purposes of this title the following sums:

[(1) $1,200,000,000 per fiscal year for each of fiscal year 1989 and 1990;

[(2) $2,400,000,000 for fiscal year 1991;

[(3) $1,800,000,000 for fiscal year 1992;

[(4) $1,200,000,000 for fiscal year 1993; and

[(5) $600,000,000 for fiscal year 1994.]

(1) $2,000,000,000 for fiscal year 2008;

(2) $3,000,000,000 for fiscal year 2009;

(3) $4,000,000,000 for fiscal year 2010; and

(4) $5,000,000,000 for fiscal year 2011.

TITLE 46, UNITED STATES CODE

Subtitle Sec.
I. GENERAL **101**

* * * * * * *

[VI. [CLEARANCE, TONNAGE TAXES, AND DUTIES ..... **60101]**
VI. CLEARANCE AND TONNAGE DUTIES ***60101***

* * * * * * *

[Subtitle VI—Clearance, Tonnage Taxes, and Duties]

Subtitle VI—Clearance and Tonnage Duties

* * * * * * *

CHAPTER 603—TONNAGE TAXES AND LIGHT MONEY

Sec.
[60301. Regular tonnage taxes.
[60302. Special tonnage taxes.]
60301. Regular tonnage duties.
60302. Special tonnage duties.

* * * * * * *

[60304. Presidential suspension of tonnage taxes and light money.]
60304. Presidential suspension of tonnage duties and light money.

* * * * * * *

§ 60301. Regular tonnage [taxes] *duties*

[(a) LOWER RATE.—A tax is imposed at the rate of 2 cents per ton (but not more than a total of 10 cents per ton per year) at each entry in a port of the United States of—

[(1) a vessel entering from a foreign port or place in North America, Central America, the West Indies Islands, the Bahama Islands, the Bermuda Islands, or the coast of South America bordering the Caribbean Sea; or

[(2) a vessel returning to the same port or place in the United States from which it departed, and not entering the United States from another port or place, except—

[(A) a vessel of the United States;

[(B) a recreational vessel (as defined in section 2101 of this title); or

[(C) a barge.

[(b) HIGHER RATE.—A tax is imposed at the rate of 6 cents per ton (but not more than a total of 30 cents per ton per year) on a vessel at each entry in a port of the United States from a foreign port or place not named in subsection (a)(1).]

(a) LOWER RATE.—

(1) IMPOSITION OF DUTY.—A duty is imposed at the rate described in paragraph (2) at each entry in a port of the United States of—

(A) a vessel entering from a foreign port or place in North America, Central America, the West Indies Islands, the Bahama Islands, the Bermuda Islands, or the coast of South America bordering the Caribbean Sea; or

(B) a vessel returning to the same port or place in the United States from which it departed, and not entering the United States from another port or place, except—

(i) a vessel of the United States;

(ii) a recreational vessel (as defined in section 2101 of this title); or

(iii) a barge.

(2) RATE.—The rate referred to in paragraph (1) shall be—

(A) 4.5 cents per ton (but not more than a total of 22.5 cents per ton per year) for fiscal years 2006 through 2007;

(B) 9.0 cents per ton (but not more than a total of 45 cents per ton per year) for fiscal years 2008 through 2017; and

(C) 2 cents per ton (but not more than a total of 10 cents per ton per year) for each fiscal year thereafter.

(b) HIGHER RATE.—

(1) IMPOSITION OF DUTY.—A duty is imposed at the rate described in paragraph (2) on a vessel at each entry in a port of the United States from a foreign port or place not named in subsection (a)(1).

(2) RATE.—The rate referred to in paragraph (1) shall be—

(A) 13.5 cents per ton (but not more than a total of 67.5 cents per ton per year) for fiscal years 2006 through 2007;

(B) 27 cents per ton (but not more than a total of $1.35 per ton per year) for fiscal years 2008 through 2017, and

(C) 6 cents per ton (but not more than a total of 30 cents per ton per year) for each fiscal year thereafter.–

(c) EXCEPTION FOR VESSELS ENTERING OTHER THAN BY SEA.—Subsection (a) does not apply to a vessel entering other than by sea from a foreign port or place at which tonnage, lighthouse, or other equivalent **[**taxes**]** *duties* are not imposed on vessels of the United States.

§ 60302. Special tonnage [taxes] *duties*

(a) ENTRY FROM FOREIGN PORT OR PLACE.—Regardless of whether a **[**tax**]** *duty* is imposed under section 60301 of this title, a **[**tax**]** *duty* is imposed on a vessel at each entry in a port of the United States from a foreign port or place at the following rates:

(1) * * *

* * * * * * *

(b) VESSELS NOT OF THE UNITED STATES TRANSPORTING PROPERTY BETWEEN DISTRICTS.—Regardless of whether a **[**tax**]** *duty* is imposed under section 60301 of this title, a **[**tax**]** *duty* of 50 cents per ton is imposed on a vessel not of the United States at each entry in one customs district from another district when transporting goods loaded in one district to be delivered in another district.

(c) EXCEPTION FOR VESSELS BECOMING DOCUMENTED.—The **[**tax**]** *duty* of 50 cents per ton under this section does not apply to a vessel that—

(1) is owned only by citizens of the United States; and

(2) after entering a port of the United States, becomes documented as a vessel of the United States before leaving that port.

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§ 60303. Light money

(a) IMPOSITION OF [TAX] *DUTY*.—A [tax] *duty* of 50 cents per ton, to be called "light money", is imposed on a vessel not of the United States at each entry in a port of the United States. This [tax] *duty* shall be imposed and collected under the same regulations that apply to tonnage [taxes] *duties*.

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§ 60304. Presidential suspension of tonnage [taxes] *duties* and light money

If the President is satisfied that the government of a foreign country does not impose discriminating or countervailing duties to the disadvantage of the United States, the President shall suspend the imposition of special tonnage [taxes] *duties* and light money under sections 60302 and 60303 of this title on vessels of that country.

§ 60305. Vessels in distress

A vessel is exempt from tonnage [taxes] *duties* and light money when it enters because it is in distress.

§ 60306. Vessels not engaged in trade

A vessel is exempt from tonnage [taxes] *duties* and light money when not engaged in trade.

§ 60307. Vessels engaged in coastwise trade or the fisheries

A vessel with a registry endorsement or a coastwise endorsement, trading from one port in the United States to another port in the United States or employed in the bank, whale, or other fisheries, is exempt from tonnage [taxes] *duties* and light money.

§ 60308. Vessels engaged in Great Lakes trade

A documented vessel with a registry endorsement, engaged in foreign trade on the Great Lakes or their tributary or connecting waters in trade with Canada, does not become subject to tonnage [taxes] *duties* or light money because of that trade.

§ 60309. Passenger vessels making trips between ports of the united states and foreign ports

A passenger vessel making at least 3 trips per week between a port of the United States and a foreign port is exempt from tonnage [taxes] *duties* and light money.

§ 60310. Vessels making daily trips on interior waters

A vessel making regular daily trips between a port of the United States and a port of Canada only on interior waters not navigable to the ocean is exempt from tonnage [taxes] *duties* and light money, except on its first clearing each year.

§ 60311. Hospital vessels in time of war

In time of war, a hospital vessel is exempt from tonnage [taxes] *duties*, light money, and pilotage charges in the ports of the United States if the vessel is one for which the conditions of the international convention for the exemption of hospital ships from taxation in time of war, concluded at The Hague on December 21, 1904, are satisfied. The President by proclamation shall name the vessels for which the conditions are satisfied and state when the exemption begins and ends.

§ 60312. Rights under treaties preserved

This chapter and chapter 605 of this title do not affect a right or privilege of a foreign country relating to tonnage [taxes] *duties* or other duties on vessels under a law or treaty of the United States.

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MINORITY VIEWS

DISSENTING VIEWS OF MR. MICA, MR. BAKER, MR. BOOZMAN, MR. BOUSTANY, MR. BROWN (OF SOUTH CAROLINA), MR. COBLE, MR. EHLERS, MS. FALLIN, MR. HAYES, MR. MACK, MR. MARCHANT, MR. GARY G. MILLER (OF CALIFORNIA), AND MR. MORAN (OF KANSAS).

We recognize the important role clean water plays in our Nation and the need for improving our critical and aging wastewater infrastructure. By reauthorizing the Clean Water State Revolving Loan Fund (SRF) Program, H.R. 720 takes an important step toward addressing this need. We also welcome the environmental improvements that this bill would bring. However, while H.R. 720 represents an important step forward for clean water in many respects, it also takes a significant step backwards by mandating and expanding upon the past application of Davis-Bacon Act prevailing wage requirements in the SRF program.

For this reason, we opposed the bill as reported out of Committee. These new mandated Davis-Bacon requirements are not based on a desire to deliver clean water to communities across the country. Rather, they would inflate the cost of clean water projects and ultimately result in fewer projects being built, fewer jobs being created, and less clean water being achieved. By adding to the cost of public construction, the Davis-Bacon Act disproportionately impacts small, rural, and disadvantaged communities, which can least afford to pay the higher cost of projects.

We find it difficult to comprehend how a vital national interest and essential public health and human safety issue could be saddled by expanding a costly component of the SRF program that since 1987 was never intended to be applied to non-federal funds. What we are experiencing is a pattern of policy decisions concerning the expanded application of Davis-Bacon to federal and non-federal programs that is more focused on placing the interests of the public on hold and at risk, unless an unprecedented expansion of Davis-Bacon is applied. In the end, state's rights and local control are only further restricted from helping solve important issues affecting communities across America.

The Davis-Bacon Act also is discriminatory. Few small and minority-owned firms can afford to pay the higher wages that the Davis-Bacon Act requires. As a result, they are rarely awarded Davis-Bacon contracts, and many of them stop applying for those contracts. Moreover, projects operating under Davis-Bacon requirements cannot hire local, lesser-skilled workers to work on these infrastructure projects, thereby limiting job opportunities for these workers and hindering state and local efforts to provide entry-level jobs.

Prior to expiration of the Clean Water SRF authorization in 1995, only the initial Federal seed money was subject to Davis-Bacon prevailing wage requirements. State money, including the State match, loan repayments, interest, and other non-federal funds were not subject to Davis-Bacon requirements. There is no precedent here for applying the Davis-Bacon Act to state funds, and the program has operated more efficiently and effectively since the expiration of the prevailing wage requirements on the Clean Water SRF. To impose such requirements on states now would be an unnecessary and unwarranted Federal mandate on how state funds can be spent.

For these reasons, we oppose the imposition of Davis-Bacon Act prevailing wage requirements on the Clean Water SRF Program, and we voted against having the Committee report H.R. 720 to the House.

VERNON J. EHLERS.
JERRY MORAN.
JOHN L. MICA.
KENNY MARCHANT.
HENRY E. BROWN, Jr.
C.W. BOUSTANY, Jr.
MARY FALLIN.
JOHN BOOZMAN.
CONNIE MACK.
ROBIN HAYES.
RICHARD H. BAKER.
GARY G. MILLER.
HOWARD COBLE.

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March 5, 2007

The Honorable James L. Oberstar
Chairman
Committee on Transportation and Infrastructure
2165 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

I write to you regarding H.R. 720, "the Water Quality Financing Act of 2007".

Section 302(b)(3) of H.R. 720, as ordered reported, addresses prevailing rates of pay for laborers and mechanics and provides the Secretary of Labor with authority to oversee and administer this provision. This provision falls within the jurisdiction of the Committee on Education and Labor. I recognize and appreciate your desire to bring this legislation before the House in an expeditious manner and, accordingly, I will not seek a sequential referral of the bill. However, agreeing to waive consideration of this bill should not be construed as the Committee on Education and Labor waiving its jurisdiction over H.R. 720.

Further, the Education and Labor Committee reserves the right to seek the appointment of conferees during any House-Senate conference convened on this legislation on provisions of the bill that are within the Committee's jurisdiction. I ask for your commitment to support any request by the Committee on Education and Labor for the appointment of conferees on H.R. 720 or similar legislation.

I look forward to working with you as we prepare to pass this important legislation.

Sincerely,

George Miller

GEORGE MILLER
Chairman

cc: The Honorable Nancy Pelosi, Speaker
The Honorable John V. Sullivan, Parliamentarian

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

March 5, 2007

The Honorable George Miller
Chairman
Committee on Education and Labor
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Miller:

Thank you for your recent letter regarding the consideration of H.R. 720, "the Water Quality Financing Act of 2007". Your support for this legislation and your assistance in ensuring its timely consideration are greatly appreciated.

I agree that section 302(b)(3) of H.R. 720, as ordered reported, is of jurisdictional interest to the Committee on Education and Labor. I acknowledge that, by foregoing a sequential referral, your Committee is not relinquishing its jurisdiction and I will fully support your request to be represented in a House-Senate conference on those provisions over which the Committee on Education and Labor has jurisdiction in H.R. 720.

I value your cooperation and look forward to working with you as we move ahead with this important legislation.

Sincerely,

Jim Oberstar

James L. Oberstar, M.C.
Chairman

cc: The Honorable Nancy Pelosi, Speaker
The Honorable John V. Sullivan, Parliamentarian

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