



TO: Orange County Sanitation District

FROM: Eric Sapirstein

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SUBJECT: Washington Update

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The White House finalized and transmitted its Fiscal Year 2027 (FY 2027) budget request to Congress, with federal agency leadership testifying before the Committees on Appropriations. On the policy front, Per- and polyfluoroalkyl substances (PFAS) passive receivers' stakeholders continued to advocate for PFAS Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) liability exemption and the Senate passed the WIPPES Act (S.1092) setting the stage for final passage for early summer. Finally, the U.S. Environmental Protection Agency unveiled the Water Reuse Action Plan 2.0.

### ***Fiscal Year 2027 Development Gets Underway***

On April 3, the White House transmitted the FY 2027 Budget Request to Congress, outlining the Administration's funding recommendations for the coming year. Overall, for FY 2027, the White House is recommending a 42 percent increase in defense spending and a 10 percent decrease in domestic spending compared to enacted FY 2026 levels. The budget request proposes significant cuts to the U.S. Environmental Protection Agency (USEPA) and the U.S. Bureau of Reclamation (USBR), including their respective water infrastructure and water quality programs.

For the USEPA, the Budget Request proposes a total of \$4.2 billion, representing a 52 percent decrease for the agency. Within this overall reduction, the Administration recommends effectively eliminating the State Revolving Loan Fund (SRF) by funding the Clean Water SRF (CWSRF) at \$155 million and the Drinking Water SRF (DWSRF) at \$150 million, citing that water infrastructure funding should be the responsibility of states rather than the federal government. Similarly, for the Water Infrastructure Finance and Innovation Act (WIFIA) program, the Budget Request proposes \$8 million, effectively cutting the program. Despite these proposed cuts, it is tradition for Congress to largely ignore the Budget Request's proposals as it develops appropriations.

While Congress is behind schedule in passing spending bills, the transmittal of the budget request allows the process to begin in both the House and the Senate. House leadership has stated its intention to advance spending bills out of the House and to the Senate by July 4. Even under this timeline, we anticipate that Congress will ultimately pass a continuing resolution to keep the government open until after lawmakers return following the midterm elections.

### ***PFAS Passive Receivers Protection***

With a focus on securing congressional action on a CERCLA liability exemption, the Passive Receivers Coalition convened a congressional briefing on March 23 to review the challenges that the water sector, and other passive receivers, are encountering because of USEPA's designation of PFAS as a CERCLA hazardous substance. The briefing reinforced the need for water sector liability protections and was positively received by congressional staff that attended the briefing.

As a follow-up to the briefing, Representative Scott Peters (D-CA), who sits on the CERCLA Committee on Energy and Commerce, staff discussed with us potential approaches to protect water and wastewater agencies from nuisance liability in lieu of rewriting CERCLA's overall liability provisions. We continue to provide information to his staff on how to advance such an approach that would provide OC San and other agencies with appropriate protections in any legislation.

### ***Senate Passes "Do Not Flush" Wipes Labeling Legislation***

Recently, the Senate passed the [WIPPES Act \(S.1092\)](#) under unanimous consent, a procedure reserved for bipartisan, non-controversial legislation that has the support of the committee of jurisdiction's leadership and draws no objection from the full Senate. S.1092 would establish federal "Do Not Flush" labeling requirements for non-flushable wipes packaging, mirroring California's existing law. The legislation has been received in the House and is awaiting further action. Final passage would mean California's "Do Not Flush" label standard becomes the official national labeling standard for non-flushable wipes.

Given the legislation's bipartisan support and the House's record of bipartisan endorsement of the WIPPES Act positions the bill for likely passage later this summer. OC San has publicly supported the WIPPES Act legislation.

### ***U.S. Environmental Protection Agency Unveils WRAP 2.0***

The USEPA has unveiled the Water Reuse Action Plan (WRAP) 2.0. WRAP was first released in 2020 to advance the acceptance, adoption, and integration of water reuse systems broadly, helping address water resource resilience. WRAP 2.0 outlines initiatives to further advance and integrate industrial water reuse in support of U.S. economic growth, technological innovation, cooperative federalism, and energy dominance.

A key focus of WRAP 2.0 is increasing artificial intelligence (AI) data centers' water reuse initiatives and investments to help ensure the U.S. remains competitive in the AI race, while also addressing water supply scarcity and cost concerns posed to local water agencies and communities. To address these issues, WRAP 2.0 proposes a "Collaboration and Cooperative Federalism Initiative," which includes interagency coordination among federal agencies and state and local governments to identify effective strategies for advancing water reuse at the local level, ensure adequate resource support for projects, and improve communication and education efforts between industries and communities. USEPA will implement WRAP 2.0 initiatives on a rolling basis in the coming years.