

Puget Sound Regional Council (PSRC) Federal Update – September 2026

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Agenda

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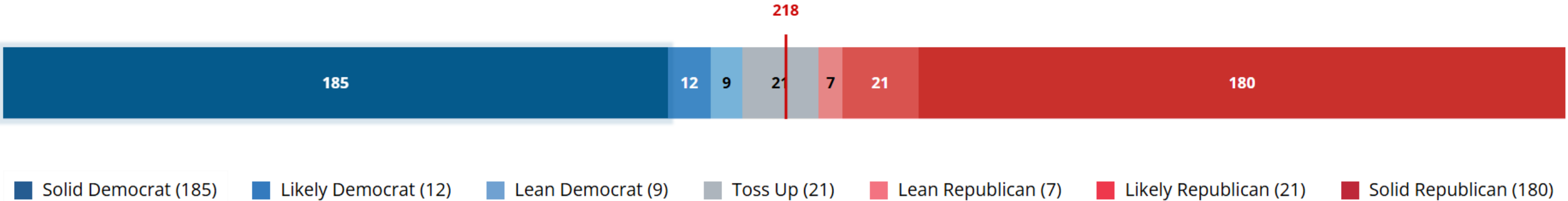
- Political Landscape Heading into November
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- Census Rulemaking

Political Landscape Heading into November

Midterms – House and Senate Outlook

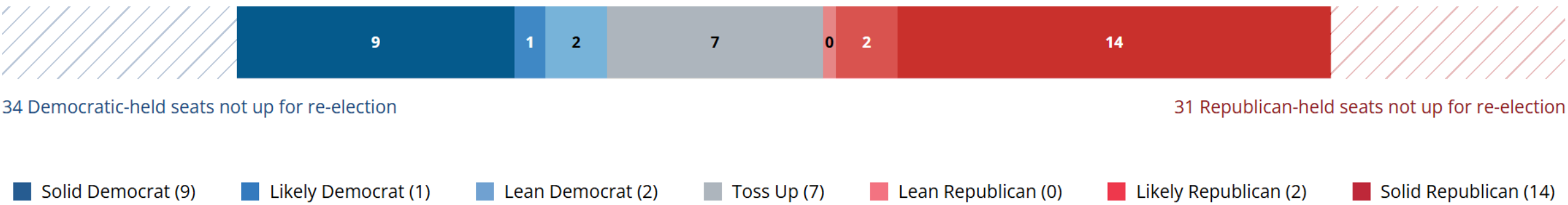
House: All Seats Up for Re-Election

Republicans currently hold a 219-214 majority (including independents)



Senate: 35 Seats Up for Re-Election

Republicans currently hold a 53-47 majority (including independents)



Source: Cook Political Report

New Faces in the 120th Congress

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Nearly 1 in 5 members won't return. 99 seats are already guaranteed to change hands in Congress from the start of 2025, and that number will climb as dozens of incumbents face competitive November races.

83

HOUSE DEPARTURES

60 representatives are retiring or seeking another office, plus 11 who lost their primaries in addition to seats impacted by deaths and resignations.

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SENATE DEPARTURES

Senators are retiring or running for a different office next cycle.

Primaries were unusually tough: 13 incumbents lost outright, and of the 30-plus members seeking a different office, just over half won their primaries.

Key Priorities with Potential Leadership Changes in 120th Congress

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If Democrats gain control of one or both chambers, priorities in the 120th Congress are likely:

Oversight & Investigations

Increased oversight of Administration actions, executive orders, federal contracting, tariff policies, agency spending decisions, and ethics and transparency matters.

Affordability

Affordability is expected to serve as a central organizing theme for broader economic and domestic policy initiatives, with a renewed focus on lowering the cost of housing, health care, prescription drugs, child care, energy, and household goods.

CPF / CDS Process Changes

Potential expansion of eligible project categories and entities, as well as higher funding levels for Community Project Funding and Congressionally Directed Spending requests.

Federal Appropriations Update

FY27 Appropriations Update

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- With the end of the federal fiscal year approaching on September 30, congressional leaders advanced a short-term continuing resolution (CR) this month to avoid a government shutdown like last year and while heading into the midterm elections.
- The Senate passed a CR in a 90-6 vote on August 8 to temporarily extend FY 2026 appropriations **through December 11, 2026. The CR also includes language that would delay the implementation of the Office of Management and Budget's (OMB) proposed rule through December 11, 2026, and provides a clean extension of surface transportation reauthorization through the same date.**
- On September 1, the House passed this CR with a 370-48 vote. The President signed the measure into law the following day.
- While lawmakers are expected to revisit fiscal year (FY) 2027 appropriations during the lame-duck session following the midterm elections, the compressed legislative calendar and competing priorities make enactment of full-year appropriations bills unlikely before the end of the year. Congress may need another short-term funding extension into 2027.

FY27 Appropriations Update (cont'd.)

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The House Appropriations Committee has advanced all twelve FY27 appropriations bills and has passed the National Security-State Department, Agriculture, and Military Construction-Veterans Affairs bills on the floor.

Below are House-proposed funding levels for key departments and agencies:

Department of Transportation (DOT)	\$92.224 B	▲	+\$30.798 B above FY26 enacted levels
Department of Housing and Urban Development (HUD)	\$71.377 B	▼	-\$5.942 B below FY26 enacted levels
Department of Justice (DOJ)	\$38.612 B	▲	+\$1.563 B above FY26 enacted levels
Federal Emergency Management Agency (FEMA)	\$34.067 B	▲	+\$2.039 B above FY26 enacted levels
Department of Homeland Security (DHS)	\$64.9 B	▼	-\$1.46 B below FY26 enacted levels
U.S. Department of Agriculture (USDA)	\$26.27 B	▼	-\$380 M below FY26 enacted levels
Environmental Protection Agency (EPA)	\$7.035 B	▼	-\$1.781 B below FY26 enacted levels

The Senate Appropriations Committee has not marked up its FY27 appropriations bills.

OMB Uniform Guidance Proposed Rule

OMB Proposed Rule on Federal Grantmaking: Regulation for Federal Financial Assistance

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The Office of Management and Budget (OMB) issued a proposed rule on May 29, 2026 to revise the Guidance for Federal Financial Assistance to improve government-wide policies and requirements related to the management of grants, cooperative agreements, and other forms of assistance.

The proposed rule makes sweeping changes to grant award selection and administration processes, specifically increasing the politicization of federal grants procedures. A few notable changes in this proposed rule are below:

New government-wide conditions on every federal award: New prohibitions on grant-funded activities use undefined terms like “national interest”, making compliance very difficult to verify in advance.

Agencies could freeze an active grant without terminating it: Agencies may suspend competitive grants for up to 90 days via written stop-work order – with no defined standards, no appeal process, and no clarity on cost recovery during the suspension.

OMB Proposed Rule on Federal Grantmaking: Regulation for Federal Financial Assistance (cont.)

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Federal agencies could terminate competitive grants mid-stream: Agencies may cancel competitive grants for water infrastructure, transportation, housing, public safety, economic development, and more if they no longer align with current federal goals outlined by the administration.

More screening and oversight before and after grants are awarded: Competitive grant applications would go through a new political appointee review with no defined standards.

The short-term CR passed by Congress delays the proposed rule's implementation date from October 1 to December 11, 2026.

OMB Proposed Rule on Federal Grantmaking – Public Comments

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- Comments on the Office of Management and Budget's (OMB) proposed revisions to 2 CFR Part 200, were due July 13, 2026. More than 495,000 comments were submitted, including filings from NSDA, NACo, NLC, USCM, NARC, AMPO, APTA, and NADO.
- Senate Appropriations Chair Susan Collins (R-ME), 151 House Democrats, and 47 Senate Democrats also submitted comments.
- Comment letters generally raised concerns regarding provisions that would give senior political appointees discretion over the approval and termination of grants, expand the administration's power to terminate grants, and create new compliance requirements.

Surface Transportation Reauthorization Update

Surface Transportation Reauthorization Update

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- Congress continues to work to advance the next surface transportation reauthorization bill as the current authorization expires on September 30, 2026. The CR extends the current authorization through December 11th.
- The House Transportation & Infrastructure (T&I) Committee approved the BUILD America 250 Act (H.R.8870) by a 62-2 vote on May 22, 2026. The Energy & Commerce and Science, Space, & Technology committees have also approved their portions of the bill. However, Ways & Means has not acted and the Chairman has said he will not waive his jurisdiction over the bill.
- Speaker Johnson has committed to pursuing a vote on the legislation after the November elections.
- However, none of the four Senate committees that have jurisdiction over surface transportation reauthorization have released text.
- Another extension will likely be needed post-December 11th.



Surface Transportation Reauthorization Update – Next Congress

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- Given the overwhelming bipartisan passage in Committee this year, there is unlikely to be major changes in the bill in the next Congress.
- However, T&I is likely to have significant new membership so Committee members will need to be educated on the process. Similarly, the Senate Environment & Public Works (EPW) Committee is likely to have a new Democratic Chair/Ranking Member.
- House T&I leadership has also indicated that they will also have other priorities for the next Congress, including FAA Reauthorization and FEMA reform.



BUILD America 250 Act Overview

The House Transportation & Infrastructure (T&I) Committee approved the BUILD America 250 Act (H.R.8870) by a 62-2 vote on May 22, 2026.

TOTAL AUTHORIZATION		IIJA COMPARISON	
Nearly \$580 billion		\$944 billion	
Total spending from FY 2027 - FY 2031		From FY 2021— FY 2026, with \$550 billion in new spending	
Federal-Aid Highways programs	\$392.324 B	▲	Approx. \$29.7 billion increase
Transit	\$102.74 B	▼	Approx. \$3.4 billion decrease
Railroads / Hazardous Materials programs	\$64.656 B	▼	Approx. \$37 billion decrease
Highway traffic safety programs	\$5.675 B	▼	Approx. \$2.8 billion decrease
Motor carrier safety programs	\$5.04 B	▼	Approx. \$0.1 billion decrease

The BUILD America 250 Act does not include advanced appropriations.

Surface Transportation Accelerator Grant (STAG) Program *(New)*

- \$2.4 billion/year competitive grant program to fund a wide range of projects including rail, safety, public transportation, surface transportation, ports, freight, transportation demand management.
- Under the program, 50 percent of funding is for local and regional grants, 25 percent is for rural grants (50,000 or less), and 25 percent is for urban grants.

Bridge Formula Program

- \$9 billion/year program, which requires states to set-aside 25 percent of funds to run a competitive process to fund locally owned bridge projects, and a \$10 billion discretionary bridge program (minimum grant size - \$50 million).

Culvert Program

- Competitive grant program provides \$1 billion over five years.
- This funding would come from a \$200M per-year set aside from the formula bridge program, which in turn would be funded through the Highway Trust Fund (HTF).

NEPA Reforms

Includes NEPA reforms, such as expanding thresholds for Categorical Exclusions

Wildlife Crossings Pilot Program

Authorizes \$80 million per year from Highway Trust Fund for the Wildlife Crossings Pilot Program.

While IIJA provided \$66 billion in dedicated funding for passenger and freight rail, this bill contains no guaranteed funding for rail. Instead, the bill authorizes funding for rail, but it will have to go through the appropriations process and is unlikely to result in any significant growth for rail programs.

Ferry Funding

Reauthorizes the Ferry Boats and Ferry Terminal Facilities Program at **\$932 million over five years (FY 2027–2031)**, compared with \$912 million in total IJA funding (\$570 million in Highway Trust Fund funding plus \$342 million through Division J).

- Consolidates FTA's dedicated ferry funding into the newly named **Buses, Bus Facilities, and Ferries** program.
- Sets aside **\$125 million annually** from the Urbanized Area Formula Program for competitive grants for ferry projects in urbanized areas and projects connecting urbanized and rural areas (\$625 million over five years).
- Sets aside an additional **\$25 million annually** from the Rural Formula Program for ferry projects in rural and insular areas (\$125 million over five years).
- Repeals the Electric or Low-Emitting Ferry Pilot Program and the Ferry Service for Rural Communities Program as stand-alone programs.

BUILD America 250 Act Overview (cont'd.)

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Key policy provisions relevant to PSRC include, but are not limited to:

- **Local match** — Reduces the local match requirement from 20% to 10%.
- **INFRA grant program** — Adds MPOs as eligible applicants to the INFRA grant program.
- **Metropolitan Planning (PL)** — Increases authorized funding to **\$520M in FY27**, then \$20 million increases annually through FY31.
- **Safe Streets and Roads for All** — Preserves the Safe Streets and Roads for All (SSFA) program.
- **STBG** — Expands eligibility to improvements that help existing facilities withstand natural disasters and increase resilience.
- **CMAQ** — Broadens eligibility to projects deploying advanced transportation and congestion management technologies and digital infrastructure.
- **Project selection** — Requires the Secretary to notify states and MPOs of the cost-effectiveness table and requires them to consider it when selecting projects.

BUILD America 250 Act Overview (cont'd.)

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Programs Preserved	Programs Repealed	New Programs
▪ National Culvert Removal, Replacement, and Restoration Grant Program ▪ Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program ▪ Railroad Crossing Safety Improvements and Elimination Program ▪ National Intercity Passenger Railroad Partnership Program ▪ Safe Streets and Roads for All Program ▪ Wildlife Crossings Program ▪ Bridge Investment Program ▪ Bus and Bus Facilities Program ▪ SMART Grant Program ▪ PROTECT Grant Program ▪ Mega Grant Program ▪ INFRA Grant Program	▪ Healthy Streets Program ▪ PROTECT Formula Funding ▪ Charging and Fueling Infrastructure Grant Program ▪ National Electric Vehicle Infrastructure (NEVI) Formula Program ▪ Carbon Reduction Program ▪ Low-No Ferry Program	▪ Surface Transportation Accelerator Grant Program (STAG) ▪ Transportation assistance for international games grant program

21st Century ROAD to Housing Act Implementation

Implementing the 21st Century ROAD to Housing Act

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The 21st Century ROAD to Housing Act became law on July 10. The final bill:

- Streamlines federal reviews for housing projects
- Modernizes federal housing programs
- Incentivizes local governments to address barriers to housing development
- Increases veterans' access to federal housing programs

The provisions are not self-executing. HUD and other federal agencies must complete significant implementation actions before many reforms take effect.

Implementing the 21st Century ROAD to Housing Act

Required Appropriations

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While the 21st Century ROAD to Housing Act is budget-neutral by design, Congress must fund nearly a dozen programs in future appropriations, including:

SEC. 207

Planning & Implementation Grants

New competitive grant pilot for affordable housing planning and implementation.

SEC. 210

RESIDE Act

Pilot helping local governments convert vacant commercial and industrial buildings into housing.

SEC. 404

Helping More Families Save Pilot

Authorizes a pilot testing an opt-out approach to HUD's Family Self-Sufficiency program.

SEC. 208

Innovation Fund

New flexible \$200 million grant program for community infrastructure, housing, and water and sewer grants.

SEC. 304

PRICE Act Grants

Authorizes HUD's PRICE program for seven years to stabilize manufactured housing communities.

SEC. 504

Reforming Disaster Recovery Act/CDBG-DR

Authorizes the Community Development Block Grant-Disaster Recovery program for three years.

Implementing the 21st Century ROAD to Housing Act

Required Rulemakings

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The law directs HUD to publish nine rulemakings, adding to HUD's existing workload. Relevant required rulemakings include:

SEC. 206

Unlocking Housing Supply Through Streamlined and Modernized Reviews Act

Streamlines the NEPA review process for small and infill housing projects by expanding categorical exclusions.

SEC. 504

Reforming Disaster Recovery Act

Authorizes the Community Development Block Grant-Disaster Recovery program for three years.

SEC. 501

HOME Investment Partnerships Reauthorization and Reform Act

Reforms and reauthorizes the HOME Program and establishes statutory NEPA exemptions for certain housing activities.

SEC. 1001

Homes are for People, Not Corporations

Prohibits large institutional investors with investment control of at least 350 single-family homes from purchasing additional single-family homes.

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Implementation actions



88

led by HUD



58

due in the first year

HUD's ability to carry out these implementation actions may be constrained by recent staffing reductions, such as:

Policy Development & Research

–27% staffing since FY 2025

Responsible for about 60% of reports and 58% of notices due in year one.

Office of General Counsel

–35% staffing since FY 2025

This office must review every implementation action before HUD publishes the action.

Implementation Calendar

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DATE	§	ACTION / DEADLINE	LEAD
Aug 10, 2026	§504	HUD issues CDBG-DR formula allocation notice — review for disaster recovery implications	HUD CPD
Sep 9, 2026	§213	HUD notifies each city of its housing growth improvement rate — baseline for future CDBG adjustments	HUD CPD
Oct 1, 2026	§104	FY2027 grant year begins — land database must be ready before FY2027 grant agreement execution (expected spring/summer 2027). CDBG funds may be used to build the database. Watch for HUD guidance.	City Comm. Dev.
Jan 7, 2027	§106	HUD establishes Temperature Sensor Pilot eligibility — city PHAs can apply for grants	HUD / Local PHA
Jan 7, 2027	§501	HUD completes BABA review for HOME — guidance issued 90 days after; HOME staff should prepare	City HOME Grantee
Jan 7, 2027	§1001	INSTITUTIONAL INVESTOR BAN TAKES EFFECT. HUD launches renter hotline. Investors must register.	Monitor market
Jan 11, 2027	§601	FHFA directs Fannie/Freddie to add VA loan disclosure to URLA — relevant to local housing counselors	FHFA
Jan 11, 2027	§504	HUD issues proposed rule on CDBG-DR — engage in comment process	City CDBG-DR staff
Mar 8, 2027	§403	HUD issues mortgagee letter on appraiser eligibility standards — affects local FHA lending volume	HUD FHA
Apr 7, 2027	§401-402	CFPB reports on small-dollar mortgage originator compensation and points/fees	CFPB / Monitor

Source: The United States Conference of Mayors

Implementation Calendar (cont'd.)

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DATE	§	ACTION / DEADLINE	LEAD
Jul 11, 2027	§208	HUD establishes Innovation Fund (\$200M/year). GRANT APPLICATIONS OPEN. Prepare housing supply data now.	City Grants Team
Jul 11, 2027	§207	HUD establishes Planning and Implementation Grant Program. Coordinate with regional planning agency.	City Planning
Jul 11, 2027	§501	HUD issues HOME modernization rules. Comment period opportunity — coordinate with USCM.	City HOME Grantee
Jul 11, 2027	§805	HUD requires all PHAs to publicly disclose contracts online. Ensure your PHA is compliant.	City PHA
Jul 11, 2027	§504	HUD issues final rule on CDBG-DR. Engage actively if city has recent disaster declarations.	HUD CPD
Jul 11, 2028	§107	HUD publishes draft voluntary zoning guidelines and convenes advisory task force — seek representation	City Planning
Oct 1, 2028	§213	CDBG allocation adjustments based on housing production begin (through FY2043)	City CDBG/Planning
Jul 11, 2029	§107	HUD issues final voluntary zoning guidelines — review for alignment with your comprehensive plan	City Planning
Sep 30, 2030	§503	ESG 60% CAP WAIVER AUTHORITY EXPIRES. All waiver requests must be submitted before this date.	City CoC / ESG

Source: The United States Conference of Mayors

Implementation Calendar (cont'd.)

DATE	\$	ACTION / DEADLINE	LEAD
Oct 1, 2031	\$202	Whole-Home Repairs Pilot sunsets. Secure any pending applications well before this date.	City Housing
Sep 30, 2031	\$210	RESIDE Conversion Grant Pilot sunsets. Submit applications well in advance.	City Planning/Housing
Jul 11, 2033	\$208	Innovation Fund sunsets — seven-year window. Maximize grant applications throughout.	City Grants Team
Jan 7, 2042	\$1001	Institutional investor purchase ban terminates after 15-year window.	Monitor

Source: The United States Conference of Mayors

Continuum of Care Update

On September 16, the First Circuit Court of Appeals granted HUD a stay in the Continuum of Care (CoC) litigation, finding HUD would likely win on the merits of its claim that the \$1.3 billion set-aside is not a bonus.

- The ruling invalidates the Rhode Island District Court's earlier decision that HUD had to conduct a notice and public comment period before including the set-aside in the NOFO.
- Stakeholders worry the \$1.3 billion set-aside would push communities to shift funding away from permanent supportive housing and rapid rehousing toward transitional housing and supportive services only projects.

HUD has reissued its FY 2026 NOFO as previously written with a September 30th deadline; plaintiffs may refile a motion challenging it on other grounds.

National Historic Preservation Act (NHPA)

National Historic Preservation Act (NHPA), Section 106 Proposed Rule

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The Advisory Council on Historic Preservation (ACHP) has advanced a Notice of Proposed Rulemaking (NPRM) to Section 106 of the National Historic Preservation Act (NHPA):

- NHPA governs the process for evaluating and addressing the effects of federally funded, permitted, or licensed projects on historic properties.
- The proposed changes could significantly affect how state, Tribal, and local stakeholders participate in project reviews, including opportunities for local governments to provide input on infrastructure projects that may impact historic and cultural resources.

The proposed rule is currently under review with the White House Office of Information and Regulatory Affairs (OIRA). **Once finalized by OIRA, it may be published in the Federal Register as a proposed rule, triggering a formal, public comment period.**

Data Centers & AI

~1,500

data centers built or planned nationwide,
many in battleground districts

The administration, Congress, political candidates, and state and local governments are continuing to grapple with accelerating data center development. Several proposals have been introduced, including:

Ratepayer Protection Act

H.R. 9340 / S. 5028

PASSED THE HOUSE 417–3 ON SEPTEMBER 16

Requires states to consider adopting a federal standard directing data centers to pay the full cost of new generation and transmission upgrades needed to serve them.

Water Cost Accountability Act

Discussion draft

NOT YET FORMALLY INTRODUCED

Requires states receiving DWSRF grants to prohibit public water systems from passing data center connection or capacity-expansion costs on to other customers — those costs would instead be borne by the data center owner or operator.

FRONTIER Act introduced

July 23, 2026

Reps. Jay Obernolte (R-CA) and Lori Trahan (D-MA) introduced the bipartisan bill, developed as part of the Great American AI Act framework. It establishes a national, risk-based framework governing the development and deployment of the most advanced AI models.

Lawmakers Submit Bipartisan Letter

September 16, 2026

Ten House lawmakers sent a letter to House leadership urging both parties to take immediate action on the risks posed by rapidly advancing AI. Lawmakers write that *“The House could and should immediately take up legislation that would strengthen AI oversight, security, and transparency.”*

Census Rulemaking

2030 Census Proposed Rule

- The Census Bureau published a proposed rule on Sept. 10, creating two new parts of 15 CFR governing the 2030 Decennial Census. The rule:
- Proposes counting lawful permanent residents while excluding undocumented immigrants and people whose legal status is “less durable and indefinite” than a green card.
- Removes all questions on race, ethnicity, and sexual orientation.

COMMENT DEADLINE
October 13, 2026

Why It Matters

- **Formula dollars flow by population.** Formula funds and population-based suballocations of surface transportation dollars follow census population and density. Undercounts compress a region’s share for a full decade.
- **Planning and modeling depend on the data.** Travel demand models, long-range plans, TIP development, and air quality conformity all build on census inputs.
- **Regional bodies absorb undercount effects** across every member jurisdiction simultaneously.
- **Boundary and apportionment ripple effects.** Changes to the apportionment base affect congressional and legislative district lines that regional coalitions organize around.

Questions?
