



Puget Sound Regional Council

Federal Update – June 2025

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June 26, 2025

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Agenda

- Budget Reconciliation Update
- FY26 Appropriations Update
 - DOT FY26 Budget Request
 - HUD FY26 Budget Request
- Surface Transportation Reauthorization
- Questions

Budget Reconciliation Update – House

- On May 22, the House passed the “**One Big, Beautiful Bill Act**” (H.R. 1), the budget reconciliation measure to enact President Trump’s domestic policy priorities, including immigration enforcement and renewal of the 2017 Tax Cuts and Jobs Act (TCJA) tax cuts. The bill also includes significant cuts to programs such as Medicaid and SNAP. It also rescinds several Inflation Reduction Act (IRA) energy tax credits and funding for environmental programs.
- The House passed the bill by a narrow 215-214 vote. All House Democrats voted in opposition to the bill. The following Republican members voted in opposition or present on the measure:
 - Rep. Warren Davidson (R-OH-08): Nay
 - Rep. Thomas Massie (R-KY-04): Nay
 - Rep. Andy Harris (R-MD-01): Present

Budget Reconciliation Update - House

- **Among the key provisions from the House bill:**
 - **Municipal Bonds:** Maintains the tax-exempt status of municipal bonds, despite initial proposals to remove as a pay-for to offset other spending provisions.
 - **Low-Income Housing Tax Credit (LIHTC):** Restores the 12.5 percent increase to the 9% LIHTC from 2026 through 2029 and lowers the bond-financing threshold for the 4% LIHTC from 50 percent to 25 percent for bonds issued before 2030.
 - 9% LIHTC: Discretionary; primarily supports new construction/rehabilitation without other federal subsidies
 - 4% LIHTC: Non-discretionary; primarily supports acquisition/rehabilitation of existing buildings

Budget Reconciliation Update - House

- **Opportunity Zones:** Creates a new round of Opportunity Zones (created in the 2017 TCJA), with benefits to be offered from 2027 – 2033. States would be required to ensure that:
 - Opportunity Zones are Census tracts with a poverty rate of at least 20 percent or a median family income that is no more than 70 percent AMI.
 - At least 33% of new Opportunity Zones are comprised entirely in a rural area.

Budget Reconciliation Update – House

- **Rescission of unobligated funds for several IRA programs, including:**
 - FHWA Neighborhood Access and Equity (NAE) Grants
 - FHWA Environmental Review Implementation Funds
 - MARAD Clean Ports Grants
 - FHWA Low-Carbon Transportation Materials Grants
 - GSA Assistance for Federal Buildings
 - GSA Use of Low-Carbon Materials, and Emerging Technologies
 - FAA Alternative Fuel and Low-Emission Aviation Technology Program
- **Highway Trust Fund (HTF):** Establishes \$250 and \$100 annual registration fees for EVs and hybrid vehicles, respectively, as means of revenue for the HTF, which is the primary funding source for surface transportation.

Budget Reconciliation Update - House

- **IRA Clean Energy Tax Credits:** H.R. 1 terminates or phases out the several key IRA tax credits available to local governments including:
 - Section 30C – Alternative Fuel Refueling Property
 - Section 25D – Residential Clean Energy Credit
 - Section 45W – Credit for Purchase of Commercial Clean Vehicles
 - Section 25C – Energy Efficiency Home Improvement Credit

Budget Reconciliation Update – Senate

- The week of June 2, Senate committees began releasing their budget reconciliation bill text. Similar to H.R. 1, the Senate version includes significant funding for immigration enforcement and repeals/rescinds funding from IRA.
- Per Senate rules, the Senate bill is subject to the **Byrd Rule**, which requires all provisions in a reconciliation bill to have a direct, budgetary effect. The Senate Parliamentarian has already ruled that several provisions in the Senate bill do not comply with the Byrd Rule, including but not limited to those pertaining to:
 - BIL funding authorizations
 - SNAP funding/eligibility changes
 - Funding restrictions for “sanctuary jurisdictions”

Budget Reconciliation Update – Senate

- The Senate is expected to consider the bill under expedited reconciliation rules, allowing for up to 20 hours of debate followed by a “vote-a-rama” on unlimited amendments. At this point, it is uncertain when votes in the Senate will begin due to additional healthcare provisions (i.e. Medicaid) recently announced that violate the Byrd Rule.
- **A simple majority in the Senate is needed for final passage.** After Senate passage, the House will need to pass the Senate bill before it can be signed into law by the President.

Budget Reconciliation Update – Senate

- **Housing and Community Development:** The provisions for municipal bonds, LIHTC, and Opportunity Zones in the House bill are predominantly the same in the Senate version.
- **IRA Funding:** Like the House version, the Senate bill repeals or rescinds over a dozen IRA programs, including but not limited to:
 - Clean Heavy-Duty Vehicles
 - Port Pollution Reduction Grants
 - Greenhouse Gas Reduction Fund
 - Air Pollution Monitoring Grants
 - Low Emissions Electricity Program
 - Greenhouse Gas Pollution Grant Program
 - Reducing Air Pollution at Schools

FY26 Appropriations Update

- On April 30, President Trump released a “skinny” budget, which outlined high-level details of his Fiscal Year (FY) 2026 budget request to Congress.
- On May 30, the White House shared additional details for the President’s FY 2026 budget request including the budget for the Department of Transportation (DOT). These details came nearly a month after the “skinny” budget request was released, which left lawmakers frustrated over the initial, scant amount of detail.
- House Republicans’ slim majority and disagreements surrounding spending levels will make finding an agreement on FY2026 appropriations levels difficult.

FY26 Appropriations Update: DOT Budget Request Highlights

- The Department of Transportation (DOT) FY 2026 budget request includes **\$111.3 billion** in requested funding, along with **\$5.7 billion** in proposed rescissions from the National Electric Vehicle Infrastructure (NEVI) and Charging and Fueling Infrastructure (CFI) grant programs created by the Bipartisan Infrastructure Law (BIL).
- The \$111.3 billion request is in addition to \$35.8 billion in FY 2026 BIL advance appropriations, making DOT's total budget request **\$147.1 billion** in budgetary resources.
- The House Appropriations Committee is expected to markup the FY 2026 Transportation-HUD appropriations bill the week of July 7th.

FY26 Appropriations Update: DOT Budget Request Highlights

DOT Program	FY26 Budget Request
Federal Transit Administration (FTA)	\$21.247 billion
Transit Formula Grants <i>(includes Passenger Ferry Grant Program)</i>	\$14.6 billion
Electric or Low-Emitting Ferry Program	<i>BIL Advance Appropriations: \$50 million</i>
Ferry Service for Rural Communities	<i>BIL Advance Appropriations: \$200 million</i>
Federal Highway Administration (FHWA)	\$72.578 billion
Maritime Administration	\$1.932 billion
Port Infrastructure Development Program (PIDP)	\$1 billion

FY26 Appropriations Update: HUD Budget Request Highlights

- The Department of Housing and Urban Development (HUD) FY 2026 budget request includes **\$42.765 billion in funding, which is a 44% reduction compared to current funding.**
- HUD's budget request also proposes eliminating funding for multiple programs addressing affordable housing and homelessness, including:
 - Tenant Based Rental Assistance
 - Community Development Block Grant (CDBG)
 - Pathways to Removing Obstacles to Housing (PRO Housing)
 - HOME Investment Partnerships

FY26 Appropriations Update: HUD Budget Request Highlights

- Under HUD's budget proposal, HUD's Housing Choice Voucher program, Public Housing, Project-Based Rental Assistance (PBRA), Section 202 Housing for the Elderly (Section 202), and Section 811 Housing for Persons with Disabilities (Section 811) programs would be combined into one **State Rental Assistance Block Grant (SRABG)** program.
- The full request provides limited details on the administration of the SRABG program, specifying the HUD Secretary would be charged with developing a formula to allocate funding to states.

Surface Transportation Reauthorization

- The current **Surface Transportation Authorization**, that was included in the Bipartisan Infrastructure Law (BIL), expires on September 30, 2026. The BIL provided approximately \$550 billion in infrastructure investment over 5 years, including:
 - \$350.8 billion for federal highways
 - \$91.2 billion for federal transit programs
- The House Transportation & Infrastructure (T&I) Committee collected feedback from stakeholders and members of Congress throughout April and May and is beginning to draft legislation.
- The National Association of Regional Councils (NARC) shared the following priorities with the committee:
 - Increase and enhance Metropolitan Planning (PL) funding
 - Promote Non-Metropolitan Transportation Planning
 - Support Local Decision-Making Through Formula Funds
 - Preserve Discretionary Grant Funding

PSRC's Surface Transportation Reauthorization Priorities

- **Metropolitan Planning Funding:** Enhance planning and implementation support for MPOs through additional Metropolitan Planning (PL) funding.
- **Ferry Programs:** Increase funding and policies to restore, improve, and modernize the Washington State Ferries system to ensure reliable service for our Marine Highway System.
- **Safe Streets and Roads for All:** Maintain the Safe Streets and Roads for All (SS4A) Program, created in BIL, with a focus on implementation resources.

PSRC Delegation Members on Surface Transportation Committees

House Transportation & Infrastructure

- Rep. Rick Larsen (WA-02), Ranking Member
- Rep. Marilyn Strickland (WA-10)

House Ways and Means

- Rep. Suzan DelBene (WA-01)

Senate Commerce, Science, and Transportation

- Sen. Maria Cantwell (WA), Ranking Member

Senate Finance

- Sen. Maria Cantwell (WA)

Questions?