To establish a Water Protection and Reinvestment Fund to support investments in clean water infrastructure, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. Blumenauer introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To establish a Water Protection and Reinvestment Fund to support investments in clean water infrastructure, and for other purposes.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Water Protection and Reinvestment Act of 2012”.

(b) Table of Contents.—

Sec. 1. Short title; table of contents.

TITLE I—REVENUE
TITLE I—REVENUE

SEC. 101. ESTABLISHMENT AND FUNDING OF WATER PROTECTION AND REINVESTMENT TRUST FUND.

(a) WATER PROTECTION AND REINVESTMENT TRUST FUND.—

(1) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to establishment of trust funds) is amended by adding at the end the following new section:
“SEC. 9512. WATER PROTECTION AND REINVESTMENT TRUST FUND.

“(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the ‘Water Protection and Reinvestment Trust Fund’, consisting of such amounts as may be appropriated or credited to such fund as provided in this section or section 9602(b).

“(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Water Protection and Reinvestment Trust Fund amounts equivalent to the taxes received in the Treasury before January 1, 2019, under section 4171 (relating to taxes relating to water).

“(c) EXPENDITURES.—Amounts in the Water Protection and Reinvestment Trust Fund shall be available to the Administrator of the Environmental Protection Agency, without further appropriation, only for purposes of investments in clean water infrastructure in accordance with the Water Protection and Reinvestment Act of 2012.”.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 of such Code is amended by adding at the end the following new item:

“Sec. 9512. Water Protection and Reinvestment Trust Fund.”.
Excise Taxes Funding Water Protection and Reinvestment Trust Fund.—

(1) In general.—Chapter 32 of such Code is amended by inserting after subchapter D the following new subchapter:

“Subchapter E—Taxes Relating to Water

Sec. 4171. Imposition of tax.
Sec. 4172. Definitions and special rule.

SEC. 4171. IMPOSITION OF TAX.

“(a) Water-Based Beverage.—There is hereby imposed on the sale of any container of water-based beverage by the manufacturer, producer, or importer thereof a tax equal to 3 cents per container of such beverage which is 5 gallons or less. For purposes of the preceding sentence, the manufacturer or producer is the entity that puts the beverage into the container subject to the tax under such sentence.

“(b) Water Disposal Product.—There is hereby imposed on the sale of any water disposal product by the manufacturer, producer, or importer thereof a tax equal to 3 percent of the price for which so sold.

“(c) Pharmaceutical Tax.—There is hereby imposed on the sale of any pharmaceutical product by the manufacturer, producer, or importer thereof a tax equal to 0.5 percent of the price for which so sold.
“(d) TERMINATION.—The taxes imposed by this section shall not apply to any production, manufacture, or importation after December 31, 2019.

“SEC. 4172. DEFINITIONS AND SPECIAL RULE.

“(a) WATER-BASED BEVERAGE.—For purposes of this subchapter—

“(1) WATER-BASED BEVERAGE.—The term ‘water-based beverage’ means any beverage which is—

“(A) water, or

“(B) created by mixing water with other liquids, flavorings, vitamins, or other ingredients where the resulting product is at least 50 percent water by weight.

“(2) EXCEPTIONS.—The term ‘water-based beverage’ does not include—

“(A) any pharmaceutical product,

“(B) any alcoholic beverage, and

“(C) any product where—

“(i) at least 75 percent of the water that naturally existed in the product is removed,

“(ii) the resulting concentrated product is shipped and then the water replaced, and
“(iii) the beverage is then packaged for sale.

“(3) CONTAINER.—The term ‘container’ means any can, glass bottle, plastic bottle, aseptic container, or other sealed package for transportation and sale.

“(b) WATER DISPOSAL PRODUCT.—For purposes of this subchapter—

“(1) IN GENERAL.—The term ‘water disposal product’ means any of the following: soaps and detergents, toiletries, toilet tissue, water softeners, and cooking oils.

“(2) SOAPS AND DETERGENTS.—The term ‘soaps and detergents’ means—

“(A) soaps and other detergents, such as laundry detergents and dishwashing detergents,

“(B) toothpaste gels, and

“(C) tooth powders,
as determined under regulations prescribed by the Secretary.

“(3) TOILETRIES.—The term ‘toiletries’ means toilet preparations such as perfumes, shaving preparations, hair preparations, face creams, lotions (including sunscreens), and other cosmetic prepara-
tions, as determined under regulations prescribed by
the Secretary.

“(4) TOILET TISSUE.—The term ‘toilet tissue’
means toilet tissue, as determined under regulations
prescribed by the Secretary.

“(5) WATER SOFTENERS.—The term ‘water
softeners’ means farm, household, commercial, and
industrial water softeners, as determined under reg-
ulations prescribed by the Secretary.

“(6) COOKING OILS.—

“(A) IN GENERAL.—The term ‘cooking
oils’ means corn oils, soy oils, and other vege-
table oils, as determined under regulations pre-
scribed by the Secretary.

“(B) EXCEPTION.—The term ‘cooking oils’
does not mean a product that the Secretary de-
termines, by regulation, is not typically disposed
of, by consumers, directly in wastewater.

“(c) PHARMACEUTICAL PRODUCT.—The term ‘phar-
maceutical product’ means—

“(1) a drug (as defined in section 201 of the
321)), and
“(2) a biological product (as defined in section 351 of the Public Health Service Act (42 U.S.C. 261)).

“(d) USE TREATED AS SALE.—For purposes of this subchapter, if any person manufactures, produces, or imports any item on which tax is imposed under this subchapter, and uses such item, then such person shall be liable for tax under this subchapter in the same manner as if such item were sold by such person.”.

(2) CONFORMING AMENDMENT.—The table of subchapters for chapter 32 of such Code is amended by inserting after the item relating to subchapter D the following new item:

“SUBCHAPTER E. TAXES RELATING TO WATER”.

(c) EFFECTIVE DATES.—

(1) ESTABLISHMENT OF TRUST FUND.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

(2) EXCISE TAX.—The amendments made by subsection (b) shall apply to sales on or after the first calendar quarter beginning after 1 year after the date of the enactment of this Act.
SEC. 102. CBO STUDY ON ADDITIONAL POTENTIAL REVENUE SOURCES.

(a) STUDY.—The Director of the Congressional Budget Office shall conduct a study that—

(1) evaluates existing studies and reports on potential sources of revenue for a clean water trust fund;

(2) analyzes and compares the potential funding mechanisms and revenue sources identified by these studies and reports (as well as others independently identified by the Director);

(3) identifies and discusses arguments for and against potential funding mechanisms and revenue sources; and

(4) identifies potential funding mechanisms and revenue sources that are, alone or in combination, most likely to sufficiently support annual funding levels of at least $10,000,000.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Director shall submit to Congress a report on the results of the study.

SEC. 103. ALLOCATION OF FUNDS.

(a) IN GENERAL.—The Administrator of the Environmental Protection Agency shall allocate the amount of funds made available to the Administrator out of the Water Protection and Reinvestment Fund established by
section 9512 of the Internal Revenue Code of 1986 for a fiscal year among programs and activities as follows:

(1) **CLEAN WATER PROGRAMS.**—Of such amount, the Administrator shall make available—

(A) 68 percent for making capitalization grants under section 601 of the Federal Water Pollution Control Act (33 U.S.C. 1381; relating to capitalization grants for State water pollution control revolving funds);

(B) 3 percent for making grants under section 106 of such Act (33 U.S.C. 1256; relating to grants for pollution control programs);

(C) 5 percent for making grants under section 319 of such Act (33 U.S.C. 1329; relating to nonpoint source management programs); and

(D) 2 percent for making grants under section 104(b)(8) of such Act (as added by section 302 of this Act; relating to technical assistance to rural and small municipalities and tribal governments).

(2) **ADDITIONAL GRANT PROGRAMS.**—Of such total amount, the Administrator shall make available—

(A) 0.25 percent for making grants under section 109 of the Federal Water Pollution
Control Act (33 U.S.C. 1259) in accordance
with section 303(a) (relating to training grants
and contracts);

(B) 0.25 percent for awarding scholarships
under section 111 of the Federal Water Pollu-
tion Control Act (33 U.S.C. 1261) in accord-
ance with section 303(c) (relating to scholar-
ships for the studies on the operation and main-
tenance of treatment works);

(C) 7 percent for making grants under sec-
tion 221 of the Federal Water Pollution Control
Act (33 U.S.C. 1301; relating to sewer overflow
control grants);

(D) 4 percent for carrying out sections
305, 306, and 307 (relating to the national
water infrastructure research, development, and
demonstration program, regional water research
centers, and a cost of service study); and

(E) 0.5 percent for making grants under
section 308(a) (relating to drug take back
grants).

(3) Innovative Financing Program.—Of
such total amount, the Administrator shall make
available 10 percent for carrying out section 401.
(b) TREATMENT OF FUNDS.—The funds made available for a program or activity under this section shall be in addition to any funds made available for the program or activity under any other provision of law.

TITLE II—STATE WATER POLLUTION CONTROL REVOLVING FUNDS

SEC. 201. AMENDMENT OF FEDERAL WATER POLLUTION CONTROL ACT.

Except as otherwise expressly provided, whenever in this title 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.).

SEC. 202. 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(e).”.
SEC. 203. CAPITALIZATION GRANT AGREEMENTS.

(a) SPECIFIC 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 require that each contract and subcontracts for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping, and related services entered into using amounts from the fund will be awarded in the same way that a contract for architectural and engineering services is awarded under chapter 11 of title 40, United States Code, except that such an award shall not be construed as conferring a proprietary interest upon the United States;

“(12) the State will not provide financial assistance using amounts from the fund for any project that will provide substantial direct benefits to new communities, lots, or subdivisions, other than a project to construct an advanced decentralized wastewater system;
“(13) 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; and

“(14) the State will allocate funds for high priority projects in accordance with section 607.”.

(b) ADVANCED DECENTRALIZED WASTEWATER SYSTEM DEFINED.—Section 502 is amended by adding at the end the following:

“(26) ADVANCED DECENTRALIZED WASTEWATER SYSTEM.—The term ‘advanced decentralized wastewater system’ means a system for treating domestic sewage that is located at or near a site at which the sewage is generated, provides more effective treatment than a conventional septic system, and includes a plan and funding mechanism for long-term maintenance.”.
SEC. 204. 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 to address the needs of existing communities;

“(2) for implementation of measures to increase the security of publicly owned treatment works, including vulnerability assessment updates and safer alternatives for treatment chemicals;

“(3) for implementation of a nonpoint management program established under section 319;

“(4) for development and implementation of a conservation and management plan for an estuary under section 320;

“(5) for implementation of measures to manage, reduce, treat, capture, or reuse municipal storm water, agricultural storm water, and return flows from irrigated agriculture;
“(6) for repair or replacement of decentralized wastewater treatment systems that treat domestic sewage;

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

“(8) for implementation of measures to integrate water resource management planning and implementation;

“(9) to any municipality or intermunicipal, interstate, or State agency for measures to reduce the energy consumption needs for publicly owned treatment works, including the implementation of energy efficient or renewable generation technologies;

“(10) for projects to correct failing residential septic systems or cesspools; and

“(11) for implementation of technologies, management programs, or other measures—

“(A) to improve monitoring for and to alert the owner or operator of a publicly owned treatment works of the occurrence of a spill, overflow, or other discharge or release; and
“(B) to provide for public notification of a spill, overflow, or other discharge or release of pollution into waters of the United States or from point sources into areas in which there is a potential risk of public exposure.”.

(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 such assistance 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;

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

“(iv) a certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan;”.

(d) EXPENSES OF ADMINISTERING STATE FUNDS.—

Section 603(d)(7) (33 U.S.C. 1383(d)(7)) is amended by inserting before the period at the end the following: “or $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”.

(c) 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 inter-municipal, 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 low-impact technologies, non-structural protection of surface waters, a new or improved method of waste treatment, and nutrient 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, 2013, 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.

“(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) 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 (less the amounts required to be allocated in accordance with section 607) received by the State under this title in fiscal years beginning after September 30, 2012.”.
(f) Prioritization.—Section 603(g) (33 U.S.C. 1383(g)) is amended to read as follows:

“(g) Priority System Requirement.—

“(1) Definitions.—In this subsection, the following definitions apply:

“(A) Restructuring.—The term ‘restructuring’ means—

“(i) the consolidation of management functions or ownership with another facility; or

“(ii) the formation of cooperative partnerships.

“(B) Traditional Wastewater Approach.—The term ‘traditional wastewater approach’ means a managed system used to collect and treat wastewater from an entire service area consisting of—

“(i) collection sewers;

“(ii) a centralized treatment plant using biological, physical, or chemical treatment processes; and

“(iii) a direct point source discharge to surface water.

“(2) Priority System.—In providing financial assistance from the water pollution control revolving
fund of the State, the State shall establish a priority system that—

“(A) takes into consideration appropriate chemical, physical, and biological data relating to water quality that the State considers reasonably available and of sufficient quality;

“(B) ensures that projects undertaken with assistance under this title are designed to achieve, as determined by the State, the optimum water quality management, consistent with the public health and water quality goals and requirements of this Act;

“(C) provides for public notice and opportunity to comment on the establishment of the priority system and the summary under subparagraph (D); and

“(D) provides for the publication, not less than biennially in summary form, of a description of projects in the State that are eligible for assistance under this title that indicates—

“(i) the priority assigned to each project under the priority system of the State; and
“(ii) the funding schedule for each project, to the extent the information is available.

“(3) WEIGHT GIVEN TO APPLICATIONS.—After determining project priorities under paragraph (2), a State shall give greater weight to an application for assistance if the application contains such information as the State determines to be necessary and includes—

“(A) approaches other than a traditional wastewater approach that treat or minimize sewage or urban storm water discharges using—

“(i) decentralized or distributed storm water controls;

“(ii) decentralized wastewater treatment;

“(iii) low-impact development technologies and nonstructural approaches;

“(iv) stream buffers;

“(v) wetland restoration and enhancement;

“(vi) actions to minimize the quantity of and direct connections to impervious surfaces;
“(vii) soil and vegetation, or other permeable materials; or
“(viii) actions that increase efficient water use, water conservation, or water reuse;
“(B) a demonstration of consistency with State, regional, and municipal watershed plans, water conservation and efficiency plans, or integrated water resource management plans;
“(C) a proposal by the applicant demonstrating flexibility through alternative means to carry out responsibilities under Federal regulations, which may include watershed permitting and other innovative management approaches, while achieving results that the Administrator determines are measurably superior when compared to regulatory standards; or
“(D) a proposal by the applicant providing for the implementation of effective utility management principles, as identified in the 2007 Agreement between the Environmental Protection Agency and major water and wastewater associations.”.
SEC. 205. HIGH PRIORITY PROJECT GRANTS AND PRINCIPAL FORGIVENESS.

(a) In General.—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. HIGH PRIORITY PROJECT GRANTS AND PRINCIPAL FORGIVENESS.

“(a) In General.—A State shall allocate from a State water pollution control fund for providing assistance for high priority projects in accordance with the requirements of this section—

“(1) 50 percent of the total amount of capitalization grants received by the State in a fiscal year under section 601 that is attributable to funds appropriated out of the Water Protection and Reinvestment Trust Fund; and

“(2) 50 percent of the State contributions made under section 602(b)(2) in connection with that total amount.

“(b) Authority To Make Grants and Forgive Principal.—Notwithstanding the requirements of section 603(d), assistance provided by a State for high priority projects under subsection (a) shall be in the form of a
grant or a loan under which the State forgives repayment
of 100 percent of the principal amount of the loan.

“(c) Identification of High Priority Projects.—

“(1) In general.—A State shall provide as-
sistance under this section in a manner that is con-
sistent with the priority lists established under sec-
tions 216 and 603.

“(2) Priority.—In providing assistance under this section, a State shall give greater weight to projects that address the most serious water pollu-
tion problems and—

“(A) benefit communities with the greatest need (determined on the basis of affordability criteria to be established by the State);

“(B) incorporate nonstructural or decen-
tralized treatment practices; or

“(C) incorporate measures to reduce the energy consumption needs for publicly owned treatment works, including the implementation of energy efficient or renewable generation tech-

“(d) Matching Funds.—The amount of a grant or loan for a project under this section shall be 50 percent of the project cost. The remaining project cost shall be
provided by the grant recipient from sources other than capitalization grants under section 601.

“(e) APPLICABILITY.—Subsection (a) shall apply with respect to each fiscal year beginning after the date of enactment of this section.”.

(b) ELIGIBILITY OF INDIAN TRIBES.—Section 518(e) (33 U.S.C. 1377(e)) is amended by striking “and 406” and inserting “406, and 607”.

TITLE III—ADDITIONAL GRANT PROGRAMS

SEC. 301. DEFINITIONS.

In this title, the following definitions apply:

(1) ACADEMY.—The term “Academy” means the National Academy of Sciences.

(2) ADMINISTRATOR.—The term “Administrator” means the Administrator of the Environmental Protection Agency.

(3) TREATMENT WORKS.—The term “treatment works” has the meaning given that term in section 212 of the Federal Water Pollution Control Act (33 U.S.C. 1292).

(4) WATER PROTECTION AND REINVESTMENT TRUST FUND.—The term “Water Protection and Reinvestment Trust Fund” means the trust fund established by section 9512 of the Internal Revenue
Code of 1986, as added by section 101(a) of this Act.

SEC. 302. TECHNICAL ASSISTANCE.

Section 104(b) of the Federal Water Pollution Control Act (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”;

(3) by adding at the end the following:

“(8) make grants to nonprofit organizations—

“(A) to provide technical assistance to rural and small municipalities and tribal governments for the purpose of assisting, in consultation with the State in which the assistance is provided, such municipalities and tribal governments in the planning, developing, and acquisition of financing for eligible projects described in section 603(c);

“(B) to provide technical assistance and training for rural, small, and tribal 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,
small, and tribal municipalities and municipali-
ties that meet the affordability criteria estab-
lished 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 decentral-
ized wastewater treatment systems.”.

SEC. 303. WORKFORCE DEVELOPMENT GRANTS.

(a) Training Grants and Contracts.—

(1) Funding.—The Administrator may make
grants under section 109 of the Federal Water Pol-
lution Control Act (33 U.S.C. 1259), using funds
appropriated out of the Water Protection and Rein-
vestment Trust Fund that are allocated for that
purpose under section 103, to ensure that an ade-
quate supply of certified wastewater treatment oper-
ators exists.

(2) Amendments.—Section 109 of such Act
(33 U.S.C. 1259) is amended—

(A) in the first sentence of subsection
(a)—
(i) by striking “operation,” and inserting “operation, construction,”;
(ii) by striking “and other facilities” and inserting “other facilities (including stormwater treatment facilities)”;
(iii) by inserting “, and nonstructural treatment options” after “water quality control”;

(B) in subsection (b)(1) by striking “construction” and inserting “construction, expansion, or modernization”; and

(C) in subsection (b) by striking paragraphs (3) and (4) and inserting the following:
“(3) Facilities for which grants are awarded under this section before, on, or after the date of enactment of this section are eligible for additional funding for modernization and upgrades through grants under this section.”.

(b) APPLICATION FOR TRAINING GRANT OR CONTRACT; ALLOCATION OF GRANTS OR CONTRACTS.—Section 110(2) of such Act (33 U.S.C. 1260(2)) is amended by striking “United States” and inserting “States”.

(e) AWARD OF SCHOLARSHIPS.—

(1) FUNDING.—The Administrator may award scholarships under section 111 of the Federal Water
Pollution Control Act (33 U.S.C. 1261), using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103, for undergraduate and graduate study by persons who plan to enter an occupation involving the operation and maintenance of treatment works.

(2) AMENDMENTS.—Section 111 of such Act (33 U.S.C. 1261) is amended—

(A) in paragraph (1)—

(i) by striking “undergraduate” and inserting “undergraduate and graduate”;

(ii) by striking “operation” and inserting “construction, operation,”; and

(iii) by striking “but not to exceed four academic years”;

(B) in paragraph (2)—

(i) by striking “use of individuals” and inserting “use by individuals”;

(ii) by striking “United States” inserting “States”; and

(iii) by striking “secondary” and inserting “secondary and post-secondary”; and
(C) in paragraph (3)(D) by striking “operation” each place it appears and inserting “design, operation,”.

SEC. 304. SEWER OVERFLOW CONTROL GRANTS.

(a) In general.—The Administrator may make grants under section 221 of the Federal Water Pollution Control Act (33 U.S.C. 1301) using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103.

(b) Prioritization.—Section 221(b) of the Federal Water Pollution Control Act (33 U.S.C. 1301(b)) is amended—

(1) by striking “or” at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting “; or”; and

(3) by adding at the end the following:

“(5) is applying for a grant for a project that involves the use of—

“(A) nonstructural, low-impact development;

“(B) water conservation, efficiency, or reuse; or
“(C) other decentralized stormwater or wastewater approaches to minimize flows into sewer systems.”.

(c) CONFORMING AMENDMENTS.—Section 221(a) of such Act (33 U.S.C. 1301(a)) is amended—

(1) by striking “In any” and all that follows through “(1) the” and inserting “The”;

(2) by striking “overflows;” and all that follows through “(2) subject to” and inserting “overflows. Subject to”; and

(3) by striking “paragraph (1)” and inserting “the preceding sentence”.

SEC. 305. RESEARCH, DEVELOPMENT, AND TECHNOLOGY DEMONSTRATION PROGRAM.

(a) IN GENERAL.—Not later than one year after the date of enactment of this Act, the Administrator shall establish a national water infrastructure research, development, and demonstration program to develop, demonstrate, and transfer innovative or improved technologies and methods for the treatment, control, transport, and reuse of wastewater. These technologies and methods may include—

(1) reducing energy consumption in wastewater infrastructure;
(2) recovering energy and nutrient resources from wastewater;
(3) reducing water consumption and returning water for ecosystem use;
(4) on-site technologies to generate renewable energy at a publicly owned treatment works or other municipal wastewater facility;
(5) measures to control, manage, reduce, treat, infiltrate, or reuse municipal stormwater;
(6) decentralized or distributed stormwater and wastewater controls and treatment;
(7) low impact development technologies and nonstructural approaches to treat wastewater and stormwater;
(8) reducing the costs of compliance with the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), while retaining or enhancing environmental benefits;
(9) improving control and treatment of stormwater and nonpoint sources of pollution;
(10) mitigating and adapting to climate change;
(11) dual systems that re-use stormwater and wastewater for non-potable water resource needs;
(12) development of a new generation of water monitoring reporting and notification techniques; and

(13) controlling, limiting, treating, or preventing pharmaceutical and personal care products from being in or entering waters of the United States.

(b) CONSULTATION.—In administering the program under this section, the Administrator shall annually hold a national meeting to bring together major stakeholders, including representatives from the following:

(1) The public.

(2) States, local governments, and organizations representing States or local governments.

(3) The National Science Foundation, the National Academy of Science, the National Academy of Engineering, the Army Corps of Engineers, the National Oceanic and Atmospheric Administration, the Department of Agriculture, the United States Geological Survey, the White House Office of Science and Technology Policy, the Department of Energy, and the Council on Environmental Quality.

(4) Universities, colleges, and other institutions of higher education.
(5) Other public nonprofit entities with expertise in research and development of technologies for the treatment, control, transport, and re-use of stormwater and wastewater.

(c) Cooperative Agreements or Grants.—In carrying out the program under this section, the Administrator may enter into cooperative agreements or make grants or, both, to develop improved technologies and methods under subsection (a) with or to nonprofit and governmental entities having demonstrated expertise in research and development of the treatment, control, transport, and re-use of stormwater and wastewater, including the following entities:

(1) The Water Environment Research Foundation.

(2) Public nonprofit entities, including those whose members or subscribers include stormwater and wastewater utilities and local governments.

(3) Universities, colleges, and other institutions of higher education.

(4) Local governments, including publicly owned treatment works.

(5) The National Science Foundation.

(6) The National Institutes for Water Resources.
(d) Demonstration Projects.—The Administrator is authorized to enter into cooperative agreements with entities described in subsection (c) and for-profit entities to demonstrate the viability and effectiveness of a new technology for the treatment, control, transport, and re-use of stormwater or wastewater.

(e) Selection.—In entering into cooperative agreements and making grants under subsection (c), the Administrator shall give priority to cooperative agreements and grants that—

(1) create multiple environmental, social, and economic benefits for communities; and

(2) consider—

(A) a variety of water resource opportunities and needs;

(B) unique and diverse geology and geography;

(C) the ability to provide the greatest technological diversity using limited financial resources; and

(D) the commitment of each community or regional area to find and fund appropriate alternative technologies to resolve their water infrastructure needs.
(f) **FEDERAL SHARE.**—The Federal share of the costs for which a grant is made under this section shall be 65 percent, except that the Administrator may increase such Federal share based on the purpose for which the grant is made and the type of grant recipient.

(g) **FUNDING.**—The Administrator shall carry out this section using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103.

(h) **REPORT TO CONGRESS.**—The Administrator shall prepare and submit a biennial report to Congress on the results of technology research, development, and full-scale demonstrations performed under this section and recommendations for encouraging the use of such technologies by stormwater and wastewater utilities.

**SEC. 306. REGIONAL WATER RESEARCH CENTERS.**

(a) **REGIONAL CENTERS.**—

(1) **GRANTS.**—The Administrator, in collaboration with the Director of the National Science Foundation, shall make grants to nonprofit institutions of higher learning to establish and operate one university water research center in each of such 21 hydroregions as the Administrator, in consultation with the United States Geological Survey, may establish.

The Administrator, in consultation with the United
States Geological Survey, may adjust the boundaries of such regions to assure that none of the conterminous regions are either larger or smaller than another by more than two fold.

(2) Designation of National Water Research Center.—The Administrator, in collaboration with the Director, shall designate one of the 21 university water research centers as the “National Water Research Center”.

(3) Mission.—

(A) In general.—The mission of the centers shall be to conduct and coordinate strategic research, education, and outreach for sustainable management of water resources in every hydro-climatic region of the United States.

(B) National Water Research Center.—In addition to its mission under subparagraph (A), the mission of the National Water Research Center shall be to gather, archive, and publish data from the regional centers and to integrate the regional findings into a national research strategy.

(4) Definition.—For purposes of this section, the term “nonprofit institution of higher learning”
includes a consortium of nonprofit institutions of higher learning.

(b) Selection of Grant Recipients.—

(1) Applications.—In order to be eligible to receive a grant under this section, a nonprofit institution of higher learning shall submit to the Administrator an application that is in such form and contains such information as the Administrator may require.

(2) Selection Criteria.—Except as otherwise provided by this section, the Administrator, in collaboration with the Director, shall select each recipient of a grant under this section through a competitive process on the basis of the following:

(A) The location of the center within the region to be served.

(B) The demonstrated research and extension resources available to the recipient to carry out the objectives of this section.

(C) The capability of the recipient to provide leadership in making national and regional contributions to the solution of immediate and long-range water supply, water infrastructure, and water quality problems.
(D) The recipient’s establishment of a water program encompassing several areas of water research.

(E) The recipient’s demonstrated commitment of at least $400,000 each year in regularly budgeted institutional amounts to support ongoing research in water and education programs through a statewide or region-wide continuing education program.

(F) The recipient’s demonstrated ability to disseminate results of water research and education programs through a statewide or region-wide continuing education program,

(G) The strategic plan the recipient proposes to implement in order to carry out the purposes for which the grant will be made.

(H) The recipient’s demonstration that it has a well-established, nationally recognized program in water research and education, as evidenced by—

(i) not less than 10 graduate degrees awarded in professional fields closely related to water each year for each of the 5 calendar years preceding the date of the
submission of the application for the grant; and

(ii) not less than 10 tenured or tenure-track faculty members who specialize on a full-time basis in professional fields closely related to water who, as a group, have published a total or at least 50 journal publications on water research during the preceding 5 calendar years.

(c) OBJECTIVES.—Except for a grant for the establishment and operation of the National Water Research Center, a grant made under this section may only be used to establish and operate a university water research center in accordance with this section, including the conduct of the following activities and programs:

(1) RESEARCH.—Basic and applied research, the products of which are judged by peers or other experts in the field of water to advanced the body of knowledge in water availability and use, water quality, water infrastructure sustainability, and water institutions.

(2) EDUCATION.—An education program relating to water that includes multidisciplinary course work and participation in research.
(3) TECHNOLOGY TRANSFER.—An ongoing program of technology transfer that makes water research results available to potential users, including policymakers, in a form that can be implemented, utilized, or otherwise applied.

(d) CONTINUING GRANTS.—

(1) PERIOD OF GRANTS.—After selecting a nonprofit institution of higher learning as a grant recipient on the basis of a competition conducted under this section, the Administrator, in collaboration with the Director, shall make a grant to the selected grant recipient to establish and operate a regional university water center under this section in each of the first 5 fiscal years beginning after the date of the competition.

(2) GRANT AGREEMENT.—In order to be eligible to receive a grant under this section, a recipient shall enter into an agreement with the Administrator to ensure that the recipient will maintain total expenditures from all other sources to establish and operate a university water research center (including the conduct of activities and programs the center is authorized to carry out under subsection (e) and subsections (a)(3)(B) and (f) in the case of the National Water Research Center) at least equal to the
average level of such expenditures in its 2 fiscal years before the award of the grant under this section.

(3) Competitor Deadline.—Not later than the last day of the one-year period following the date of enactment of this Act and March 31st of each 5th year thereafter, the Administrator, in collaboration with the Director, shall complete a competition among nonprofit institutions of higher learning for grants to establish and operate the 21 regional university water centers referred to in subsection (a).

(4) Amount of Grants.—The Administrator shall make a grant to a nonprofit institution of higher learning selected under this section to be a grant recipient for the establishment and operation of a regional university water center (including the conduct of activities and programs described in subsection (c)) of at least $2,000,000 for each fiscal year but no more than $4,000,000; except that a grant for establishment and operation of the National Water Research Center (including the conduct of the activities described in subsections (a)(3)(B), (c), and (f)) shall be at least $6,000,000 for each fiscal year but no more than $12,000,000.
(c) Federal Share.—The Federal share of the costs of establishment and operation of a center under this section (including the conduct of the activities and programs the center is authorized to carry out under subsection (c) and subsections (a)(3)(B) and (f) in the case of the Nation Water Research Center) through a grant made under this section shall be 50 percent in the case of a regional university water center and 85 percent in the case of the National Water Research Center.

(f) Program Coordination.—

(1) Coordination.—The Administrator, working through the National Water Research Center, shall—

(A) support a network of university water centers to coordinate and facilitate information technology development and implementation across the centers;

(B) coordinate research, education, training, and technology transfer activities that grant recipients are authorized to carry out under this section;

(C) synthesize research conducted under this section;

(D) disseminate the results of the research; and
(E) establish and operate a clearinghouse to disseminate the results of the research.

(2) **Annual Review and Evaluation.**—At least annually, the Administrator shall review and evaluate the activities and programs that grant recipients carry out through the use of grants made to such recipients under this section.

(3) **Funding Limitation.**—The Administrator may not use more than one percent of the amounts made available to carry out this section for a fiscal year to carry out management and oversight of the centers established through grants made under this section.

(g) **Funding.**—The Administrator shall carry out this section using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103.

(h) **Limitation on Availability of Funds.**—Funds made available to carry out this section shall remain available for obligation by the Administrator for a period of 2 years after the last day of the fiscal year for which the funds are authorized.

**Sec. 307. Cost of Service Study.**

(a) **In General.**—Not later than 2 years after the date of enactment of this Act, the Administrator shall
enter an arrangement with the Academy under which the Academy shall complete and provide to the Administrator the results of a study of the means by which public water systems selected by the Academy in accordance with subsection (c) meet the costs associated with operations, maintenance, capital replacement, and regulatory requirements. In addition, the study shall be conducted for the purposes set forth in subsection (b).

(b) REQUIRED ELEMENTS.—

(1) AFFORDABILITY.—The purposes of the study shall be, at a minimum, to—

(A) determine whether the rates at public treatment works for communities included in the study are using a full-cost pricing model;

(B) identify, if a full-cost pricing model is not being used, any incentive rate systems that have been successful in significantly reducing—

(i) the volume of wastewater flows;

(ii) the volume of stormwater runoff;

or

(iii) the quantity of pollution generated by stormwater;

(C) identify a set of best industry practices that public treatment works may use in establishing a rate structure that—
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(i) adequately addresses the true cost of services provided to consumers by public treatment works, including infrastructure replacement;

(ii) encourages water conservation;

and

(iii) takes into consideration the needs of disadvantaged individuals and communities, as identified by the Administrator;

(D) identify existing standards for affordability and the manner in which those standards are determined and defined;

(E) determine the manner in which affordability varies with respect to communities of different sizes and in different regions; and

(F) determine the extent to which affordability affects the decision of a community to increase public treatment works rates (including the decision relating to the percentage by which those rates should be increased).

(2) DISADVANTAGED COMMUNITIES.—In addition, the purposes of the study shall be, at a minimum, to—
(A) survey a cross-section of States representing different sizes, demographics, and geographical regions;

(B) review other means of identifying the meaning of the term “disadvantaged”, as that term applies to communities;

(C) determine which factors and characteristics are required for a community to be considered “disadvantaged”; and

(D) evaluate the degree to which factors such as a reduction in the tax base over a period of time, a reduction in population, the loss of an industrial base, and the existence of areas of concentrated poverty are taken into account in determining whether a community is a disadvantaged community.

(e) SELECTION OF COMMUNITIES.—The Academy shall select the public water systems and treatment works for the study under subsection (a) from a cross-section of communities representing various populations, income levels, demographics, and geographical regions.

(d) FUNDING.—The Administrator shall carry out this section using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103.
SEC. 308. DRUG TAKE-BACK GRANTS.

(a) IN GENERAL.—Not later than one year after the date of enactment of this Act, the Administrator shall establish a competitive grant program to make grants to local and State organizations, tribes, nonprofit entities, and other government entities to reduce discharges of harmful pollutants into navigable waters through the implementation of programs—

(1) to take back prescription and over-the-counter drugs from the public; and

(2) to dispose of the drugs in an environmentally sound manner.

(b) DEFINITIONS.—In this section, the following definitions apply:

(1) DRUG.—The term “drug”—

(A) has the meaning given to such term in section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321); and

(B) includes a biological product, as defined in section 351 of the Public Health Service Act (42 U.S.C. 262).

(2) OVER-THE-COUNTER.—The term “over-the-counter”, with respect to a drug, means not subject to section 503(b)(1) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 353(b)(1)).
(3) **PRESCRIPTION.**—The term “prescription”, with respect to a drug, means subject to section 503(b)(1) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 353(b)(1)).

(c) **FUNDING.**—The Administrator shall carry out this section using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103.

**SEC. 309. PUBLIC EDUCATION.**

The Secretary of the Treasury shall work with interested stakeholders to establish a program to assist entities subject to the revenue provisions in subchapter E of chapter 32 of the Internal Revenue Code of 1986 (as added by this Act) in informing the public about the clean water benefits associated with their contributions to the Water Protection and Reinvestment Trust Fund.

**SEC. 310. STATE REVOLVING FUND REVIEW PROCESS.**

As soon as practicable after the date of enactment of this Act, the Administrator shall—

(1) consult with States, utilities, nonprofit organizations, and other Federal agencies providing financial assistance to identify ways to expedite and improve the application and review process for the provision of assistance from the State water pollution control revolving funds established under title
VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.);

(2) consider the needs of treatment works in carrying out such Acts and this Act;

(3) take such administrative action as is necessary to expedite and improve the process as the Administrator has authority to take under existing law;

(4) collect information relating to innovative approaches taken by any State to simplify the application process of the State and provide the information to each State; and

(5) submit to Congress a report that, based on the information identified under paragraph (1), contains recommendations for legislation to facilitate further streamlining and improvement of the process described in paragraph (1).

TITLE IV—WASTEWATER INFRASTRUCTURE FINANCING

SEC. 401. ESTABLISHMENT OF INNOVATIVE FINANCING PROGRAM.

(a) IN GENERAL.—The Secretary of the Treasury shall carry out an innovative financing program to make financial assistance available for projects eligible under section 603(c) of the Federal Water Pollution Control Act
(33 U.S.C. 1383(c)). The Secretary shall model the program after the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) program established in chapter 6 of title 23, United States Code.

(b) FUNDING.—The Secretary shall carry out this section using funds appropriated out of the Water Protection and Reinvestment Trust Fund that are allocated for that purpose under section 103.