

107TH CONGRESS
2D SESSION

H. R. 3930

To amend the Federal Water Pollution Control Act to authorize appropriations for State water pollution control revolving funds, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2002

Mr. DUNCAN (for himself and Mr. DEFAZIO) introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Federal Water Pollution Control Act to authorize appropriations for State water pollution control revolving funds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) IN GENERAL.—This Act may be cited as the
5 “Water Quality Financing Act of 2002”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

TITLE I—FINANCING WATER QUALITY IMPROVEMENTS

Sec. 101. Amendment of Federal Water Pollution Control Act.

Subtitle A—Technical and Management Assistance

Sec. 111. Technical assistance.

Sec. 112. State management assistance.

Subtitle B—State Water Pollution Control Revolving Funds

Sec. 121. General authority for capitalization grants.

Sec. 122. Capitalization grant agreements.

Sec. 123. Water pollution control revolving loan funds.

Sec. 124. Allotment of funds.

Sec. 125. Intended use plan.

Sec. 126. Annual Federal oversight review.

Sec. 127. Technical assistance.

Sec. 128. Authorization of appropriations.

Subtitle C—General Provisions

Sec. 151. Definition of treatment works.

Sec. 152. Funding for Indian programs.

TITLE II—PRESERVATION OF REPORTING REQUIREMENTS

Sec. 201. Preservation of reporting requirements.

TITLE III—TAX PROVISIONS

Sec. 301. Bonds for water and sewage facilities exempt from volume cap on private activity bonds.

Sec. 302. Amounts from certain Federal revolving funds not treated as bond proceeds or replacement for bond proceeds for purposes of arbitrage bond rules.

1 **TITLE I—FINANCING WATER**
 2 **QUALITY IMPROVEMENTS**

3 **SEC. 101. AMENDMENT OF FEDERAL WATER POLLUTION**
 4 **CONTROL ACT.**

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

1 **Subtitle A—Technical and**
2 **Management Assistance**

3 **SEC. 111. TECHNICAL ASSISTANCE.**

4 (a) TECHNICAL ASSISTANCE FOR RURAL AND SMALL
5 TREATMENT WORKS.—Section 104(b) (33 U.S.C.
6 1254(b)) is amended—

7 (1) by striking “and” at the end of paragraph
8 (6);

9 (2) by striking the period at the end of para-
10 graph (7) and inserting “; and”; and

11 (3) by adding at the end the following:

12 “(8) make grants to nonprofit organizations to
13 provide technical assistance to rural and small mu-
14 nicipalities for the purpose of assisting, in consulta-
15 tion with the State in which the assistance is pro-
16 vided, such municipalities to plan, develop, and gain
17 financing for wastewater infrastructure assistance;

18 “(9) make grants to nonprofit organizations to
19 provide technical assistance and training to rural
20 and small publicly owned treatment works and de-
21 centralized wastewater treatment systems to enable
22 such treatment works and systems to protect water
23 quality and achieve and maintain compliance with
24 the requirements of this Act; and

1 “(10) make grants to nonprofit organizations to
2 disseminate information to rural municipalities,
3 small municipalities, and municipalities that meet
4 the affordability criteria established under section
5 603(i)(2) by the State in which the municipality is
6 located with respect to planning, design, construc-
7 tion, and operation of publicly owned treatment
8 works and decentralized wastewater treatment sys-
9 tems.”.

10 (b) AUTHORIZATION OF APPROPRIATIONS.—Section
11 104(u) (33 U.S.C. 1254(u)) is amended—

12 (1) by striking “and (6)” and inserting “(6)”;
13 and

14 (2) by inserting before the period at the end the
15 following: “(7) not to exceed \$75,000,000 for each
16 of fiscal years 2003 through 2007 for carrying out
17 subsections (b)(3), (b)(8), (b)(9), and (b)(10), ex-
18 cept that not less than 20 percent of the amounts
19 appropriated pursuant to this paragraph in a fiscal
20 year shall be used for carrying out subsections
21 (b)(8), (b)(9), and (b)(10)”.

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

1 “(v) COMPETITIVE PROCEDURES FOR AWARDING
2 GRANTS.—The Administrator shall establish procedures
3 that, to the maximum extent practicable, promote com-
4 petition and openness in the award of grants to nonprofit
5 private agencies, institutions, and organizations under this
6 section.”.

7 **SEC. 112. STATE MANAGEMENT ASSISTANCE.**

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

9 (1) by striking “and” at the end of paragraph
10 (1);

11 (2) by striking the semicolon at the end of
12 paragraph (2) and inserting “; and”; and

13 (3) by inserting after paragraph (2) the fol-
14 lowing:

15 “(3) such sums as may be necessary for each
16 of fiscal years 1991 through 2002, and
17 \$250,000,000 for each of fiscal years 2003 through
18 2007;”.

19 **Subtitle B—State Water Pollution**
20 **Control Revolving Funds**

21 **SEC. 121. GENERAL AUTHORITY FOR CAPITALIZATION**
22 **GRANTS.**

23 Section 601(a) (33 U.S.C. 1381(a)) is amended by
24 striking “for providing assistance” and all that follows
25 through the period at the end and inserting the following:

1 “to accomplish the objectives, goals, and policies of this
2 Act by providing assistance for projects and activities
3 identified in section 603(c).”.

4 **SEC. 122. CAPITALIZATION GRANT AGREEMENTS.**

5 (a) REQUIREMENTS FOR CONSTRUCTION OF TREAT-
6 MENT WORKS.—Section 602(b)(6) (33 U.S.C.
7 1382(b)(6)) is amended—

8 (1) by striking “before fiscal year 1995”; and
9 (2) by striking “201(b)” and all that follows
10 through “513” and inserting “211, 218, and
11 511(c)(1)”.

12 (b) REPORTING INFRASTRUCTURE ASSETS.—Section
13 602(b)(9) (33 U.S.C. 1382(b)(9)) is amended by striking
14 “standards” and inserting “standards, including stand-
15 ards relating to the reporting of infrastructure assets”.

16 (c) ADDITIONAL REQUIREMENTS.—Section 602(b)
17 (33 U.S.C. 1382(b)) is amended—

18 (1) by striking “and” at the end of paragraph
19 (9);

20 (2) by striking the period at the end of para-
21 graph (10) and inserting a semicolon; and

22 (3) by adding at the end the following:

23 “(11) the State will establish, maintain, invest,
24 and credit the fund with repayments, such that the
25 fund balance will be available in perpetuity for pro-

1 viding financial assistance in accordance with this
2 title;

3 “(12) any fees charged by the State to recipi-
4 ents of assistance will be deposited in the fund for
5 the sole purpose of financing the cost of admin-
6 istering the fund;

7 “(13) beginning in fiscal year 2004, the State
8 will include as a condition of providing assistance
9 under section 603(c)(1) that the recipient of such
10 assistance—

11 “(A) conduct a physical and operational
12 analysis of any system proposed for repair, re-
13 placement, or expansion;

14 “(B) study and evaluate the cost and effec-
15 tiveness of innovative and alternative processes,
16 materials, and techniques for carrying out
17 projects and activities eligible for such assist-
18 ance under section 603(c), and select, to the ex-
19 tent practicable, projects and activities that
20 more efficiently use energy and natural and fi-
21 nancial resources or provide greater environ-
22 mental benefits;

23 “(C) analyze the cost and effectiveness of
24 alternative management and financing ap-
25 proaches (including rate structures, issuance of

1 bonds, restructuring, regional alternatives, con-
2 solidation, and public-private partnerships) for
3 carrying out a project or activity for which as-
4 sistance is provided under this title, taking into
5 account the cost of operating and maintaining
6 the project or activity over its life, as well as
7 the cost of constructing the project or activity;
8 and

9 “(D) develop and implement a plan for
10 maintaining, repairing, and, as necessary, re-
11 placing any infrastructure to be constructed
12 with assistance under this title, and for funding
13 such maintenance, repair, and replacement;

14 “(14) the State will not provide assistance
15 under this title for the construction of publicly
16 owned treatment works unless the recipient of such
17 assistance has adopted or will adopt a system of
18 charges or dedicated ad valorem taxes sufficient to
19 pay, at a minimum, the costs of operation and main-
20 tenance (including replacement) of any wastewater
21 service provided by the recipient, and will otherwise
22 comply with section 204(b)(1);

23 “(15) the State will not provide assistance
24 under this title for the construction of publicly
25 owned treatment works unless the recipient of such

1 assistance has the legal, institutional, managerial,
2 and financial capability to ensure adequate construc-
3 tion, operation, and maintenance of treatment works
4 throughout the recipient's jurisdiction; and

5 “(16) the State will use at least 15 percent of
6 the amount of each capitalization grant received by
7 the State under this title after September 30, 2003,
8 to provide assistance to municipalities of fewer than
9 20,000 individuals that meet the affordability cri-
10 teria established by the State under section
11 603(i)(2) for activities included on the State's pri-
12 ority list established under section 603(g), to the ex-
13 tent that there are sufficient applications for such
14 assistance.”.

15 **SEC. 123. WATER POLLUTION CONTROL REVOLVING LOAN**
16 **FUNDS.**

17 (a) **PROJECTS AND ACTIVITIES ELIGIBLE FOR AS-**
18 **SISTANCE.**—Section 603(c) (33 U.S.C. 1383(c)) is amend-
19 ed to read as follows:

20 “(c) **PROJECTS AND ACTIVITIES ELIGIBLE FOR AS-**
21 **SISTANCE.**—The amounts of funds available to each State
22 water pollution control revolving fund shall be used only
23 for providing financial assistance—

1 “(1) to any municipality, intermunicipal, inter-
2 state, or State agency for construction of publicly
3 owned treatment works;

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

6 “(3) for development and implementation of a
7 conservation and management plan under section
8 320;

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

11 “(5) for decentralized wastewater treatment
12 systems that treat domestic sewage;

13 “(6) for measures to reduce municipal
14 stormwater runoff;

15 “(7) for measures to reduce the demand for
16 publicly owned treatment works capacity through
17 water conservation;

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

20 “(9) for the development and implementation of
21 watershed projects meeting the criteria set forth in
22 section 121.”.

23 (b) EXTENDED REPAYMENT PERIOD.—Section
24 603(d)(1) (33 U.S.C. 1383(d)(1)) is amended—

1 (1) in subparagraph (A) by inserting after “20
2 years” the following: “or, in the case of a munici-
3 pality that meets the affordability criteria estab-
4 lished under section 603(i)(2) by the State in which
5 the municipality is located, the lesser of 30 years or
6 the design life of the project to be financed with the
7 proceeds of the loan”; and

8 (2) in subparagraph (B) by striking “not later
9 than 20 years after project completion” and insert-
10 ing “upon the expiration of the term of the loan”.

11 (c) ADMINISTRATIVE EXPENSES.—Section 603(d)(7)
12 (33 U.S.C. 1383(d)(7)) is amended by inserting before the
13 period at the end the following: “, \$400,000 per year, or
14 $\frac{1}{5}$ percent per year of the current valuation of the fund,
15 whichever amount is greatest, plus the amount of any fees
16 collected by the State for such purpose”.

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

20 (1) by striking “and” at the end of paragraph
21 (6);

22 (2) by striking the period at the end of para-
23 graph (7) and inserting “; and”; and

24 (3) by adding at the end the following:

1 “(8) to provide to small treatment works (as
2 defined in section 607) technical and planning as-
3 sistance and assistance in financial management,
4 user fee analysis, budgeting, capital improvement
5 planning, facility operation and maintenance, repair
6 schedules, and other activities to improve wastewater
7 treatment plant management and operations; except
8 that such amounts shall not exceed 2 percent of
9 grant awards to such fund under this title.”.

10 (e) ADDITIONAL SUBSIDIZATION.—Section 603 (33
11 U.S.C. 1383) is amended by adding at the end the fol-
12 lowing:

13 “(i) ADDITIONAL SUBSIDIZATION.—

14 “(1) IN GENERAL.—In any case in which a
15 State provides assistance under subsection (d), the
16 State may provide additional subsidization, including
17 forgiveness of principal and negative interest loans,
18 for projects and activities eligible for assistance
19 under section 603(c)(1)—

20 “(A) to benefit a municipality that meets
21 the State’s affordability criteria established
22 under paragraph (2);

23 “(B) to benefit a municipality that does
24 not meet the State’s affordability criteria if the
25 recipient—

1 “(i) seeks additional subsidization to
2 benefit individual ratepayers in the resi-
3 dential user rate class;

4 “(ii) demonstrates to the State that
5 such ratepayers will experience a signifi-
6 cant hardship from the increase in rates
7 necessary to finance the activity; and

8 “(iii) ensures, as part of an assistance
9 agreement between the State and the re-
10 cipient, that the additional subsidization
11 provided under this paragraph is directed
12 through a user charge rate system (or
13 other appropriate method) to such rate-
14 payers; or

15 “(C) to implement alternative processes,
16 materials, and techniques (including non-
17 structural protection of surface waters, new or
18 improved methods of waste treatment, and pol-
19 lutant trading) that may result in cost savings
20 or increased environmental benefit when com-
21 pared to standard processes, materials, and
22 techniques.

23 “(2) AFFORDABILITY CRITERIA.—

24 “(A) ESTABLISHMENT.—On or before Sep-
25 tember 30, 2003, and after providing notice

1 and an opportunity for public comment, a State
2 shall establish affordability criteria to assist in
3 identifying municipalities that would experience
4 a significant hardship raising the revenue nec-
5 essary to finance a project or activity eligible
6 for assistance under section 603(c)(1) if addi-
7 tional subsidization is not provided. Such cri-
8 teria shall be based on income data, population
9 trends, and other data determined relevant by
10 the State.

11 “(B) EXISTING CRITERIA.—If a State has
12 previously established, after providing notice
13 and an opportunity for public comment, afford-
14 ability criteria that meet the requirements of
15 subparagraph (A), the State may use the cri-
16 teria for the purposes of this subsection. For
17 purposes of this Act, any such criteria shall be
18 treated as affordability criteria established
19 under this paragraph.

20 “(C) INFORMATION TO ASSIST STATES.—
21 The Administrator may publish information to
22 assist States in establishing affordability cri-
23 teria under subparagraph (A).

24 “(3) PRIORITY.—A State may give priority to a
25 recipient for a project or activity eligible for funding

1 under section 603(c)(1) if the recipient meets the
2 State's affordability criteria.

3 “(4) SET-ASIDE.—

4 “(A) IN GENERAL.—In any fiscal year in
5 which the Administrator has available for obli-
6 gation more than \$1,400,000,000 for the pur-
7 poses of this title, a State shall provide addi-
8 tional subsidization under this subsection in the
9 amount specified in subparagraph (B) to eligi-
10 ble entities described in paragraph (1) for
11 projects and activities identified in the State's
12 intended use plan prepared under section
13 606(c) as projects and activities to be sup-
14 ported, to the extent that there are sufficient
15 applications for such assistance.

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

21 “(i) the total amount that would have
22 been allotted to the State under section
23 604 for such fiscal year if the amount
24 available to the Administrator for obliga-

1 tion under this title for such fiscal year
2 had been equal to \$1,400,000,000; and

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

6 “(5) LIMITATION.—The total amount of addi-
7 tional subsidization provided under this subsection
8 by a State may not exceed 30 percent of the total
9 amount of capitalization grants received by the State
10 under this title in fiscal years beginning after Sep-
11 tember 30, 2002.”.

12 **SEC. 124. ALLOTMENT OF FUNDS.**

13 (a) IN GENERAL.—Section 604(a) (33 U.S.C.
14 1384(a)) is amended to read as follows:

15 “(a) ALLOTMENTS.—

16 “(1) FISCAL YEARS 2002 AND 2003.—Sums ap-
17 propriated to carry out this title for each of fiscal
18 years 2002 and 2003 shall be allotted by the Admin-
19 istrator in accordance with section 205(c).

20 “(2) FISCAL YEAR 2004 AND THEREAFTER.—
21 Sums appropriated to carry out this title for fiscal
22 year 2004 and each fiscal year thereafter shall be al-
23 lotted by the Administrator as follows:

24 “(A) Amounts up to \$1,350,000,000 shall
25 be allotted in accordance with section 205(c).

1 “(B) Amounts that exceed \$1,350,000,000
2 shall be allotted in accordance with the formula
3 developed by the Administrator under sub-
4 section (d).”.

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

7 “(d) FORMULA BASED ON WATER QUALITY
8 NEEDS.—Not later than September 30, 2003, and after
9 providing notice and an opportunity for public comment,
10 the Administrator shall publish an allotment formula
11 based on water quality needs in accordance with the most
12 recent survey of needs developed by the Administrator
13 under section 516(b).”.

14 **SEC. 125. INTENDED USE PLAN.**

15 (a) INTEGRATED PRIORITY LIST.—Section 603(g)
16 (33 U.S.C. 1383(g)) is amended to read as follows:

17 “(g) PRIORITY LIST.—

18 “(1) IN GENERAL.—For fiscal year 2004 and
19 each fiscal year thereafter, a State shall establish or
20 update a list of projects and activities for which as-
21 sistance is sought from the State’s water pollution
22 control revolving fund. Such projects and activities
23 shall be listed in priority order based on the method-
24 ology established under paragraph (2). The State
25 may provide financial assistance from the State’s

1 water pollution control revolving fund only with re-
2 spect to a project or activity included on such list.

3 “(2) METHODOLOGY.—

4 “(A) IN GENERAL.—Not later than 1 year
5 after the date of enactment of this paragraph,
6 and after providing notice and opportunity for
7 public comment, each State (acting through the
8 State’s water quality management agency and
9 other appropriate agencies of the State) shall
10 establish a methodology for developing a pri-
11 ority list under paragraph (1).

12 “(B) PRIORITY FOR PROJECTS AND AC-
13 TIVITIES THAT ACHIEVE GREATEST WATER
14 QUALITY IMPROVEMENT.—In developing the
15 methodology, the State shall seek to achieve the
16 greatest degree of water quality improvement,
17 taking into consideration section 602(b)(5), sec-
18 tion 603(i)(3), and whether such water quality
19 improvements would be realized without assist-
20 ance under this title.

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

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

3 “(ii) the State’s continuing planning
4 process developed under section 303(e);
5 and

6 “(iii) the State’s management pro-
7 gram developed under section 319.

8 “(D) EXISTING METHODOLOGIES.—If a
9 State has previously developed, after providing
10 notice and an opportunity for public comment,
11 a methodology that meets the requirements of
12 this paragraph, the State may use the method-
13 ology for the purposes of this subsection.”.

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

16 (1) in the matter preceding paragraph (1) by
17 striking “each State shall annually prepare” and in-
18 serting “each State (acting through the State’s
19 water quality management agency and other appro-
20 priate agencies of the State) shall annually prepare
21 and publish”;

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

24 “(1) the State’s priority list developed under
25 section 603(g);”;

1 (3) by striking “and” at the end of paragraph
2 (4);

3 (4) by striking the period at the end of para-
4 graph (5) and inserting “; and”; and

5 (5) by adding at the end the following:

6 “(6) if the State does not fund projects and ac-
7 tivities in the order of the priority established under
8 section 603(g), an explanation of why such a change
9 in priority is appropriate.”.

10 (c) **TRANSITIONAL PROVISION.**—Before completion
11 of a priority list based on a methodology established under
12 section 603(g) of the Federal Water Pollution Control Act
13 (as amended by this section), a State shall continue to
14 comply with the requirements of sections 603(g) and
15 606(e) of such Act, as in effect on the day before the date
16 of enactment of this Act.

17 **SEC. 126. ANNUAL FEDERAL OVERSIGHT REVIEW.**

18 Section 606(e) (33 U.S.C. 1386(e)) is amended by
19 adding at the end the following: “In carrying out an over-
20 sight review under this subsection, the Administrator may
21 allow a State to certify, with supporting documentation,
22 its compliance with the requirements of this title.”.

23 **SEC. 127. TECHNICAL ASSISTANCE.**

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

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

2 and

3 (2) by inserting after section 607 the following:

4 **“SEC. 607. TECHNICAL ASSISTANCE.**

5 “(a) ASSISTANCE FOR SMALL TREATMENT
6 WORKS.—

7 “(1) SIMPLIFIED PROCEDURES.—Not later than
8 1 year after the date of enactment of this section,
9 the Administrator shall assist the States in estab-
10 lishing simplified procedures for small treatment
11 works to obtain assistance under this title.

12 “(2) PUBLICATION OF MANUAL.—Not later
13 than 2 years after the date of the enactment of this
14 section, and after providing notice and opportunity
15 for public comment, the Administrator shall publish
16 a manual to assist small treatment works in obtain-
17 ing assistance under this title and publish in the
18 Federal Register notice of the availability of the
19 manual.

20 “(3) SMALL TREATMENT WORKS DEFINED.—
21 For purposes of this title, the term ‘small treatment
22 works’ means a treatment works for which a munici-
23 pality or intermunicipal, interstate, or State agency
24 seeks assistance under this title and which serves a
25 population of 20,000 or fewer.

1 “(b) ASSISTANCE FOR IMPROVING THE MANAGE-
 2 MENT OF WATER QUALITY INFRASTRUCTURE AND IN-
 3 CREASING COST-EFFECTIVENESS OF INFRASTRUCTURE
 4 IMPROVEMENTS.—At the request of any State, the Admin-
 5 istrator shall assist in the development of criteria for a
 6 State to determine compliance with the conditions of fund-
 7 ing assistance established under section 602(b)(13).”.

8 **SEC. 128. AUTHORIZATION OF APPROPRIATIONS.**

9 Section 608 (as redesignated by section 127 of this
 10 Act) is amended by striking paragraphs (1) through (5)
 11 and inserting the following:

12 “(1) \$2,000,000,000 for fiscal year 2003;

13 “(2) \$3,000,000,000 for fiscal year 2004;

14 “(3) \$4,000,000,000 for fiscal year 2005;

15 “(4) \$5,000,000,000 for fiscal year 2006; and

16 “(5) \$6,000,000,000 for fiscal year 2007.”.

17 **Subtitle C—General Provisions**

18 **SEC. 151. DEFINITION OF TREATMENT WORKS.**

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

21 “(21) The term ‘treatment works’ has the
 22 meaning given that term in section 212.”.

23 **SEC. 152. FUNDING FOR INDIAN PROGRAMS.**

24 Section 518 (33 U.S.C. 1377) is amended by striking
 25 subsection (c) and inserting the following:

1 “(c) RESERVATION OF FUNDS.—

2 “(1) IN GENERAL.—For fiscal year 1987 and
3 each fiscal year thereafter, the Administrator shall
4 reserve, before allotments to the States under sec-
5 tion 604(a), not less than 0.5 percent and not more
6 than 1.5 percent of the funds made available under
7 section 207.

8 “(2) USE OF FUNDS.—Funds reserved under
9 this subsection shall be available only for projects
10 and activities eligible for assistance under section
11 603(c) to serve—

12 “(A) Indian tribes;

13 “(B) former Indian reservations in Okla-
14 homa (as determined by the Secretary of the
15 Interior); and

16 “(C) Native villages (as defined in section
17 3 of the Alaska Native Claims Settlement Act
18 (43 U.S.C. 1602)).”.

19 **TITLE II—PRESERVATION OF**
20 **REPORTING REQUIREMENTS**

21 **SEC. 201. PRESERVATION OF REPORTING REQUIREMENTS.**

22 Section 3003(a)(1) of the Federal Reports Elimini-
23 nation and Sunset Act of 1995 (31 U.S.C. 1113 note)
24 does not apply to any report required to be submitted
25 under any of the following provisions of law:

1 (1) EXEMPTIONS FROM WATER POLLUTION
2 CONTROL REQUIREMENTS FOR EXECUTIVE AGEN-
3 CIES.—Section 313(a) of the Federal Water Pollu-
4 tion Control Act (33 U.S.C. 1323(a)).

5 (2) GREAT LAKES RESOURCES ON WHICH RE-
6 SEARCH IS NEEDED.—Section 118(d)(2) of the Fed-
7 eral Water Pollution Control Act (33 U.S.C.
8 1268(d)(2)).

9 (3) NATIONAL ESTUARY PROGRAM ACTIVI-
10 TIES.—Section 320(j)(2) of the Federal Water Pol-
11 lution Control Act (33 U.S.C. 1330(j)(2)).

12 (4) COMPREHENSIVE CONSERVATION AND MAN-
13 AGEMENT PLAN FOR LONG ISLAND SOUND.—Section
14 119(c)(7) of the Federal Water Pollution Control
15 Act (33 U.S.C. 1269(c)(7)).

16 (5) IMPLEMENTATION OF GREAT LAKES WATER
17 QUALITY AGREEMENT OF 1978.—Section 118(c)(10)
18 of the Federal Water Pollution Control Act (33
19 U.S.C. 1268(c)(10)).

20 (6) EFFECTS OF POLLUTION ON NATION'S ES-
21 TUARIES.—Section 104(n)(3) of the Federal Water
22 Pollution Control Act (33 U.S.C. 1254(n)(3)).

23 (7) NATIONAL REQUIREMENTS AND COSTS OF
24 WATER POLLUTION CONTROL.—Section 516 of the

1 Federal Water Pollution Control Act (33 U.S.C.
2 1375).

3 (8) STATUS OF WATER QUALITY IN UNITED
4 STATES LAKES.—Section 314(a)(3) of the Federal
5 Water Pollution Control Act (33 U.S.C. 1324(a)(3)).

6 (9) STATE REPORTS ON WATER QUALITY OF
7 ALL NAVIGABLE WATERS.—Section 305(b) of the
8 Federal Water Pollution Control Act (33 U.S.C.
9 1315(b)).

10 (10) LEVEL B PLAN ON ALL RIVER BASINS.—
11 Section 209(b) of the Federal Water Pollution Con-
12 trol Act (33 U.S.C. 1289(b)).

13 (11) REPORTS ON CONTRACTS ENTERED INTO
14 RELATING TO PROCUREMENT FROM VIOLATORS OF
15 WATER QUALITY STANDARDS.—Section 508(e) of the
16 Federal Water Pollution Control Act (33 U.S.C.
17 1368(e)).

18 **TITLE III—TAX PROVISIONS**

19 **SEC. 301. BONDS FOR WATER AND SEWAGE FACILITIES EX-** 20 **EMPT FROM VOLUME CAP ON PRIVATE AC-** 21 **TIVITY BONDS.**

22 (a) IN GENERAL.—Paragraph (3) of section 146(g)
23 of the Internal Revenue Code of 1986 (relating to excep-
24 tion for certain bonds) is amended—

25 (1) by inserting “(4), (5),” after “(2),” and

1 (2) by inserting “facilities for the furnishing of
2 water, sewage facilities,” after “wharves,”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to obligations issued after the date
5 of the enactment of this Act.

6 **SEC. 302. AMOUNTS FROM CERTAIN FEDERAL REVOLVING**
7 **FUNDS NOT TREATED AS BOND PROCEEDS**
8 **OR REPLACEMENT FOR BOND PROCEEDS**
9 **FOR PURPOSES OF ARBITRAGE BOND RULES.**

10 (a) **IN GENERAL.**—Subsection (a) of section 148 of
11 the Internal Revenue Code of 1986 (defining arbitrage
12 bond) is amended by adding at the end the following: “For
13 purposes of this section, proceeds of an issue, and
14 amounts used to replace proceeds of an issue, shall not
15 include any amount derived from a Federal grant or re-
16 lated State contribution made in connection with a revol-
17 ving fund established in accordance with title VI of the
18 Federal Water Pollution Control Act or section 1452 of
19 the Safe Drinking Water Act.”.

20 (b) **EFFECTIVE DATE.**—The amendment made by
21 this section shall apply to obligations issued or out-
22 standing after the date of the enactment of this Act, but
23 shall not apply for purposes of determining the amount
24 of any payment required to be made on or before such

1 date to the United States under section 148 of the Inter-
2 nal Revenue Code of 1986.

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