



TO: Orange County Sanitation District

FROM: Eric Sapirstein

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SUBJECT: Washington Update

The past month's congressional and agency activities focused on budgetary matters as Administration officials came before Congress to explain the details underlying the Fiscal Year 2027 funding requests. The House Committee on Appropriations kicked off consideration and approval of several spending bills for Fiscal Year 2027. By the end of May or early June, we anticipate that the Department of the Interior, U.S. Department of Agriculture, and U.S. Environmental Protection Agency (EPA) budget will be approved. The Administration continued implementing regulatory reforms with important impacts to the wastewater community focusing on biosolids management.

Fiscal Year 2027 Spending

The House Committee on Appropriations received testimony from EPA Administrator Lee Zeldin on the agency's spending priorities. Zeldin provided similar testimony to the Senate Committee on Environment and Public Works and is slated to testify before the Senate Committee on Appropriations. Zeldin's testimony revealed an ongoing priority to reduce federal spending on EPA programs. Notable is the priority to reduce core agency programs that support water infrastructure. Zeldin was met with bipartisan concerns over the proposed ninety percent reduction in the agency's water infrastructure programs (State Revolving Loan Fund (SRF) and Water Infrastructure Finance and Innovation Act (WIFIA)). Under the budget request, \$300 million would fund agency support to states that implement and management the SRF. By comparison current year SRF funding is \$1.3 billion and another \$1 billion was allocated to specific community projects funding. This reduction, as well as the elimination of WIFIA funding, factored into an overall fifty percent spending reduction for EPA under the budget request. In a contentious back and forth with House Committee on Appropriations members, Zeldin informed the committee that he would have supported higher water infrastructure spending levels but stated that Congress would just earmark more projects.

During testimony before the Senate Committee on Environment and Public Works and the Senate Committee on Appropriations, senators expressed a shared sentiment that Congress would be unlikely to support such significant spending cuts. Review of the proposal also highlighted that national water infrastructure needs are projected to exceed \$1.3 trillion over the coming decades.

Importance of FY 27 Appropriations and Budget Hearings

Congressional hearings regarding the EPA budget and funding for water-related programs reinforced the view that the proposed budget request, which seeks significant reductions in federal support, is unlikely to gain traction. Based on testimony and congressional response, it appears likely that Congress will approve funding for EPA water programs at levels largely consistent with current spending.

Biosolids Management and PFAS Risk Assessment Model

EPA continues to consider its options to finalize the draft Risk Assessment Model for biosolids and land application related to per-and polyfluoroalkyl (PFAS) contamination. Earlier this month, the Office of Water Assistant Administrator Jessica Kramer announced her intention to issue formal guidance. This guidance would be used to better inform the public and the wastewater industry on the safety of biosolids land application and how to implement management programs. We expect that the guidance will rely upon a tiered approach to managing biosolids instead of a one size fits all risk assessment model. In her statement, she noted that there needs to be an improved approach to define the real threats from PFAS and biosolids. In turn, this would allow for sound decisions to be made on the land application management option while protecting public health. To this end, she highlighted the value of a tiered approach that would establish PFAS limits based upon management practice and human exposure. The guidance is considered vital due to the confusion created by the draft Risk Assessment Model. This model received more than 24,000 public comments. Many of the comments cited the fundamentally flawed assumptions and unvalidated science EPA used to establish a PFAS threshold limit that would eliminate safe biosolids management practices.

The EPA is expected to issue the guidance in the coming weeks. It will be subject to public comment. Once finalized, the guidance will be available to the states to ensure that, in the absence of a final risk assessment model, the states do not rely upon the draft model to set policy and standards that would otherwise eliminate safe biosolids management practices.

In addition, the Environmental Council of the States (ECOS) is expected to issue a policy statement that will support the effort to address potential liability for the water sector associated with EPA's designation of PFAS as a hazardous substance under Superfund. The action would follow the State of New Mexico urging Congress to provide a liability exemption that echoes the water sector's advocacy. Assuming that ECOS releases this policy position, it is expected to boost efforts in Congress to address and pass an amendment to deliver protections for the water sector (and other passive receivers) from potential Superfund liability.

Importance of Guidance

A number of states have relied upon the draft Risk Assessment Model to set standards for biosolids that contain PFAS. At this writing, California does not have such a standard. Because the EPA has not finalized the model and it is unclear when it will be finalized. Despite this circumstance, some states have relied upon the draft risk assessment to guide state standards. This has impacted the affordability or use of land application options. If the guidance is adopted in final, it would address concerns that states are inappropriately relying on a risk assessment model that remains in draft and not approved to establish a state standard of risk and subsequent acceptable management options.