

Federal Update

Monterey Peninsula Water
Management District

Legislative Advocacy
Committee

July 28, 2025

tfg





Washington, DC Political & Water Landscape


House: 219
Republicans, 212
Democrats, 4
vacancies.

Senate: 53 Republicans,
45 Democrats, 2
Independents (caucus
with Dems).

Republican control
driving shift toward
supply-first, economic
infrastructure.

Focus on
accountability,
permitting reform, and
use of existing
authorities.

Minimal tolerance for
equity/climate framing
in water infrastructure
requests.



Federal Water Policy Themes – 2025-2026

Federal Water Themes 2025-2026

Federal initiatives focus on

- cost savings, economic growth
- regulatory simplification and streamlining
- sustainable water management
- and environmental stewardship linked to all the above.

Legislative Landscape

- **Reconciliation & Major Legislative Packages**
 - Passage of the Trump Administration's priorities in the reconciliation package, One Big Beautiful Bill.
 - Tax-focused, limited infrastructure provisions, and climate program rescissions.
 - Focus has now shifted to regular order appropriations, rescissions, regulatory reform, project streamlining, and more narrow bipartisan infrastructure and policy proposals.



Municipal Bond Protections – Key Win

- **District Priority: Preserve Tax-Exempt Status of Municipal Bonds**
 - Previous legislative proposals threatened tax advantages of municipal bonds (e.g., elimination of tax-exemption).
 - *Outcome:* No adverse changes adopted; protections for municipal bonds remain intact.
 - This outcome ensures continued affordability of debt-financed infrastructure for local agencies, including the District.



FY 2026 Federal Appropriations

- **Appropriations Cycle Status**
 - **Energy & Water Development Appropriations Bill**
 - *Passed the House Appropriations Committee (Full Committee Reported).*
 - *House bill includes \$9 million in unallocated EI funds that the District can compete for to support the Monterey Peninsula Stormwater Diversion and Recycling Project*
 - *Awaiting Senate action; expect Committee consideration in September.*
 - **Senate E&W Subcommittee Chairman John Kennedy (R-LA)** has expressed **dissatisfaction with high allocation**, potentially slowing progress.
- **Implication for District**
 - Funding delays or reductions could impact project timing.



District's Corps of Engineers Project – FY 2026 Requests

Monterey Peninsula Stormwater Diversion and Recycling Project

- **Section 219 Environmental Infrastructure**
 - Request for funding submitted under this authority – secured in the Water Resources Development Act of 2022 – for *the Monterey Peninsula Stormwater Diversion and Recycling Project*
- **Congressional Support**
 - **Senator Alex Padilla** and **Senator Adam Schiff** have formally requested funding for the District's project.

Water Resources Development Act (WRDA) Outlook



- **District-Supported Reform Proposal**
 - Proposal to amend **WRDA** to:
 - Allow **Corps Environmental Infrastructure funding** to be provided on a **reimbursement basis**.
 - Would offer more flexibility to non-federal sponsors such as the District.
- **Status:** Early stages; House and Senate consideration likely early 2026.

DOT–Water Infrastructure Integration

- **Emerging Opportunity: Prioritizing Transportation Investments Tied to Water Infrastructure**
 - Congress exploring policy avenues to:
 - Prioritize transportation projects key to maximizing the benefits of federal support for water infrastructure.
- **District Benefit**
 - Could open new federal funding channels for transportation improvements required for MPWMD's long-term water supply reliability projects, particularly those that involve construction access, emergency egress routes, or resilience upgrades for coastal infrastructure.



Culverts, Wildlife Crossings

Federal Legislative Movement

- Both House and Senate committees are considering consolidation of culvert remediation and wildlife crossing programs (e.g., under FHWA or DOT umbrella).
- Goal: Streamline and expand funding for infrastructure that supports fish migration, habitat connectivity, and ecosystem resilience.

Opportunity for the District

- Consolidated program could increase available funding for culvert upgrades that could advance the District's restoration priorities.

Trump Administration's RFI (Request for Information) – July 2025

- Department of Transportation issued a public call for non-federal stakeholder input on policy and program changes should be considered in the next surface transportation authorization.

Water Legislation

Several water-related bills have been introduced in the new Congress, including:

- **H.R. 1894 - Federally Integrated Species Health (FISH) Act**, introduced by Rep. Ken Calvert (R-CA)
- **S. 783 - Assistance for Rural Water Systems Act**, introduced by Sen. Jeanne Shaheen (D-NH)
- **H.R. 338 - The Every Drop Counts Act**, introduced by Rep. Jim Costa (D-CA)
- **H.R.337 - The Groundwater Recharge Technical Assistance Act**, introduced by Rep. Jim Costa (D-CA)
- **H.R. 1871 – The Water Conservation Rebate Tax Parity Act**, introduced by Rep. Jared Huffman (D-CA)

A full list of bills and their status is included in the board packet.



Summary and Next Steps

Bond Tax Treatment: Safe for now—no legislative threats active.

Appropriations Watch: Awaiting Senate action on Energy & Water bill.

WRDA Reform: District-supported reimbursement provision gaining early traction.

Federal Trends: Water and transportation policy integration—potential new funding pathways.



Questions

