Testimony of the Environmental Council of the States,
President Chris Wells, Executive Director, Mississippi DEQ
to the U.S. Senate Committee on Appropriations,
Subcommittee on Interior, Environment, & Related Agencies,
FY2027 Budget Request for the U.S. Environmental Protection Agency

Summary of Request for FY27 Funding for State Environmental Protection and Economic Growth. The Environmental Council of the States (ECOS)[1] appreciates the opportunity to submit written testimony on the Fiscal Year 2027 (FY27) U.S. Environmental Protection Agency (EPA) budget. States, as co-regulators with U.S. EPA, request robust funding for state-led implementation of the nation's environmental programs through cooperative federalism grants to states in amounts not less than FY26 enacted levels or greater. This would include $745.347M for five specific Categorical Grants: **State and local air quality management (Sec. 103, 105, and 106) at $236.672M, Resource Recovery and Hazardous Waste Grants at $105.5M (FY20 levels for hazardous waste and FY24 levels for coal combustion residuals or CCR and recycling), Water Pollution Control (Sec. 106) at $226.435M, Public Water System Supervision (PWSS) at $116.74M, and Brownfields (BF), Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) 128(a) state BF programs at $60M**, along with robust funding for CERCLA 104(k) competitive grants.

States voluntarily implement these federal programs on behalf of EPA through the cooperative federalism principles contained in various environmental statutes. These statutes envision federal financial support for their implementation delivering both environmental protection and economic progress. States work with communities, businesses, federal facilities, and others on environmental infrastructure and regulatory compliance. These growing responsibilities and resource requirements are even more significant as perfluoroalkyl and polyfluoroalkyl substances (PFAS), lead, and other contaminants stress state capabilities on risk prevention, management, and communication. Cooperative federalism grants also help the nation's states, communities, and utilities to strengthen systems against cybersecurity threats. Small, rural, and disadvantaged water systems continue to benefit from state and federal financial and technical support, including incentives for voluntary, locally driven consolidation, regionalization, and public-private partnerships for greater sustainability and resilience. States seek at least **$3.25B each for the Clean Water (CW) and DW SRFs (FY26 authorized levels)**. After five years, FY27 will be the first year without Infrastructure Investment and Jobs Act (IIJA) water infrastructure supplemental funding. In addition, with over half (54%) of the CWSRF and almost two-thirds (64%) of the DWSRF annual capitalization funds designated as Community Project Funding/Congressionally Directed Spending (CPF/CDS) in FY26, and with CPF/CDS planned for FY27, state SRF managers face extreme uncertainty in planning and implementing their successful statewide programs that revolve, leverage, and grow given a mix of loans and grants. State

[1] ECOS is the national nonprofit, nonpartisan association of state, territorial, and District of Columbia environmental agency leaders (hereinafter referred to as "states"). More about ECOS is at: www.ecos.org.

environmental agency leaders urge Congress to reauthorize and revitalize the Drinking Water and Clean Water SRFs and the BF programs.

I. Cooperative Federalism Framework. Congress has consistently legislated a preference for states to be delegated primacy for implementing and enforcing federal programs in the nation's major environmental statutes, including the Clean Water Act (CWA), Clean Air Act (CAA), Resource Conservation and Recovery Act (RCRA), and Safe Drinking Water Act (SDWA). Congress also established a required state match for federal grant funding, and in many cases, states have overmatched federal grants for years. This expectation of federal and state funding in a cooperative federalism framework is one way that Congress has expressed its intent for a shared co-regulator and co-partner system. Inadequate federal funding could force some states to consider returning certain programs to EPA for implementation. The National Association of Clean Air Agencies in FY27 testimony estimates, that "while federal grants were originally intended to cover 60 percent of the cost of implementing the CAA, they cover less than a quarter of that amount today, with the remainder coming largely from state and local programs themselves." States may charge permit/emissions fees, however, these fees may not cover costs for non-major sources and may leave rural and suburban communities without air or water quality data or other key monitoring analysis. Federal funding through cooperative federalism categorical grants to states is integral to successful state, territorial, and local implementation of federal environmental and public health programs.

II. Meeting State Capacity Needs. Congress provides funds for EPA's Categorical Grants, with 17 of these Categorical Grants primarily for states to support regulatory and competitive grant programs. Categorical Grants have been stagnant or declining over the past 20+ years, funded at $1.143B in FY2003 and $1.11B in 2026 – $33M less in real dollars before inflation. To meet permitting and enforcement needs, including streamlining, efficiency, and innovation, states typically rely on much more funding and support from state and local sources than federal sources. However, state general fund support, permit fees, and other state-based funding can face significant limitations. Without sufficient federal funding, states may risk losing their primacy, delegation, or authorization agreements and be subject to increasing risks from third-party claims and petitions.

In my October 2025 letter on upcoming ECOS priorities, I highlighted the importance of embracing opportunities to learn, use, and invest in artificial intelligence (AI). ECOS has published a report noting 21 state environmental agencies' preparations and use of AI in agency internal and external applications to improve agency management and efficiency. As these examples and many more show, states continue to seek to be good stewards of taxpayer dollars and to innovate to meet program obligations and needs.

III. Community Investments to Advance Water Infrastructure and the Economy. Our nation's water infrastructure – including drinking water, wastewater, and stormwater – is vulnerable to natural disasters and other threats, such as floods, wildfires, landslides, subsidence and sea level rise, increasing risks to public safety, the economy, and natural ecosystems. The American Society of Civil Engineers (ASCE) in its 2025 Infrastructure

Report Card and Executive Summary notes that in the past ten years, the wastewater sector's "renewal and replacement rate for large capital projects decreased from 3% to 2% while the average number of collection system failures for combined water utilities increased from 2 to 3.3 per 100 miles of pipe, indicating the impacts of aging infrastructure." ASCE also notes, "To fund these needs, the average bill for residential wastewater customers is increasing from $35 to nearly $65 per month from 2010 to 2020. …In 2024, the wastewater and stormwater annual capital needs were $99 billion, whereas the funding gap was $69 billion, meaning only about 30% of the sectors' infrastructure capital needs are being met."

A June 2025 Congressional Research Service (CRS) report looked at the percentage increase in household payments for water and sewer services between 1998 and 2024, finding that "in the consumer price index (CPI) for all items (listed as 'All Goods and Services')… household payments for water and sewer increased at roughly twice the rate of the CPI during this period. In addition…[t]he relative increases in water and sewer service payments as compared to the wage data indicate that individuals are spending proportionally more of their income on household water and sewer services."

The June 2025 CRS report points to a Congressional Budget Office (CBO) study on wastewater that found that "since at least the 1950s – state and local governments have contributed the vast majority of public funding for wastewater infrastructure projects. The study indicates that in 2023, the state and local share of such spending was 92%, while the federal share was 8%." A February 2025 CBO study found that in 2023, the state and local share of public funding for water infrastructure broadly (drinking water and wastewater combined) was 96% while the federal share was 4%.

Federal fair share funding returns taxpayer dollars to repair and strengthen water infrastructure. More immediately, with new IIJA investments ending in FY26, FY27 will be the first year with only SRF base annual funding and with CPF/CDS increasingly diverting funding away from the SRFs. As a result, states and communities face a dangerous drop in support – a cliff that has less opportunity for soft landings or alternate funding streams through the SRFs. Funding CPF/CDS separately from the SRFs would allow for much less disruption and greater certainty in planning and management of state-assisted financial leveraging and other programs.

Congress specifically provides DWSRF set-aside funding of up to 31% including 4% for SRF administration and technical assistance (TA), 2% for small system TA, 10% for state drinking water program management, and 15% for local assistance and other state programs (such as source water protection efforts or land conservation). To minimize severe swings in administration and program funding levels, states ask that in addition to the set-aside percentages, Congress direct EPA to provide to states a minimum funding amount of $349M or 31%, whichever is greater, of annual DWSRF funds (31% based on FY25 appropriations levels). These set-asides support operator certification programs, implementation capacity development strategies, provision of technical assistance for source water protection, and administration of the PWSS program as is currently allowed.

For the CWSRF, states ask that Congress direct EPA to provide to states a minimum funding amount of $98M, or 6%, whichever is greater (6% is the existing congressionally established CWSRF set-aside level). Tribes already receive a percentage or specified dollar amount, whichever is greater, of the CW and DWSRF funds.

On CPF/CDS, states provided input to EPA for an October 2024 report to Congress. States continue to support allowance of voluntary state administration of part or of all of individual CPF/CDS projects *if* federal funding is provided at a minimum level of 10%. Also, for projects that receive both CPF/CDS and SRF funding, states recommend the State Environmental Review Process (SERP) be used in lieu of a separate National Environmental Policy Act (NEPA) review by EPA. States must submit documentation on their SERPs to show they are comparable to NEPA prior to receiving our annual capitalization grants. Requiring communities to complete both SERP and NEPA for the same project poses redundancies that are an inefficient use of taxpayer dollars.

States strongly support Congress reauthorizing the CWSRF and DWSRF at levels that reflect a federal fair share, such as at least 10% of overall public funding for water infrastructure, to return taxpayer dollars to strengthen our local communities. More information on the importance of SRFs is available in this ECOS flyer.

Further community revitalization can be realized through Brownfields (BF) project investments, one of the best examples of the environmental and economic nexus in every state. I testified on March 4 to the U.S. House Committee on Energy & Commerce, Subcommittee on Environment that through 70 EPA CERCLA 104(k) (BF cleanup) grants totaling nearly $30M, Mississippi communities have leveraged more than $300M in private investment — roughly a 10-to-1 return — and created more than 800 jobs and returned over 700 properties to productive use. Federal funding that supports State Technical Assistance Grants under section 128(a) is the fastest and most efficient way to provide non-competitive brownfields assessment, planning, and cleanup assistance to small, rural, and low-capacity public entities and nonprofits. The Brownfields Program works because it removes uncertainty at the local level for the community and for potential investors and states urge Congress to provide continued funding.

IV. Advancing Science. State environmental agencies recognize the value of national leadership and investment in research and development beyond the capacity of individual states. Consistent with ECOS's 2025 resolution on the importance of science in advancing cooperative federalism, states support steady, consistent funding in EPA's Science & Technology account for research and development for immediate and longer-term products that serve the current and anticipatory needs of the states and their communities.

Summary. States urge Congress to provide $745.347M for five FY27 Categorical Grants at FY26 levels or greater along with robust funding for CERCLA 104(k) competitive grants and to provide $3.25B for the CWSRF and DWSRF each, consistent with this testimony.