



TO: Orange County Sanitation District

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SUBJECT: June Federal Legislative Update

Congress continues efforts to finalize a budget reconciliation package that would determine federal spending priorities over the next 10 years. After the House of Representatives passed the “One Big Beautiful Bill” (H.R. 1), attention has shifted to the Senate. The Senate is now debating revisions to H.R. 1 to include deeper spending cuts beyond the \$1.5 trillion already approved by the House, and to address changes in tax policy—including a proposal to increase the State and Local Tax (SALT) deduction cap.

The United States Environmental Protection Agency (U.S. EPA) is also continuing its work on regulating per- and polyfluoroalkyl substances (PFAS), also known as “forever chemicals.” At the same time, Congressional appropriations committees have begun reviewing the President’s proposed budget for Fiscal Year 2026, which recommends major domestic spending cuts and increased funding for national defense programs.

Below is a summary of current legislative and policy developments relevant to **OC San**.

Senate Debate on House Budget Reconciliation Bill Introduces New Obstacles

The House of Representatives passed H.R. 1 by a narrow 215–214 vote, setting federal spending levels and tax changes for the next decade. The vote was along party lines. In the Senate, however, the bill is facing several challenges.

Key Senate opponents include fiscally conservative members such as Senator Rand Paul (R-KY) of Kentucky, who is advocating for additional spending cuts over the next 10 years and wants to separate out of the reconciliation measure an increase in the debt ceiling limit. Further concerns among Senators include proposals to repeal clean energy tax credits established under the Inflation Reduction Act, implement restrictions to Medicare, and reduce the SALT deduction cap House increase (from \$10,000 to \$40,000) back to the current \$10,000 cap. These issues are the challenge that Senate Majority Leader John Thune (R-SD) faces in securing 51 votes to move a final compromise forward.

Due to these disagreements, it is unlikely that Congress will meet the President's request to finalize a compromise by July 4. Debate is expected to extend into most of July.

For **OC San**, there are no direct impact changes to water policy in H.R. 1, aside from funding allocations: \$2 billion for water storage projects north of the Sacramento–San Joaquin Delta and \$500 million for water conveyance south of the Delta. However, the proposed Senate approach would not provide \$2 billion for water storage, providing only \$500 million to rehabilitate conveyance facilities.

Importance of Budget Reconciliation

Budget reconciliation sets the overall federal funding limits for the next 10 years. While Congress can revise the plan later, the first five years are usually considered locked in. The current political divisions—between deficit-conscious lawmakers, supporters of higher SALT deductions, and differing positions on Medicare and clean energy—could influence the final shape of the bill and the President's broader tax and spending priorities.

Fiscal Year 2026 Appropriations Process Underway

The House Committee on Appropriations has started reviewing proposed spending for Fiscal Year 2026. A vote on the U.S. EPA's funding bill is expected by the end of June. Meanwhile, the Senate Committee on Appropriations is reviewing the Administration's full budget request. Both chambers are expected to release their versions of spending bills this summer. The new fiscal year begins on October 1.

Importance of Appropriations Process

The President's budget proposal includes eliminating the State Revolving Loan Fund, which supports water and wastewater infrastructure, and significantly cutting State and Tribal Assistance Grants. This priority is premised on the notion that federal assistance is no longer appropriate, and that each state should finance its needs. However, Congressional hearings have shown bipartisan support for preserving these programs. While funding is expected to continue, it remains uncertain whether Congress will pass all required spending bills by October 1. If not, temporary funding extensions (Continuing Resolutions) will be needed.

NPDES Permitting Reforms Legislation

Congress is considering changes to the National Pollutant Discharge Elimination System (NPDES), which currently requires clean water agencies to renew discharge permits every five years. Proposed reforms would allow longer permit terms when renewals offer no environmental benefit.

The House Committee on Transportation and Infrastructure is expected to approve legislation similar to last year's H.R. 7023, which included a proposal by Representatives Ken Calvert and John Garamendi to extend NPDES permits to ten years. Their bill has been reintroduced as H.R. 2093. The Senate Committee on Environment and Public Works is reviewing its own version.

Importance of Ten-Year Permits Legislation

Longer NPDES permit terms would reduce regulatory burden and compliance costs for agencies like **OC San**, especially as interest in permitting reform grows in both Congress and the Administration.

'Do Not Flush' Legislation Advances in the Senate

The Wastewater Infrastructure Pollution Prevention and Environmental Safety (WIPPES) Act (H.R. 2269) is advancing in Congress. The House is preparing for a vote, and the Senate version (S.B. 1092) was approved by the Senate Committee on Commerce on May 21. A full House vote is expected before July 4th. A Senate vote is expected no earlier than July. If both chambers pass similar versions, they could move forward without needing a formal conference committee.

Importance of Senate Action on WIPPES Act

The legislation would establish a nationwide labeling requirement for wipes products, ensuring they are marked "Do Not Flush." This would align with California law and help prevent clogs in sewer systems. **OC San** has already sent letters of support to members of Congress.

U.S. EPA Administrator Outlines Priorities for PFAS Regulation

U.S. EPA Administrator Zeldin recently shared his agency's approach for PFAS, emphasizing the importance of science and real-time data in decision-making. Key priorities include:

- Appointing a lead official to coordinate PFAS policy.
- Protecting "passive receivers" (e.g., wastewater utilities) from Superfund liability.
- Finalizing a PFAS risk assessment model for biosolids.
- Setting stricter discharge limits for industries that use or produce PFAS.
- Improving real-time PFAS monitoring.
- Using multiple environmental laws to regulate PFAS, including the Clean Water Act, Clean Air Act, Safe Drinking Water Act, Solid Waste Disposal Act, and the Toxic Substances Control Act.

Importance of Administrator's Position

The Administrator's support for protecting wastewater agencies from liability is significant, especially as PFAS is now classified as a hazardous substance. **OC San** could benefit from stronger legal protections and updated biosolids management practices, which would support the development of new treatment technologies and reduce compliance risks.