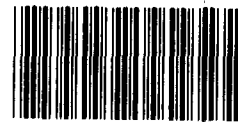


Report to the Chairman, Subcommittee
on Health and the Environment,
Committee on Energy and Commerce,
House of Representatives

July 1992

DRINKING WATER

Widening Gap Between Needs and Available Resources Threatens Vital EPA Program



147247

**RESTRICTED--Not to be released outside the
General Accounting Office unless specifically
approved by the Office of Congressional
Relations.**

554798

RELEASE

**Resources, Community, and
Economic Development Division****B-248095**

July 6, 1992

**The Honorable Henry A. Waxman
Chairman, Subcommittee on Health
and the Environment
Committee on Energy and Commerce
House of Representatives**

Dear Mr. Chairman:

As the primary program for ensuring the quality of the nation's drinking water supplies, the Environmental Protection Agency's (EPA) drinking water program is designed to fulfill one of the Agency's most important responsibilities—the protection of human health. Many of the regulated contaminants have been linked to cancer, birth defects, and other serious health problems. Consequently, EPA's Science Advisory Board's Subcommittee on Human Health recommended that exposure to drinking water pollutants be treated as one of only four "high-risk" human health problems warranting priority attention by EPA.

As agreed with your office, this report (1) summarizes the major issues that we have raised in the past concerning this program, (2) discusses funding and related problems that have affected the ability of EPA and the states to address these problems, and (3) explains EPA's new strategy to set priorities for the Agency and the states to deal with the funding problems. We also provide our observations on the effects that such a strategy may have on the capability of EPA and the states to adequately protect the public from contaminated drinking water.

In a June 1990 report, we discussed the extent to which drinking water systems have complied with requirements for monitoring water supplies and meeting drinking water standards; the effectiveness of states' and EPA's enforcement efforts to ensure compliance with these requirements; and the impacts of new drinking water requirements, mandated by the 1986 amendments to the Safe Drinking Water Act.¹ We also testified before your Subcommittee in May 1991 on EPA's efforts to resolve the problems discussed in that report² and have maintained a continuing dialogue with the Agency on these issues since that time.

¹Drinking Water: Compliance Problems Undermine EPA Program as New Challenges Emerge (GAO/RCED-90-127, June 8, 1990).

²Observations on Compliance and Enforcement in EPA's Drinking Water Program (GAO/RCED-91-47, May 10, 1991).

Results in Brief

Our 1990 report and subsequent testimony noted that (1) many water systems (particularly smaller systems) were violating requirements for monitoring water quality and meeting drinking water standards and (2) states' and EPA's enforcement actions often did little to deter such violations or return systems to compliance. While EPA has taken steps to address these problems—most notably, through a significant increase in the number of enforcement actions by states and EPA—the Agency's ability to monitor states' progress and bring about improved compliance by water systems has been hampered by budgetary constraints.

Funding shortages at the federal, state, and water system level have been and continue to be a major contributor to the program's problems. Increasingly, states have indicated that they are unable to implement core elements of their programs effectively, much less the new and more stringent requirements of the 1986 amendments to the Safe Drinking Water Act. As a consequence, a number of states are now faced with the real prospect of having to relinquish the responsibility for the entire program ("primacy") to EPA.

To assist states in reconciling the combination of growing program responsibilities and increasingly stressed budgets, EPA has developed a near-term strategy of assigning priorities to various aspects of the program to be addressed during the next 5 years. In addition to performing certain "base minimum state functions" deemed critical to maintaining primacy, states will be required to implement the "Priority 1" elements of each regulatory requirement, while addressing lower-priority elements as their capabilities allow. During this 5-year period, states will be expected to develop the capacity, through alternative financing strategies or other methods, to meet all program requirements after the period expires.

We believe the EPA strategy attempts to maximize public health protection by focusing states' attention on the most serious health risks. However, the strategy effectively postpones the implementation of some new requirements by the smallest water systems that typically have the most difficulty achieving compliance and downplays essential quality assurance activities, such as system inspections called sanitary surveys. Perhaps more important, many states will be unable to accomplish even the highest-priority items under the strategy. The strategy also assumes that the states will be able to resolve their financial dilemma at the end of the 5-year period; this assumption has little basis, particularly in light of the budgetary problems being experienced by many states and the enormous

competing demands of other environmental and nonenvironmental responsibilities.

These financial problems pose a genuine dilemma for EPA, given the chronic shortage of funding for many of the Agency's programs. However, in the absence of substantially greater resources to achieve EPA's target of fully implementing the act within 5 years, the citizens of some states will be left with fundamentally deficient state drinking water programs—or no state program at all if primacy is returned to EPA. Given EPA's own determination that protecting drinking water should be considered one of the Agency's most critical environmental responsibilities, we believe it preferable for EPA and the Congress to reexamine the program's funding priority rather than compromise vital program elements and the overall integrity of the program.

Background

To protect the public from the health risks associated with contaminated drinking water, the Safe Drinking Water Act, enacted in 1974, required EPA to establish (1) water quality standards or treatment techniques for contaminants that could adversely affect human health and (2) requirements for monitoring the quality of drinking water supplies and for ensuring the proper operation and maintenance of public water systems. In 1986, the Congress amended the act to significantly increase the number of contaminants to be regulated, strengthen EPA's enforcement authority, and establish various other requirements. All states but one have assumed primacy for managing their drinking water programs and receive grants from EPA to help pay for the oversight of water systems and other program responsibilities.

In implementing the program, EPA and the states rely heavily on water systems to demonstrate compliance with the program's requirements by periodically collecting water samples and having them tested in an approved laboratory. The test results are then reported to the states, which analyze the data to determine the water systems' compliance with monitoring requirements and water quality standards. The states, in turn, report identified violations to EPA.

If a violation occurs, the states are responsible for taking enforcement action against the water system. The states give priority to systems in "significant noncompliance"—a designation based on the frequency and/or magnitude of violations. EPA is responsible for enforcing cases when the states do not act.

Health Risks Associated With Contaminated Drinking Water

EPA's Science Advisory Board's Subcommittee on Human Health recommended treating exposure to drinking water pollutants as one of only four "high-risk" human health problems warranting priority attention by EPA. The Subcommittee's 1990 report noted that

Drinking water, as delivered at the tap, may contain agents such as lead, chloroform, and disease-causing microorganisms. Exposures to such pollutants in drinking water can cause cancer and a range of non-cancer health effects. This problem poses relatively high human health risks, because large populations are exposed directly to various agents, some of which are highly toxic.³

Without effective implementation and enforcement of EPA's drinking water regulations, large numbers of people could suffer serious acute or chronic health effects. For example, EPA estimates that nearly 90,000 cases of acute gastroenteritis could be avoided each year if requirements for filtration treatment were fully implemented. Similarly, EPA estimates that the lead rule will provide additional health protection to 140 million people, including over 18 million children who are particularly vulnerable to health effects such as impaired cognitive performance and delayed neurological and physical development. The regulation of synthetic organic and inorganic contaminants is expected to reduce exposure that might lead to chronic effects, such as cancer and damage to the nervous system, heart, liver, and other organs, in nearly 3 million people each year.

Previous Concerns Raised About Compliance With and Enforcement of EPA's Drinking Water Program

Our 1990 report stated that while EPA had reported that water systems were largely meeting monitoring requirements and drinking water standards, many violations were going undetected and unreported by water systems. We noted that the reasons reflect problems at the water system, state, and federal levels. At the water system level, violations were going undetected because of sampling errors by water system operators and, in some cases, the intentional falsification of test data. At the state level, EPA studies showed, and our field work confirmed, that (1) some identified violations were not being reported to EPA and (2) some states had adopted policies suspending or restricting certain EPA monitoring requirements. As a result, water systems were not performing all required tests. At the federal level, EPA lacked key data needed to determine water

³EPA Science Advisory Board, *Reducing Risk: Setting Priorities and Strategies for Environmental Protection* (SAB-EC-90-021), Sept. 1990, p. 14. The other three high-risk problems are ambient air pollutants, worker exposure to chemicals in industry and agriculture, and indoor pollutants. The report noted additional problem areas that involve potentially significant exposure of large populations to toxic chemicals, but stated that more complete data are needed to support these concerns.

system compliance and had to rely instead on state tracking systems, which, in some cases, were known to be inadequate.

We noted that sanitary surveys, in which state officials may test water quality, observe operators' procedures, and/or check the condition of equipment, were one of the most effective tools that states can use to help ensure compliance and correct problems before they become serious. However, although EPA regulations require states to have survey programs, financial constraints were leading many states to cut back on these and other quality assurance activities.

EPA had begun to put more emphasis on taking "timely and appropriate" enforcement as a means of returning violators to compliance, but we found that enforcement was often neither timely nor appropriate, even against significant noncompliers. For example, we reviewed 95 cases of significant noncompliance in six states and found that those states took timely and appropriate enforcement action, as defined by EPA policy, in only 24 cases. Moreover, many of the significant violations—some posing serious health risks—had persisted for years.

We made a number of recommendations to EPA to enhance quality assurance programs, strengthen enforcement, and take other measures to improve compliance. EPA responded with additional guidance to EPA regions and the states on detecting data falsification and other problems, expanded training, more frequent enforcement, and a variety of other measures. The Agency noted, however, that its ability to deal comprehensively with the significant problems facing the program was limited by its own budget as well as substantial budgetary constraints experienced by the states and the water system operators.

Growing Funding Shortages Contribute to Program's Problems

As problematic as compliance and enforcement already were, we noted that they would likely become more so in coming years as EPA established new standards and other requirements for water systems. As required by the 1986 amendments to the Safe Drinking Water Act, EPA has issued or will soon issue new regulations that will significantly increase program responsibilities for nearly all of the nation's 59,000 community water systems. Moreover, an additional 25,000 nontransient, noncommunity

water systems⁴ will have to meet the same standards as community water systems.

Although the actual impacts of the new requirements will not be known until all new regulations are implemented, water systems are expected to incur enormous costs and face difficult new challenges in achieving compliance with these requirements. In a May 1991 hearing, EPA testified that it expects the annual compliance costs to water systems to reach \$3 billion for the next two decades.⁵ According to EPA, these compliance costs are over and above water systems' major capital requirements estimated at more than \$150 billion, "most of which is needed for repair, replacement and growth in the basic infrastructure needed to simply deliver water to the customers."

The 1986 amendments also increased responsibilities for state drinking water programs. Among the states' new responsibilities are (1) identifying and classifying water systems that are required to provide filtration, (2) implementing a lead and copper corrosion control program, (3) assessing systems' vulnerability to contamination, and (4) expanding laboratory capabilities to handle work associated with the significant increase in regulated contaminants. State costs associated with these amendments are expected to increase by hundreds of millions of dollars annually. However, while the Safe Drinking Water Act authorizes EPA to pay up to 75 percent of the cost of administering state programs, the actual EPA contribution has been substantially less. On the basis of EPA fiscal year 1990 data, the federal share of state program costs averaged 45 percent and accounted for less than 25 percent in nine states.

We noted in our 1990 report that EPA had developed a "Mobilization Strategy" to encourage state and local governments, water systems, and private organizations to use creative approaches to find additional resources for state and local drinking water programs. However, EPA's efforts to help states find additional resources for their programs have met with mixed success. According to March 1992 EPA data, 23 states obtained increased resources during fiscal years 1990, 1991, or 1992 by adopting some type of fee system, obtaining increased appropriations, or receiving

⁴Community water systems primarily serve year-round residents, whereas noncommunity water systems serve transient or intermittent users at least 60 days out of the year. Nontransient, noncommunity water systems are public water systems—such as systems at hospitals, factories, and schools—that regularly serve at least 25 of the same people at least 6 months of the year.

⁵Testimony of LaJuana S. Wilcher, EPA Assistant Administrator for Water, before the Subcommittee on Superfund, Ocean, and Water Protection, Senate Committee on Environment and Public Works, on May 17, 1991.

additional staff years through internal agency redistributions. However, the EPA data also indicate that 21 states experienced cuts in their drinking water budgets during fiscal year 1991 and/or 1992,⁶ and fiscal year 1992 budget cuts were deemed likely in another five states.

In our May 10, 1991, testimony before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce, we warned that some states, faced with severe resource shortages, may have to shift their work priorities or further limit some program activities—including enforcement, laboratory testing, and sanitary surveys—to implement the existing and new requirements. We found such a prospect particularly disturbing in light of our findings that more consistent use of such activities is central to any effort to improve compliance and better protect the public from contaminated drinking water.

The discussion about state funding in EPA's proposed fiscal year 1993 budget makes it clear that the funding situation has continued to deteriorate further over the past year. Citing funding shortfalls in state programs on the order of hundreds of millions of dollars, EPA's budget notes, for example, that "states will need increased funding not only to carry out the new requirements, but also to maintain their current programs and achievements."

For the first time, EPA's budget also cites the "real possibility" that states experiencing difficulty in adopting and enforcing drinking water requirements may return primacy for the program to EPA. In fact, this possibility almost became a reality this year in Connecticut and Massachusetts. In each case, funding for the state's share of the drinking water program had been eliminated from the state's fiscal year 1993 budget, and proposed legislation to establish a user fee system to replace the general fund's support for the program was not enacted. Although both state legislatures decided to appropriate the necessary funds at the last minute, this is seen only as a temporary reprieve. Ultimately, the states will have to obtain approval for user fees if they are to retain primacy. According to officials from EPA and the Association of State Drinking Water Administrators, several other states are seriously considering primacy withdrawal or have notified EPA that they are unable to adopt new regulations without additional resources.

⁶Includes nine states that obtained increased resources in previous years.

EPA Deals With Worsening State Funding Problems by Setting Program Priorities

The EPA budget for fiscal year 1993 proposes \$58.9 million in grants to the states to implement their programs, an increase of \$8.95 million over spending levels for fiscal year 1992. The budget maintains that the increase is intended to "help the states defray the costs" of the new duties posed by recently issued regulations dealing with surface water treatment, bacteria, lead and copper, and organic and inorganic contaminants. But, EPA acknowledges that this increase will not come close to dealing with the financial crisis in state drinking water programs. Rather, the Agency is implementing a strategy to set "short-term" priorities in the drinking water program so that both EPA and the states can focus limited resources on the highest priorities first, while allowing states time to "build resources" in order to fully implement the program after a period of up to 5 years. EPA's strategy categorizes priorities into three parts:

- **Base minimum state functions.** These activities are deemed essential to carry out a state's drinking water program and are considered critical to a state's ability to maintain primacy. The activities include maintaining a data base management system, ensuring adequate laboratory capacity, adopting all EPA rules, and notifying all water systems of the regulatory requirements.
- **EPA priorities.** These are the functions to which EPA's Office of Ground Water and Drinking Water and the Agency's regional counterparts will devote their program resources.
- **State oversight priorities.** This category outlines and prioritizes the basic activities needed for the states to ensure implementation of each rule, including enforcement of filtration and disinfection requirements for surface water systems and monitoring requirements for bacteria, volatile organic chemicals, pesticides, and other contaminants. Priority 1 oversight activities target areas of greatest risk. Thus, for example, one Priority 1 oversight activity for the states is to ensure compliance with the Surface Water Treatment Rule by water systems with unfiltered and/or undisinfectated water, whereas ensuring compliance with the rule by systems with filtered water is a Priority 2 activity. It is the Priority 1 activities—in conjunction with the base minimum state functions—that EPA expects the states to focus on first. According to EPA's strategy, when Priority 1 activities are "completed," states are to focus on Priority 2 and 3 activities.

According to EPA, the priority-setting strategy is intended to give states time to develop adequate funding capacity for their program while they focus existing resources on those activities that would maximize public health protection. The strategy emphasizes that efforts to increase state

capacity will be required of each state that is unable to implement a full program, noting that "It is essential that the resource gap be narrowed, if not closed, by the end of the five-year period." The strategy also postulates that while it sets program priorities for EPA and state regulators, public water systems are not exempt from any statutory or regulatory requirements and must still "fully implement the regulations as each of the regulations requires with no delays."

EPA's Priority-Setting Strategy Is a Symptom of Fundamental Program Problems

The mere fact that EPA is implementing a priority-setting strategy is a vivid illustration of the program's serious condition. A vast gap exists between available resources and the funds needed to implement the program in a credible fashion. By delaying implementation of some program elements for 5 years, EPA will not alleviate the situation:

- In the near term, states will have great difficulty in implementing "Priority 1" elements and maintaining the base minimum program functions.
- In the long term, states are unlikely to build sufficient capacity to bridge the resource gap. In addition to fulfilling their existing responsibilities, states will have to implement additional regulatory requirements that are not addressed in the strategy and that are likely to have a major impact on states and water systems.

Near-Term Problems Implementing Basic Program Requirements

Well before EPA began considering its priority-setting strategy, the Agency was forced to acknowledge the financial burden that new regulations were imposing on the states and to take steps to give the states some relief. In December 1989, EPA revised state primacy requirements to allow states 18 months to adopt any EPA regulation from the time the regulation is issued by EPA. However, largely in response to concerns expressed by many states that their resources were "barely adequate to meet current program needs," the revised primacy requirements provide for an additional 2 years for states that cannot meet the 18-month deadline despite a good faith effort to comply. During the extension period, states are required to implement interim measures, such as informing public water systems of the new regulatory requirements and collecting laboratory results, and must develop a schedule indicating how they (the states) will build capability to adopt the new regulations.

By now establishing implementation priorities, EPA is acknowledging that, despite the availability of 2-year extensions, many states are still unable to find sufficient resources to adopt and implement new regulations. In fact,

according to EPA officials, the strategy stems from the Agency's recognition that states are already setting priorities on their own in an effort to focus limited resources on the types of problems the states believe pose the greatest risk to public health. Because EPA officials are uncomfortable with the prospect of seeing states pick and choose which regulatory requirements they will enforce, the Agency developed national priorities to ensure that the drinking water program would be implemented on a consistent basis nationwide.

EPA's priority-setting strategy defers or eliminates important program elements. For example, in the case of some new regulations, state oversight will initially be directed at larger water systems (categorized as Priority 1), and the monitoring of systems serving 150 people or fewer will be deferred until states build the capacity to handle these responsibilities.

EPA maintains that its strategy does not relax requirements for public water systems, which must implement all regulations as required "with no delays." As a practical matter, however, the deferral of state oversight means that monitoring water quality and installing treatment when necessary will often not take place at the water system level. Given the compliance problems typically experienced by the smallest water systems (which accounted for approximately 70 percent of all water systems with drinking water violations in fiscal year 1990) and the fact that small systems often lack the technical expertise required to achieve compliance, it is unrealistic for EPA to assume that the requirements will be implemented without state assistance and oversight.

EPA's strategy shifts state resources away from the quality assurance activities that have traditionally formed the backbone of state drinking water programs. For example, states can fulfill the requirement to conduct sanitary surveys simply by maintaining "a small number of individuals with the technical expertise needed to respond to emergencies and perform a limited number of sanitary surveys." Other key quality assurance activities, such as water system operator certification and training programs, are not even mentioned in EPA's strategy document. EPA officials acknowledge that in order to fulfill the base minimum functions and Priority 1 oversight activities, states will have to reduce or eliminate certain quality assurance activities. Yet, our 1990 report suggested that these quality assurance activities promote better compliance by water systems and that eliminating or de-emphasizing these activities would be counterproductive.

Notwithstanding our concerns about program activities that are deferred or excluded, a larger question raised by EPA's strategy is whether states will even be able to accomplish Priority 1 oversight activities. In commenting on EPA's draft strategy, the Association of State Drinking Water Administrators said that Priority 1 activities in EPA's initial proposal were unachievable and offered a counterproposal that was far more restrictive. For example, instead of requiring states to oversee implementation of the lead rule at water systems serving more than 500 people and in other known high-risk situations, as outlined in one of the options initially proposed by EPA, the Association proposed to limit Priority 1 oversight to water systems serving more than 50,000 people plus known high-risk situations. Water systems serving between 3,300 and 50,000 people would be categorized for Priority 2 oversight, and the smallest systems would be given Priority 3 status.⁷ In its written comments on EPA's strategy, the Association said that its proposed changes "must be made if there is to be any chance that the full array of priority 1 activities will be accomplished." EPA received similar comments from individual states.

How EPA reorders its implementation priorities may be immaterial in states where the primary concern is finding the resources to adopt the new regulations in the first place. In a few instances, states have already indicated that a lack of resources will prevent them from taking on new requirements. For example, in a November 1991 letter, California notified EPA that the state does not have the resources to adopt the lead and copper rule, which the state estimates will cost \$1.8 million during the first year and \$5.8 million by the fourth year of implementation. Both Colorado and Pennsylvania have indicated that they may have similar problems in adopting the lead and copper rule.

Program Also Faces Serious Long-Term Problems

The long-term outlook for EPA's implementation strategy hinges on the assumption that the resource problem will eventually be solved as states build their capacity during the 5-year period. According to EPA's proposed fiscal year 1993 budget, the Agency intends to "leverage an even greater commitment from state authorities, in the form of higher state program budgets, innovative program funding, and/or greater regulatory program productivity." However, the budget provides little indication as to how this leveraging would be done. In fact, as appendix I illustrates, EPA itself expects that state and federal contributions to the drinking water program,

⁷In its final strategy, issued on June 15, 1992, EPA limits Priority 1 oversight for the lead rule to systems serving more than 3,300 people; oversight of the smaller systems is categorized as a Priority 2 activity.

in total, will account for substantially less than what will be required to implement the program by fiscal year 1995.

Many states raised serious questions about the feasibility of obtaining additional funding at a recent conference of the Association of State Drinking Water Administrators. According to the Association's incoming president and manager of South Carolina's drinking water program, at least 33 states are experiencing budget deficits this year totaling more than \$15 billion, and many drinking water programs are facing across-the-board budget cuts, layoffs, and furloughs. In commenting on EPA's expectation that states will be able to build sufficient capacity over the next 5 years, the California program manager said "that is simply not going to happen." Moreover, even if states are somehow able to implement all the regulations covered in EPA's strategy, they will soon be faced with additional costly drinking water regulations, including requirements for regulating radionuclides and disinfection by-products and providing disinfection treatment at groundwater systems.

Superimposed on these drinking water funding problems is an accumulation of other responsibilities—environmental and nonenvironmental—that have been devolved to states in recent years by the federal government. We noted in a recent report that alternative financing schemes like augmented user charges and fees cannot be expected to solve state and local funding problems, given the burden of other environmental commitments that have been devolved during the past decade from the federal government.⁸ The report cites an EPA projection that total annualized environmental costs to local governments will increase by almost 70 percent between 1987 and 2000, from \$19 billion to over \$32 billion (in constant 1986 dollars).⁹ The report also quotes New York's Deputy Commissioner for Natural Resources, who asserted that "The states have exercised a great deal of creativity to look at every possible way of raising money—fees, dedicated trusts, everything you could possibly think of . . . [All of these alternatives] are not sufficient to do the job."

We believe that in the absence of substantially greater resources to achieve EPA's target of fully implementing the act within 5 years, the citizens of some states will be left with fundamentally deficient state

⁸Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97). See chapter 5, "Local Financing Requirements Need to Be Addressed."

⁹In addition to drinking water treatment costs, other major expenditures are slated for sewage sludge disposal, solid waste disposal, and wastewater treatment.

drinking water programs—or no state program at all if primacy is returned to EPA. In both cases, EPA would be required to take responsibility for the program.

In fact, EPA officials have expressed their intention to take a more aggressive stance by withdrawing primacy from states that are unable to fulfill their program responsibilities. EPA's ability to do so, however, appears questionable in light of its own resource constraints. According to EPA's proposed fiscal year 1993 budget, for example, its resources "would be insufficient to commence direct implementation in many states" if required to do so. One headquarters program manager estimated that EPA has only enough resources to handle direct implementation in three or four states and would have to run a very limited program, designed primarily around enforcement.

Conclusions

These financial problems pose a genuine dilemma for EPA, given the serious funding shortfalls among many of the Agency's other programs. For some time now, EPA has responded to these shortfalls with a stated policy of focusing limited budgetary resources on activities associated with the greatest environmental and health risk to maximize the benefit of scarce funding for the environment. As noted by EPA's Science Advisory Board and numerous other experts, the Agency's stewardship of the nation's drinking water supplies clearly qualifies as one of these activities.

Nevertheless, for years, the drinking water program's funding has been inadequate to meet the growing demands placed on the states and water systems—a trend perpetuated once again as evidenced by EPA's fiscal year 1993 budget proposal. The cumulative effect of this practice has been that one of EPA's most important programs is approaching a state of disrepair.

Under such circumstances, it is understandable that EPA drinking water officials would attempt to establish priorities among program elements. However, after examining the strategy and discussing its feasibility with EPA and state program managers, we believe that the strategy essentially sidesteps the fundamental problem facing the drinking water program today. By sanctioning yet another delay while once again hoping that states will "build capacity," EPA does little to alleviate the underlying problem of insufficient resources. Accordingly, as part of the fiscal year 1993 budget process, we believe that EPA and the Congress should engage in an open and frank discussion on the minimum funding levels needed to maintain the integrity of the program.

We also believe that to avert a deepening crisis in the long term, EPA will need to find more innovative and cost-effective ways to achieve compliance. This is particularly important for the thousands of small water systems whose limited rate bases often cannot generate sufficient funds for traditionally engineered treatment.

Matter for Congressional Consideration

In light of the financial problems threatening the viability of the drinking water program, and its vital importance in protecting human health, the Congress should, after consulting with EPA and other concerned parties, consider revising EPA's proposed fiscal year 1993 budget request to provide the minimum funding levels needed to maintain the integrity of this program.

Agency Comments

We discussed the facts in this report with officials from EPA's Office of Ground Water and Drinking Water, who generally agreed with the information presented. We have incorporated their comments in the report where appropriate. As requested, however, we did not obtain written agency comments on a draft of this report.

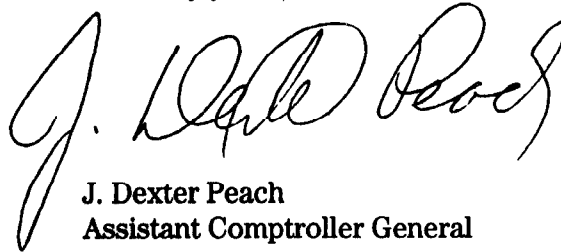
Scope and Methodology

To accomplish our objectives, we interviewed officials in EPA's Office of Ground Water and Drinking Water and regional offices and drinking water program managers in several states. In addition, we interviewed officials of the Association of State Drinking Water Administrators and attended the Association's annual conference at which EPA and state officials discussed resource concerns and their impact on program implementation. We also reviewed EPA's proposed fiscal year 1993 budget; a February 1992 summary of state budget conditions, which was prepared by the National Conference of State Legislatures; EPA's draft and final strategy for setting program priorities; and other relevant documents. We performed our work in accordance with generally accepted government auditing standards between March and June 1992.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Administrator of EPA and other interested parties. We will make copies available to others on request.

This report was prepared under the direction of Richard L. Hembra, Director, Environmental Protection Issues, who can be reached at (202) 275-6111 if you or your staff have any questions. Other major contributors to this report are listed in appendix II.

Sincerely yours,

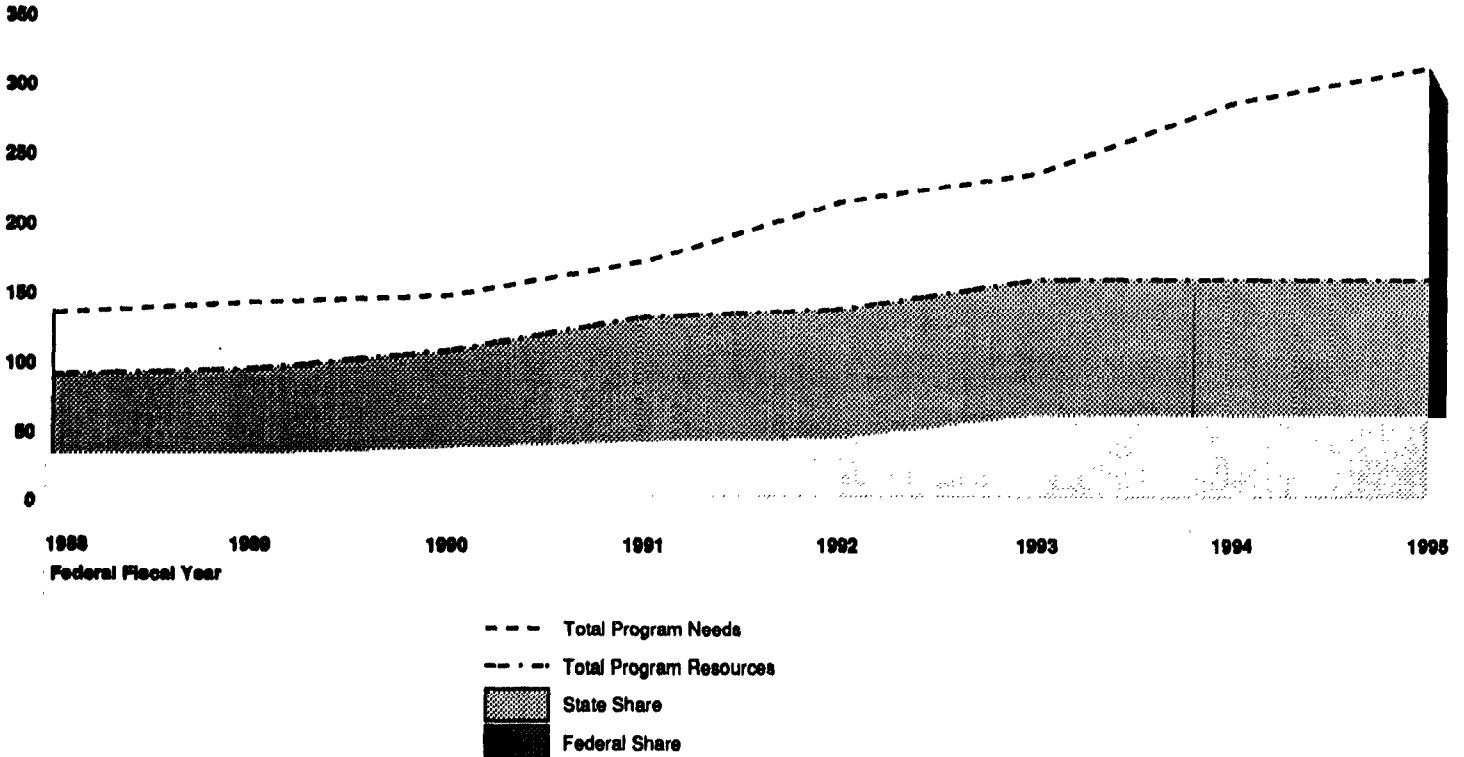


J. Dexter Peach
Assistant Comptroller General

Total Drinking Water Program Needs Outpace Federal and State Resources

Total Drinking Water Program Needs Outpace Federal and State Resources

Dollars in Millions



Source: EPA Office of Ground Water and Drinking Water.

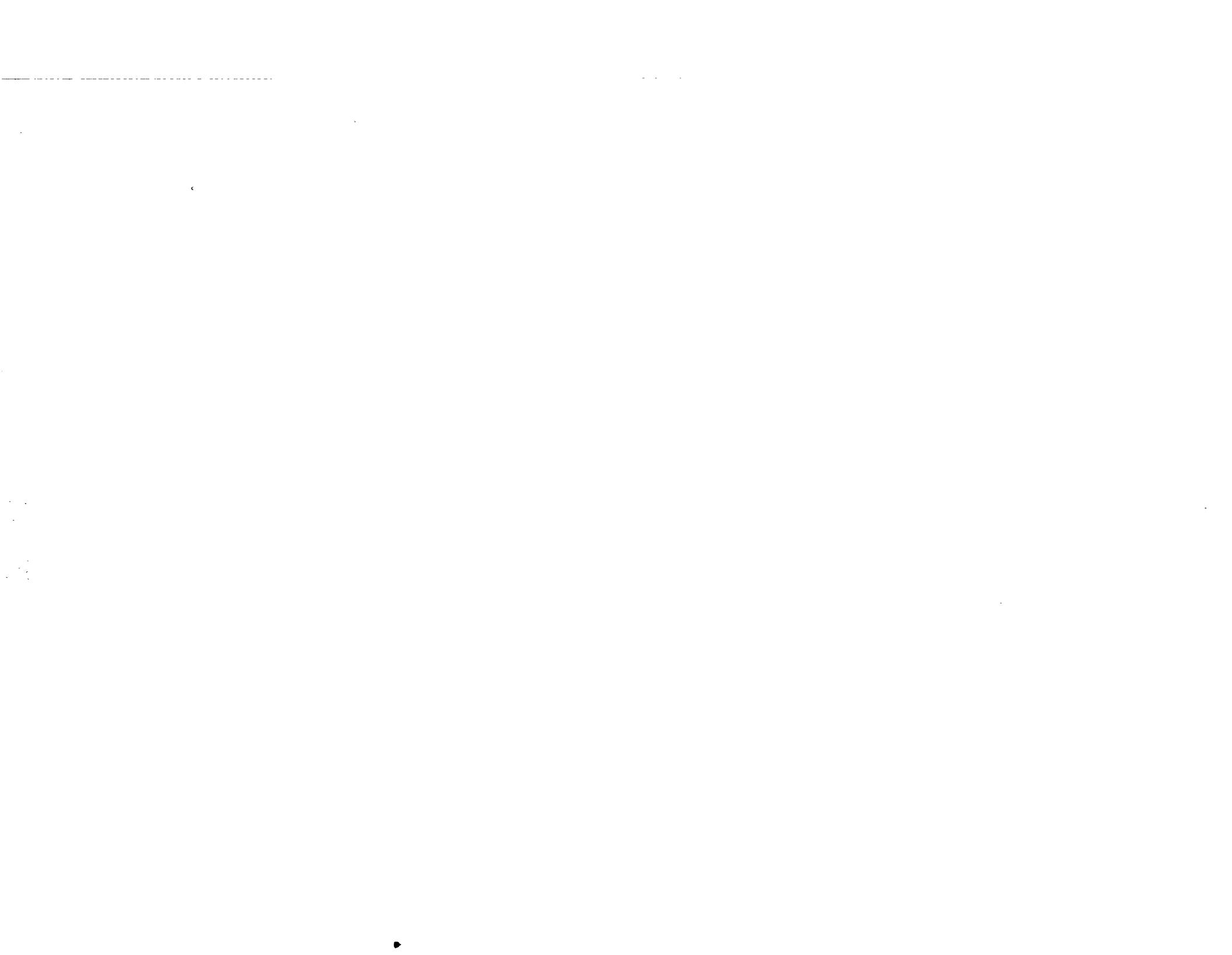
Major Contributors to This Report

**Resources,
Community, and
Economic
Development Division,
Washington, D.C.**

**Peter Guerrero, Associate Director
Steve Elstein, Assistant Director
Lisa Pittelkau, Staff Evaluator**

**Boston Regional
Office**

Ellen Crocker, Evaluator-in-Charge



Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**